Corporate Social Responsibility

E. Udayasri[1]

[1]Lecturer in Commerce, M. Com (Ph.D.) – Indira Priyadarshini Govt Degree College for Women, Nampally, Hyderabad, Telangana, India.

Email: ettaudayasri@gmail.com[1]

Abstract

The concept of Corporate Social Responsibility (CSR) has gained increased significance in recent years. The growing focus on CSR has changed the attitude of businesses all over the world, and India is not an exception. The concept of CSR is not new to India; historically speaking, social responsibility of companies is a well-established phenomenon in India, and the country has one of the world's richest traditions of CSR. In its oldest forms, CSR in India included the concept of corporate philanthropy and the Gandhian Trusteeship model. But the liberalization of the Indian economy in the 1990s led to a fundamental shift from the philanthropy-based model to a multi stakeholder approach whereby companies are deemed responsible for all stakeholders, including financial stakeholders, employees and the community. The liberalization of the economy also led to the increased presence of large global corporations such as Microsoft, IBM, and others on Indian soil, which thereby exposed India to a highly developed regime of CSR initiatives. Additionally, a strong desire to compete and succeed in the global economy drove Indian business enterprises to integrate CSR into a coherent and sustainable business strategy. These enterprises, both public and private, have realized that their long-term success depends on the satisfaction of their stakeholders, and that ignoring them could jeopardize the company's future prospects in the community. This article discusses the concept of CSR as understood by Indian businesses in the past, and the changing interpretations of the concept in the age of globalization and expanding markets. The article further discusses the efforts toward community and social development made by both state-owned enterprises (SoEs) and private-sector businesses. After a detailed analysis, the article concludes that the future of CSR in India is brought, and that its importance will continue to grow even further given the increasing importance accorded to CSR world-wide, and India's own realization that it needs CSR to achieve long-term sustainability in the world economy.

Keywords: Philanthropy, Stake holders, Liberalisation, State owned Enterprise.

1. Corporate Social Responsibility (CSR) in India

Corporate social responsibility is a broad concept that can take many forms depending on the company and industry. Through CSR programs, philanthropy, and volunteer efforts, businesses can benefit society while boosting their brands. Enactment of Companies Act, 2013 by the Ministry of Corporate Affairs, Government of India was one of the world's largest experiments of introducing the CSR as a mandatory provision by imposing statutory obligation on Companies to take up CSR projects towards social welfare activities. This has made India the only country which has regulated and mandated CSR for some select categories of companies registered under the Act [1]. This CSR Initiative will push the nation towards achievement of sustainable development goals and public-private partnership in transforming India. Corporate social responsibility (CSR) is a legitimate responsibility to society, based on the principle that corporations should share some of the benefit that accrues from the control of vast resources. CSR goes beyond the

legal, ethical, and financial obligations that create profits. In the research literature, corporate social responsibility is defined in a variety of ways, depending on the aspect of CSR being examined [2]. An inclusive definition is that social responsibility requires the firm to take into account the interests of all stakeholders, where stakeholders are defined as everyone who affects or is affected by the firm's decisions and actions. A firm-focused definition holds that social responsibility includes actions that further a social goal, beyond what is required by ethics, law, and profitability. A political economy–oriented definition posits that firms have a responsibility to correct market failures such as negative externalities and government failures such as limits to jurisdiction that result in worker rights violations. When implemented, altruistic CSR implies that firms provide a social good unrelated to the firms' business that does not benefit the bottom line [3]. Strategic CSR implies that firms are simultaneously profitable and socially responsible. To achieve this, CSR must be a core value of the firm and must be integrated into processes and products. When employed strategically, CSR can be an element of a differentiation strategy, leading to premium prices, enhanced brand and firm reputation, and supportive community relations. Corporate environmental responsibility often takes the form of over compliance with regulation, improving the environment more than is required [4]. A primary benefit of this is to stave off further regulation. To capture the benefits of being socially responsible, the firm must make stakeholders aware of its record [5]. This has led to triple bottom line reporting - that is, reporting about firm performance in terms of profits, people, and the planet. Social enterprises go a step further and make social responsibility the primary goal of the organization.

2. Defining CSR Implementation

The first step of a systematic review entertains a repetitive process of defining, clarifying, and refining (Tran field et al., 2003) [6]. As such, we scoured the CSR implementation literature to find any existing conceptual definitions that can support our review process. In our search for what it means to implement CSR, we found two empirical studies which developed CSR implementation frameworks. We used these studies as the foundation to build our own CSR implementation definition, which is supported with the theory of business citizenship as discussed later in this section [7]. The first study was carried out by Maon et al. (2009), where a nine-stage integrative framework was developed, based on data collected from case studies and theoretically grounded on Lewin's change model. The second study of Baumann-Pauly et al. (2013) regarded the process nature of CSR implementation construct, but generalized it into three separate dimensions,

a. Commitment to CSR

b. Internal structures and procedures

c. external collaboration

Accordingly, these two frameworks were analyzed to procure specific lenses that can entail a better understanding of CSR implementation process. This phase contributed towards attaining richer and micro-level insights on CSR implementation [8]. In addition, we theoretically based our dimensions of CSR implementation on the theory of business citizenship proposed by Logsdon and Wood (2002). This theory looks into the ethical, social, and political issues surrounding organizations. According to this theory, an organization can be viewed as a citizen such that there exists moral and structural ties among business organizations, humans, and social institutions where social control is exercised by the society on organizations, thereby protecting and enhancing public welfare and private interests [9]. As such, we identified four distinct dimensions of CSR implementation that concisely portray the CSR implementation process outlined in the two frameworks proposed by Maon et al. (2009) and Baumann-Pauly et al. (2013) and are based on the theory of business citizenship that views a corporation as a citizen, where the responsibilities associated with such citizenship towards society and environment come into play. According to Maon et al. (2009), CSR design and implementation constitute of nine steps [10]. These are,

1. Raising CSR awareness
2. Assessing organizational purpose in a societal context
3. Establishing a CSR definition and vision
4. Assessing current status of CSR
5. Developing a CSR strategy
6. Implementing the CSR strategy
7. Communicating about CSR strategy
8. Evaluating CSR strategy
9. Institutionalizing CSR policy

However, Baumann-Pauly et al. (2013) consider CSR implementation to comprise three dimensions, namely, commitment to CSR, embedding CSR, and external collaboration. Of the nine steps proposed by Maon et al. (2009), we considered steps, 1 (raising CSR awareness), 5 (embedding CSR), 6 (implementing CSR activities), 7 (communicating about CSR) and 8 (evaluating CSR) for inclusion in CSR implementation. It is worth noting that though step 5 dealt with formulating CSR strategy, a sub-part of this step constituted of embedding CSR in the organization, which is also proposed as a CSR implementation dimension by Baumann-Pauly et al. (2013). Hence, we included step 5 in our typology of CSR implementation dimensions. Similarly, the commitment to CSR dimension proposed by Baumann-Pauly et al. (2013) takes into consideration the awareness that organizational members show towards CSR as included in step 1 of Maon et al. (2009). Although, CSR evaluation (step 8) is primarily not a constituent of strategy implementation process, scholars have begun to indicate its importance in the implementation process, where managers monitor [11] strategy progress and take relevant steps for further improvements in CSR implementation (Graafland & Smid, 2019; Laguir et al., 2019; Rama et al., 2009). Steps 2, 3, and 4 are not considered in this study as they represent a part of CSR design, while step 9 identifies with post-implementation. Hence, the four dimensions relate to the need for an organization to accrue sufficient (1) CSR awareness which manifests itself in the form of organization's commitment to CSR through (2) communicating and (3) embedding CSR, and placing systematic processes in place to (4) evaluate CSR. Overall, these dimensions' entail interactions with various external stakeholders and are not restricted to interorganizational dynamics (Baumann-Pauly et al., 2013) [12]. CSR awareness includes the act of raising sensitivity of an organization and its members towards CSR issues, where it may be initiated by managers (top-down approach) or employees (bottom-up approach) for strategic or altruistic reasons and includes commitment to CSR through integrating it into policy documents (Baumann-Pauly et al., 2013; Maon et al., 2009). Further, CSR communication is directed towards both internal and external stakeholders, where the means or nature of communication and its content need to be identified (Maon et al., 2009). The different ways of communication include meetings, corporate internal newsletters, and trainings for internal stakeholders such as employees and board members, while the social and environmental performance of an organization may be disclosed in the form of annual reports or CSR reports and advertisements to external stakeholders. Embedding CSR entails instilling CSR values among organizational members using tools such as CSR policies, procedures, mission, and vision to reinforce a CSR compliant behavior in operational functions (Baumann-Pauly et al., 2013; Maon et al., 2009). Lastly, CSR evaluation includes the measurement of how well the CSR objectives have been met, monitoring the progress of these CSR objectives, and exploring ways to improve CSR performance (Maon et al., 2009).

3. Review Methodology

We utilized a systematic literature approach to accomplish our research goal of surveying the literature on CSR implementation. Systematic reviews are commonly used to ensure transparency and replicability in the review process (Hossain, 2018). Given that it is imperative to outline the scope of one's search prior to ensuing the data collection process (George et al., 2019; Tran field et al., 2003), we restricted our range to any research study that exclusively focused on the concept of CSR implementation or its four dimensions,

namely, CSR awareness, CSR communication, CSR embedding, and CSR evaluation [13]. The concept of CSR has taken various titular forms in literature, where overlapping constructs like corporate sustainability, corporate social performance, and corporate citizenship have been proposed and are now interchangeably used by researchers (AL binger & Freeman, 2000; Evans & Davis, 2014; Matten & Crane, 2005; Pedersen et al., 2018; Wood, 1991). However, the terminology of CSR had been most widely used by researchers (Matten & Crane, 2005), and as such is adopted in this study. Furthermore, we do not include research examining the concept of sustainability or corporate sustainability as it is an overarching concept that incorporates two different topics of CSR and corporate responsibility. As such, CSR acts as an intermediary tool that examines the efforts of organizations aimed at balancing the triple bottom line (van Marrewijk, 2003). The Principles of CSR Due to the uncertainty surrounding the nature of CSR activity, it is difficult to define CSR and to be certain in terms of any such activity. It is therefore, imperative to be able to identify such activity. The view of three main principles of CSR are to be taken into consideration to comprise all of the CSR activity (Crowther, & Aras, 2008).

4. Sustainability

Sustainability is concerned with the effect in terms of which action is taken into consideration in the present, which has an impact upon the options that are available in the future. If resources are utilized in the present, then they are no longer useful in future. This point is of particular concern, if the resources are finite in quantity. Therefore, the raw materials of an extractive nature, such as, coal, iron or oil are finite in quantity and once they are used will not be available for future use. In the future, therefore, alternatives will be needed to implement the functions that are provided by these resources. In production and manufacturing organizations, these resources are made use of. This may be at some point in the relatively distance future but of more immediate concern is the fact that as resources get depleted, then the cost price of the remaining resources tend to increase [14]. Therefore, in this manner, the operational costs of the organizations tend to increase. Viewing an organization as a part of the wider social and economic system implies that these effects must be taken into account, not just for the measurement of the cost and value created in the present, but also for the future of business itself. Measures of sustainability would consider the rate at which resources can be regenerated. Unsustainable operations can be accommodated either through the development and implementation of sustainable operations or by planning for the future lacking in resources, which are required at present. In practice, the organizations mostly tend to aim towards less unsustainability by increasing the efficiency in the ways in which resources are utilized. An example would be an energy efficiency program. The human resources need to be well-aware of the methods and approaches required to make best use of resources and promote their sustainability

5. Categories of CSR

Although corporate social responsibility is a very broad concept that is understood and implemented differently by each firm, the underlying idea of CSR is to operate in an economically, socially, and environmentally sustainable manner [15]. Generally, corporate social responsibility initiatives are categorized as follows:

- **Environmental responsibility**

Environmental responsibility initiatives aim to reduce pollution and greenhouse gas emissions and the sustainable use of natural resources.

- **Human rights responsibility**

Human rights responsibility initiatives involve providing fair labor practices (e.g., equal pay for equal work) and fair-trade practices, and disavowing child labor.

- **Philanthropic responsibility**

Philanthropic responsibility can include things such as funding educational programs, supporting health initiatives, donating to causes, and supporting community beautification projects.

- **Economic responsibility**

Economic responsibility initiatives involve

improving the firm's business operation while participating in sustainable practices – for example, using a new manufacturing process to minimize wastage.

6. Corporate Social Initiatives

Corporate social responsibility includes six types of corporate social initiatives,

- **Corporate philanthropy:** Company donations to charity, including cash, goods, and services, sometimes via a corporate foundation
- **Community volunteering:** Company-organized volunteer activities, sometimes while an employee receives pay for pro-bono work on behalf of a non-profit organization
- **Socially-responsible business practices:** Ethically produced products that appeal to a customer segment
- **Cause promotions and activism:** Company-funded advocacy campaigns
- **Cause-related marketing:** Donations to charity based on product sales
- **Corporate social marketing:** Company-funded behavior-change campaigns

All six of the corporate initiatives are forms of corporate citizenship. However, only some of these CSR activities rise to the level of cause marketing, defined as "a type of corporate social responsibility (CSR) in which a company's promotional campaign has the dual purpose of increasing profitability while bettering society. "Companies generally do not have a profit motive when participating in corporate philanthropy and community volunteering. On the other hand, the remaining corporate social initiatives can be examples of cause marketing, in which there is both a societal interest and profit motive.

Conclusion

CSR as it was practiced in India many years ago, has undergone a transformation as a result of its exposure to the Western approach pursued by transnational corporations on Indian soil. Another reason for the change in that approach can be attributed to Indian companies venturing into the global arena to compete with the rest of the world. The trends followed world-wide have not only created awareness, but have also put pressure on Indian companies to reevaluate their CSR endeavors and to align them with the global trends. Though corporate philanthropy and community development still remain a strong aspect of India's CSR, globalization has led to the emergence of the multi-stakeholder approach. Under such an approach, companies are responsible for all stakeholders, a term that includes employees and both community and financial stakeholders. This approach requires that CSR be integrated into a sustainable business strategy. "The key to being more 'sustainable' is for a business to adopt, demonstrate, and practice more holistic approaches to business, where financial drivers together with sustainable development performance (i.e. social equity, environmental protection, and economic growth) are incorporated into mainstream business strategy and embedded in organizational values."82 "Triple Bottom Line" or "Triple P-people, planet and profit" is the mantra of the day for success. Indians have huge expectations for companies, both global and domestic, and would like them to step forward and take responsibility in the societies or communities in which they are operating by adopting responsible practices. "In addition to providing good quality products at reasonable prices, companies should strive to make their operations environmentally sound, adhere to high labor standards, reduce human right abuses, and mitigate poverty."8 3 Adoption of these practices is critical to the businesses because business cannot survive, let alone succeed, in a society that fails. Moreover, public acceptance of the operations of any business, particularly in an alien society, often determines the success of the corporation; and acceptance will come only when the company in question is seen as having empathy for the aspirations and values of the society in which it functions. Investors now often consider the social performance of the company when making investment decisions. They do not want to put their money into the operations of a corporation that is neglecting its social responsibility. Hence, the social report card of the corporation has become an

important factor in attracting potential investors. Additionally, even though the public expectations in India of the corporations might seem excessive at first, they are not too different from the changes in the attitude of people that are taking place elsewhere in the world.

References

[1]. Bansal, P.; Roth, R. (2000). "Why Companies Go Green: A model of Ecological Responsiveness". The Academy of Management Journal. 43 (4): 717–736. ISSN 0001-4273. JSTOR 1556363.

[2]. Bulkeley, Harriet (December 2001). "Governing climate change: the politics of risk society?". Transactions of the Institute of British Geographers. 26 (4):430–447. Bibcode:2001TrIBG.26.430B. doi:10.1111/1475-5661.00033.

[3]. Fields, S. (2002). "Sustainable Business Makes Dollars and Cents". Environmental Health Perspectives. 110 (3): A14245. doi:10.1289/ehp.110a142. JSTOR 3455129. PMC 1240776. PMID 11882490.

[4]. Fry, L. W.; Keim, G. D.; Meiners, R. E. (1982). "Corporate Contributions: Altruistic or for Profit?". The Academy of Management Journal. 25 (1): 94–106. ISSN 0001-4273. JSTOR 256026.

[5]. Porter, Michael E.; Kramer, Mark R. (December 2006). "Strategy & Society: The Link Between Competitive Advantage and Corporate Social Responsibility" (PDF). Harvard Business Review. 84 (13): 78–92.

[6]. Roux, M. (2007). "Climate conducive to corporate action: 1 All-round Country Edition". The Australian: 14Archived from the original on 2007-09-08. Retrieved 2008-09-30.

[7]. Sacconi, L. (2004). "A Social Contract Account for CSR as Extended Model of Corporate Governance (Part II): Compliance, Reputation and Reciprocity". Journal of Business Ethics (11): 77–96. SSRN 731603.

[8]. Thilmany, J. (September 2007). "Supporting Ethical Employees". HR Magazine. Vol. 52, no. 2. pp. 105–110. [dead link]

[9]. Tullberg, S.; Tullberg, J. (1996). "On Human Altruism: The Discrepancy between Normative and Factual Conclusions". Oikos. 75 (2): 327–329. Bibcode: 1996Oikos.75.327T. doi:10.2307/3546259. ISSN 00301299.JSTOR 3546259.

[10]. Wei, K.C. John (July 2011). "Corporate Social Responsibility – A Comparison Between Vietnam and China". International Journal of Governance. 1 (1).

[11]. Smith, N.C.; Lopez, S; Read, D. (2010). "Consumer perceptions of corporate social responsibility: The CSR halo effect". Faculty and Research Paper. 16. Archived from the original on 2016-03-04. Retrieved 2014-09-04.

[12]. Carroll, Archie B. (1979). "A Three Dimensional Model of Corporate Performance". Academy of Management Review. 4 (4): 497–505. doi:10.5465/amr.1979.4498296.

[13]. Lantos, Geoffrey P. (2001). "The Boundaries of Strategic Corporate Social Responsibility". Journal of Consumer Marketing. 18 (7): 595–632. doi:10.1108/07363760110410281. ISSN 0736-3761.

[14]. Lantos, Geoffrey P.; Cooke, Simon (May 2003). "Corporate Socialism Unethically Masquerades as "CSR": The Difference between Being Ethical, Altruistic, and Strategic in Business". Strategic Direction. 19 (6): 31–35. doi: 10.1108/02580540310472135. ISSN 0258-0543.

[15]. Oppewal, H.; Alexander, A.; Sulliwan, P. (2006). "Consumer Perceptions of Corporate Social Responsibility in town shopping centres and their influence on shopping evaluations". Journal of Retailing and Consumer Services. 13 (4): 263–270. doi: 10.1016/j.jretconser.2005.08.015.