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CORPORATE SOCIAL RESPONSIBILITY: ETHICS OVER PROFITS

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ABSTRACT

In order to engage with different stakeholders, a company's primary approach for proactively incorporating social and environmental issues into business operations is known as corporate social responsibility, or CSR. It has become a top priority for many managers and researchers who want to build a long-term competitive edge. Companies can be aware of their impact on the social, economic, and environmental facets of society by engaging in corporate social responsibility, often known as corporate citizenship. When a firm practices corporate social responsibility, it means that it operates in a way that benefits society and the environment rather than detracting from them. Ethical behaviour is an important part of CSR, where businesses are encouraged to follow not only commercial logic but also behave in accordance with accepted societal norms and adopt ethical code of conduct. Beyond the legal obligations outlined in national laws governing business conduct, corporate social responsibility encourages businesses to go above and beyond the requirements of the law in order to uphold societal goals and values that are ingrained in institutional, political, and economic contexts as well as to adapt to shifting social concerns.

A company's primary approach for proactively incorporating social and environmental issues into business operations in order to engage with different stakeholders, is known as Corporate Social Responsibility or CSR. It is becoming a top priority for many managers and researchers who want to build a long-term competitive edge. Yet, there are significant differences in the scope, structure and performance of CSR activities carried out by businesses.

Companies can be aware of their impact on the social, economic, and environmental facets of society by engaging in CSR, often known as Corporate Citizenship. When a firm practices its C-S Responsibility, it means that it operates in a way that benefits society and the environment rather than detracting from them.

The World Business Council for Sustainable Development defines corporate social responsibility as the *"continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce, their families as well as of the local community and society at large."*¹

Organization for Economic Co-operation and Development (OECD) views CSR as the *"Business contribution to sustainable development."*²

Businesses need to integrate the economic, social and environmental impact in their operations. CSR is not an optional 'add-on' to business core activities, but about the way in which businesses are managed. Depending on the business and industry, corporate social responsibility is a broad term that can take many different shapes. Businesses may help society while enhancing their brands by participating in CSR initiatives, volunteering, and charity.

A firm must be accountable to its investors and to itself before it can be considered socially responsible. Businesses that participate in CSR initiatives frequently have developed to the point where they are able to contribute to the community. As a result, big businesses usually employ CSR as a strategy.

It began as a result of public outcry over the detrimental effects of corporate activities, including child labour, subpar working conditions, unpaid overtime, and environmental damage. At the moment, it is frequently employed to characterise non-commercial interactions between businesses and other social actors as well as the general public.³

Ethical behaviour is an important part of CSR, where businesses are encouraged to follow not only commercial

logic but also behave in accordance with accepted societal norms and adopt ethical code of conduct.⁴ Beyond the legal obligations outlined in national laws governing business conduct, corporate social responsibility encourages businesses to go above and beyond the requirements of the law in order to uphold societal goals and values that are ingrained in institutional, political, and economic contexts as well as to adapt to shifting social concerns.

Both for-profit and non-profit organisations can use the CSR guidelines that have been produced by international organisations, regional organisations, national governments, nonprofit organisations, and business groups. These include the United Nations Global Compact, OECD standards for responsible business activity towards sustainable development, and International Labour Organisation (ILO) norms to maintain minimum safe working conditions.

Types of Corporate Social Responsibilities:

There are four primary categories of corporate social responsibility in general.

Environmental Responsibility:

This cornerstone of CSR is based on protecting the environment. A business can guarantee that it leaves natural resources in a better state than when it started by operating at maximum efficiency and supporting relevant causes. It needs to look after the reduction in pollution, better waste management, efficient natural resource consumption and controlling emissions through its manufacturing process. Recycling goods and materials throughout its processes, offsetting negative impacts by replenishing natural resources or supporting causes that can help neutralize the company's impact and distributing goods by carefully choosing methods that have the least impact on emissions and pollution.

Ethical Responsibility:

It is based on behaving morally and fairly. Businesses frequently establish their own standards, but outside factors like customer demands can also influence moral objectives. Equal treatment for all clientele, irrespective of their age, gender, culture must be ensured. Kind treatment of every employee, including competitive salary and benefits above legally required minimums. Expansion of vendor utilisation to include more vendors with varying racial, gender, veteran, or socioeconomic backgrounds. Also, operating concerns should be promptly and respectfully disclosed to investors in an honest and open way.

Philanthropic Responsibility:

Yet another aspect of CSR is philanthropic responsibility that

uses a company's resources to improve the world. This ensures whether a business gives its profits to worthy causes or charitable organisations, whether a business exclusively transacts with vendors or suppliers who share its charitable values, whether an employer offers time off or matches employee donations in support of their charitable endeavours or whether a business participates in community outreach programmes or sponsors fundraising activities.

Financial Responsibility:

All the above types of corporate social responsibility unite and form financial responsibility. A business may decide to focus on being more ethical, charitable, and ecologically conscious; nevertheless, it must support these intentions financially through donations, programmes, or product development. The expenses covered are related to development of new products through research and development that promote sustainability, bringing in a variety of talent to guarantee a varied staff, programmes that teach staff members about environmental issues, social consciousness and making sure financial reporting is timely, transparent, and includes external audits.

Since consumers are more inclined to conduct business with brands they believe to be more ethical, many businesses see corporate social responsibility (CSR) as an essential component of their brand image. Thus, corporate social responsibility (CSR) initiatives can play a significant role in corporate personal relations. However, some business owners are also driven by their beliefs to participate in CSR.

Through direct benefits to society, the environment, and the local community where a firm operates, CSR programmes aim to make a beneficial impact on the globe. Additionally, a business may gain internal advantages from the projects. Furthermore, people in the community could be more inclined to do business with organisations that are trying to have a more deliberate, beneficial influence that goes beyond their core competencies.

Corporate Social Responsibility (CSR) has equal value for a corporation as it does for the society. CSR initiatives can strengthen the relationship between workers and businesses, improve morale, and help both parties feel more a part of the world. These are some further justifications for why companies pursue corporate social responsibility, in addition to the benefits to the environment. The benefits that can be reaped by the businesses themselves can be encapsulated as follows:

Brand Recognition:

Consumers are more inclined to behave favourably towards a company that has taken steps to help its customers than towards organisations that have proven their ability to produce high-quality goods. Consumers are starting to rely their purchasing decisions on a company's corporate social responsibility (CSR) practices as they become more conscious of the effects that businesses can have on their communities. An organisation is more likely to experience positive brand recognition the more CSR it participates in.

Investors' Interaction:

Adopting CSR methods tends to enhance investors' perceptions of a company's worth and organisation, giving businesses a competitive advantage over their rivals.

Employee Engagement:

Non-financial work advantages that support employee retention are provided by CSR-related alignments between employers and staff. Employee loyalty is higher in a company that inspires them. This lowers the overall cost of hiring a new employee, angry staff, and employee turnover.

Risk and Loss Mitigation:

By avoiding problematic situations, firms can reduce risk by following CSR policies. Preventing negative behaviours like prejudice towards specific employee groups, disrespect for the environment, or unethical use of corporate finances are all part of this. Litigation, lawsuits, and other legal actions are likely to result from this kind of activity, which could financially hurt the business or put it in the press.

From the beginning, CSR was criticised for being outside of business and market logic. A large number of academics and professionals disagreed with the idea of businesses having greater social responsibility. Theodore Levitt, professor at Harvard Business School, in 1958 criticized the desire for business to engage with social responsibilities and advised business to focus solely on maximizing long-term profit by stating that *"The function of business is to produce sustained high-level profits...corporations are not narrowly profit oriented enough. Welfare and society are not the corporation's business. Its business is making money, not sweet music."*⁵ Milton Friedman came to the conclusion that the foundation of the property rights argument, which views managers as the only representatives of shareholders interested in maximising shareholder value, is social responsibility. He believed that operating differently would be "unethical," or a breach of management's institutional, legal, and moral commitments.

Criticism of corporate social performance requirements has focused on how little of an impact, the codes of conduct and reporting rules have on business practices and how methods for monitoring Corporate Social Responsibilities don't lead to changes in laws or public policy.

The triple bottom line concept aims to create guidelines that place corporate social responsibility (CSR) on par with profitability concerns. However, business strategy is primarily driven by commercial considerations and companies only implement CSR strategies in response to external pressure to improve their reputation.⁶ There are additional difficulties in evaluating social standard compliance, ineffective social audits, and antiquated corporate performance metrics.

There is always room for improvement in the implementation of corporate social responsibility (CSR) through the refinement of stakeholder-oriented strategies, the addition of precise definitions of CSR's fundamental components, the enhancement of CSR performance methodologies, and the rigorous evaluation of CSR initiatives and results.⁷ CSR is still viewed as a means for companies and organisations to support sustainable development, with the UN Sustainable Development Goals serving as a broad framework and providing chances for companies to match their corporate social responsibility initiatives with the most recent version of the sustainable development agenda.

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