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CORPORATE SOCIAL RESPONSIBILITY - A CHALLENGING ISSUE

Corporate Social Responsibility - A Challenging Issue

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Abstract – Corporate Social Responsibility is a way to manage the business Undoubtedly “profitability” has always been the driving force and an undercurrent behind all this development; but as every coin has two facets; growing cut throat competition and business rivalries started taking heavy toll on the quality, transparency, environment and the society in general endangering the peaceful coexistence of business and society. The businesses houses started realizing that they would have to rise over and above the profitability and take care of all those associated with their survival in the society directly or indirectly. This realization resulted into the concept of Corporate Social Responsibility (CSR). This research paper moves around developing an understanding about the corporate social responsibility (CSR). In simple words, CSR can be defined as achieving commercial success in ways that honor ethical value and respect people, communities and natural environment. Over the last two decades ethical consumerism can be linked to emergence of CSR Corporations preserve growth through globalization. Companies use CSR methodology as strategic tactic to gain public support for their presence in global market. Business units adopting CSR practices are benefitted in terms of increased sales and strong Brand positioning, increased ability to attract and motivate employees, decreased operating costs increased appeal to investors and financial analysts and overall increased market share in the global economy. The challenging for business is to apply fundamental principal to make CSR sharper, smarter & focused on what really matters by focusing on priorities and reporting performances in an open & transparent way, and then only the goal of corporate social responsibility can be achieved. The research paper moves on around developing an understanding about the corporate social responsibility as a challenging issue.

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INTRODUCTION AND LITERATURE REVIEW

Corporate Social Responsibility became a matter of utmost importance for diverse groups demanding change in the business. During the 1980's to 2000, corporations recognized and started accepting a responsibility towards society. Corporate social responsibility (CSR) focuses on the wealth creation for the optimal benefit of all stakeholders – including shareholders, employees, customers, environment and society. The term stakeholder, means all those on whom an organization's performance and activities have some impact either directly or indirectly. This term was used to describe corporate owners beyond shareholders as a result of a book titled Strategic management: a stakeholder approach by R. Edward Freeman in the year 1984. ¹ According to Bowen, —CSR refers to the obligations of businessmen to pursue those policies to make those decisions or to follow those lines of relations which are desirable in terms of the objectives and values of our society. — ² Frederick (1960) stated “Social responsibility means that businessmen should oversee the operation of an economic system that fulfills the expectations of the people.” ³ Davis (1960) argued that social responsibility is a nebulous idea but should be seen in a managerial context. He asserted that some socially responsible business decisions can be justified by a long, complicated process of reasoning as having a

good chance of bringing long-run economic gain to the firm, thus paying it back for its socially responsible outlook (p. 70). ⁴ An ideal CSR has both ethical and philosophical dimensions, particularly in India where there exists a wide gap between sections of people in terms of income and standards as well as socio-economic status (Bajpai, 2001) ⁵. Goyder(2003) argues: —Industry in the 20th century can no longer be regarded as a private arrangement for enriching shareholders. It has become a joint enterprise in which workers, management, consumers, the locality, govt. and trade union officials all play a part. If the system which we know by the name private enterprise is to continue, some way must be found to embrace many interests whom we go to make up industry in a common purpose. ⁶ CSR implies some sort of commitment, through corporate policies and action. This operational view of CSR is reflected in a firm's social performance, which can be assessed by how a firm manages its societal relationships, its social impact and the outcomes of its CSR policies and actions (Wood, 1991). Every individual living in the society has certain obligations towards the society. He has to respect social values and norms of behavior. In the same way every business unit is permitted by the society to carry on commercial activities to earn profits, So it is obligatory on the part of business enterprise not to do understandable things for the society. CSR can be

better understood by three words. Corporate, Social & responsibility. In broader terms, CSR relates to the responsibilities that corporations have towards the society within which they are based and operate not denying the fact that purview of CSR goes much beyond this. So ever business organization on should do the business and earn money in ways that fulfill the expectation of the society. Manufacture and sale of adulterated goods, making deceptive advertisements, not paying taxes which are due polluting the environment and exploiting workers- all these activities infact increase the profits of business enterprises but they have an adverse effect on the society, Social responsibility of business refers to its obligations to take those decisions and perform these actions which are desirable in terms of the objectives and values of our society it is must for every form of business be – 2 Proprietorship, Partnership, Joint, Hindu family co-operative society or joint stock company to act in a socially desirable manners. The concept of CSR used, particularly with reference to a company, has recently gained populancy in a market oriented economic structure corporate sector is the prime mover of economic growth. It is therefore imperatives that it comes forward and shares responsibilities for redistributive and inclusive growth. CSR is viewed as a comprehensive set of policies practices and programmes that are intergrated into business operations, supply chains and decision making process throughout the company wherever the company does business and include responsibility for current and past actions as well as future impact. Company's reputation and their license to operate the world depends on meeting those wider responsibilities while competing effectively CSR is the deliberate inclusion of public interest into corporate decision making and honoring of triple bottom lime people, planet, profit.

Empowered Consumer:- Consumer's today are aware and demanding than they were ever before, their ever rising expectations from business mean that they consider all actions of business before making a purchase decision. This has forced business to adopt the measures that are considered socially responsible by its larger customer base.

Communication Boom:- The technology base communication tool like mobile and internet have shattered all communication barriers across the globe. Communication flow among consumers has tremendously increased and this transfer of information regarding company's act positive or negative happens to be reached everywhere very quickly.

Depletion of global resources:- Exploration of global resources at an alarming rate is another factor which effects the need of corporate social responsibility. All the natural resources like water, forests, land, animals etc are being depleted at a pace where the earth is not able to replenish them. Business have also understood their part in conserving these resources.

Competition:- In this era of cut –throat competition Business are operating at the highest augmentation levels. CSR has been using as augmentation tool by business units. Companies adopting CSR methodology take it as a strategic tactic to gain public support for their presence in global markets. This is also called sub-conscious level of advertising.

Increased Ethic Values :- Demand for ethical business actions known as ethicism is increasing because of the pressure on industries to improve the business ethics due to entrance of new public initiatives e.g. high road tax for higher emission vehicles. Public sector organization in united nations have also developed principles for responsible investment as given for investment entities.

Strong brand image & consumer loyalty: CSR plays an important role in building strong brand image by building strong brand image by building consumer's loyalty base on distinctive ethical values. By taking steps for CSR, business units prove themselves as ideal corporate citizen who takes care of employee's health and safety.

Other factors:-

The other important factors due to which CSR practices are needed are stakeholder's priorities, preservation of growth levels, avoidance of corporate sector from negative regulations of government court and media. Many researchers have shown that there is a +ve relationship between social responsibility performance & financial performance. Business houses should sacrifices their short run financial returns in developing social responsibility strategy Tata and Birla are adjusting CSR policies for their development and long run –survival many interrelated benefits can be derived from CSR in terms of increased loyalty retention and higher productivity. It also benefits to stakeholders of business including consumers, investors, regulators academicians. In India Private Sector is more active in the area of social responsibility than government sector.

OBJECTIVES OF THE STUDY

- ☐ To understand the concept of CSR
- ☐ To find out the scope of CSR
- ☐ To understand corporate social responsibility as a strategy.

RESEARCH METHODOLOGY

Exhaustive literature survey regarding the topic and related concepts has been done. Secondary data inclusive of quantitative and qualitative data as well collected from various sources including books, research papers, newspapers, magazines, and websites is used for the purpose of study.

CLASSIFICATION OF SOCIAL RESPONSIBILITY

Responsibility towards itself:- It is the responsibility of each corporate entity run business and to work towards growth, expansion and stability and thus earn profits. If the corporation is to achieve social and economic ends, organizational efficiency should be boosted up.

Responsibility towards Employees:- Employees are the most important part of an organization. Following are some of the responsibilities which a business entity has towards its employees-

- Timely payment, Hygienic environment, Good and impartial behavior
- Health care through yoga, Recreational activities
- encouraging them to take part in managerial decisions

Responsibility towards shareholders:- It is the responsibility of corporate entity to safeguard the shareholders' investment and make efforts to provide a reasonable return on their investment.

Responsibility towards state:- Out of the profit available, the state is entitled to a certain share as per the income tax laws. Utmost transparency has to be exerted regarding the profit & loss account and the balance sheet.

Responsibility towards consumers:- The Company should maintain high quality standards at reasonable prices. It should not resort to malpractices such as hoarding and black-marketing.

Responsibility towards environment:- It is the responsibility of the organization to contribute to the protection of environment. It should produce eco - friendly products. Moreover, industrial waste management must be taken care of.

SOCIAL RESPONSIBILITY MODELS

There are some models which describe the evolution and scope of social orientation of companies. Notable ones include Carroll's model, Halal's model and Ackerman's model

(a) Carroll's Model

Archie B. Carroll has defined CSR as the complete range of duties business has towards the society. He has proposed a 3-d conceptual model of corporate performance. According to Carroll, a firm has the

following four categories of obligations of corporate performance.

HIERARCHY OF RESPONSIBILITIES OF BUSINESS

- **Economic:** The firm being an economic entity, its primary responsibility is to satisfy economic needs of the society and generation of surplus for rewarding the investors and further expansion and diversification.
- **Legal:** The laws of the land and international laws of trade and commerce has to be followed and complied with.
- **Ethical:** Ethical responsibilities are norms which the society expects the business to observe like not resorting to hoarding and other malpractices.
- **Discretionary:** Discretionary responsibilities refer to the voluntary contribution of the business to the social cause like involvement in community development or other social projects pertaining to health and awareness of the masses.

(b) Halal's model Halal's return on resource model of corporate performance recognizes the fact that the corporate social responsiveness is a quite difficult task as no corporate posture is value free. A firm can only attempt to form a workable coalition among groups having diverse interests, engaged in creating value for distribution among members of coalition. The social issues may become conflicting beyond a certain level of economic activity. The coordination between economic and ethical decisions is necessary so that the future of the firm and shareholders may be safeguarded.

(c) Ackerman's model this model defines CSR in three different phases

First phase - Top management recognizes social problem

Second phase - The company appoints staff specialists to look into the issue and find measures to tackle it

Third phase - Implementation of the strategy derived by the specialists

CORPORATE SOCIAL RESPONSIBILITY AS A STRATEGY

CSR needs a proper and step by step implementation. Andrew (1980) has developed an approach to the question of strategic choice. His four key questions suggest the approach that companies may follow in determining their level of CSR activity.

Those four questions are following:

- a. **Determining Organizational Competencies:** what can we do?
- b. **Looking at Industry threats and opportunities:** what might we do?
- c. **Examining the values of key implementers:** what do we want to do?
- d. **Determining the social responsibility:** what ought we to be doing?

By finding out answers to these questions managerial decisions can be molded towards serving a strategic need. This means CSR in practical terms is an ongoing process, constantly monitoring the environment and inter and intra firm relationships. Burke Lee and Jeanne M. Logsdon (1996) suggest that there are five dimensions of corporate strategy that are critical to the success of CSR process in terms of value creation by the firm. They are :

- a. **Centrality** - CSR initiative activities should be close to the firm's mission and objectives.
- b. **Specificity**- Strategic CSR initiatives should specifically benefit the firm. The firm should be able to capture the benefits of CSR initiatives.
- c. **Proactivity**- CSR initiatives should focus on the dynamics of stakeholder expectations i.e. to capture the changes in socio-environmental , political and technological factors.
- d. **Voluntarism**- CSR decisions should be discretionary and thus they should be taken up by the firm voluntarily.
- e. **Visibility**- Strategic CSR initiative should build firm's image and add up to the goodwill by creating positive media attention. It can also mitigate negative image of the firm

CONCLUSION

For bringing back and maintaining the general balance in the economic and social arena it is evident to think deeply and act wisely about CSR. Every business house owe some responsibility towards the society, nation and world in general which provide it with all human , material and natural resources. Considering the long run growth and sustainable development following the norms of CSR , devising new policies and effective implementation is inevitable to bring and sustain a balance between corporate world and society, present generation and upcoming generation, man and nature . As far as the Tata group is concerned, it has gone a long way in fulfilling its duty and responsibility towards the society and the nation. It has reached the masses to elevate their lives, to nurture their dreams and to hone their skills justifying

the statement of the founder —We do not claim to be more unselfish, more generous and more philanthropic than other people. But we think we started on sound and straightforward business principles, considering the interests of the shareholder, our own, and the health and welfare of the employees, the sure foundation of our prosperity. The challenging for business is to apply fundamental principal to make CSR sharper, smarter & focused on what really matters by focusing on priorities and reporting performances in an open & transparent way, and then only the goal of corporate social responsibility can be achieved.

FINDINGS

- As business is an integral part of the social system it has to care for varied needs of the society
- Business which is resourceful has a special responsibility to the society.
- Social involvement of business would enhance a harmonious and healthy relationship between the society and business seeking mutual benefit for the both.
- Social involvement may create a better public image and goodwill for the company which further becomes instrumental in attracting customers, efficient personnel and investors.

LIMITATIONS

While preparing this research paper Legal aspects like corporate governance , labor and employee welfare related laws have not been undertaken.

SIGNIFICANCE OF THE STUDY

A. To the Policy Makers

- This study encourages Private Public Partnership (PPP) for CSR promotion encompassing infrastructure, pollution, child labor, labor productivity & morale.
- It may become helpful to make the policy makers at political and corporate level as well consider CSR an investment and not an expense as it can become instrumental in increasing goodwill and corporate image.

B. To the Society

- Development of infrastructure i.e. parks, water purification, education etc.
- Environment protection
- Uplifting of the rural populace

□ Bringing the tribes into the mainstream of the country

C. To the Economy as a whole

□ Increase in the growth rate

□ Strategic CSR at political and corporate level can make the country a better investment destination .

□ Cumulative results may improve Human Development Index (H.D.I.) of the country.

RECOMMENDATIONS

□ The concept of private-public partnership (PPP) should be applied in the effective implementation of CSR i.e. government and business houses should act in collaboration for the cause.

□ The Human Resource department (at the political and private level both) should be entrusted with the responsibility of measuring and evaluating in CSR activities . It can be done in two forms –

(a) direct results, such as, economic and financial savings (b) indirect results like increase in employee satisfaction, less absenteeism, less employee turnover evaluated by staff surveys

□ Periodic review of the CSR activities should be conducted by every business entity so as to identify the pitfalls and the areas left out.

□ Innovation should essentially be a matter of concern ; be it searching the untouched areas and scope of CSR or the formulation of CSR strategy or the implementation thereof.

□ NGOs should be encouraged to act in collaboration for the CSR activities under different schemes and projects as they play a crucial role in the upliftment of the masses.

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