

Role of Corporate Social Responsibility in Organization

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Abstract: *Corporate social responsibility is emerging as a new field in the management research. It encompasses not only what companies do with their profits, but also how they make them. It is not just for large scale companies but also used by small scale and non-profit organizations. In India many firms have taken the initiatives of CSR practices which have met with different needs of the society as a whole. Data has been collected from number of articles, books, periodicals and websites. The present study has been an attempt to generate awareness and to understand meaning, significance, dimensional aspect of CSR and how to manage it. An extensive literature review is done on CSR. At the end some forces at work, some issues related to CSR in India and some recommendations are given.*

Keywords: *Meaning of CSR, Significance, Social aspect, Economic aspect, Environmental aspect, Managing CSR, Forces at work.*

I. Introduction

Corporate social responsibility (CSR) is a prominent 21st century business ideology that heightens expectations of companies regarding social and environmental standards. The results of CSR compliance are generally viewed as a good thing by most companies. The main question arise before studied about CSR is Why do businesses exist? The answer may be to earn profit. But if we go deeper and try to get real reasons, we come to the conclusion that in a company a group of people get together so that they are able to accomplish something collectively that they could not get separately and they contribute to the society. Challenges lie in allocating time and resources necessary to develop a CSR approach that meets governmental and social standards and achieves compliance with informal CSR guidelines related to social and environmental responsibility. One of the biggest features addressed by CSR is its intent to cause companies to recognize responsibilities to stakeholders outside of shareholders. This includes customers, communities, employees and suppliers. While proponents of CSR point out the long-term benefits of taking care of these core relationships, shareholders are often deterred at the notion that companies will invest in anything that does not create immediately obvious financial gain. With CSR, detecting measurable bottom line benefits is a challenge as social and environmental programs are hard to account for with regard to financial gain.

The evolution of corporate social responsibility in India refers to changes over time in India of the cultural norms of corporations' engagement of corporate social responsibility (CSR), with CSR referring to way that businesses are managed to bring about an overall positive impact on the communities, cultures, societies and environments in which they operate. The fundamentals of CSR rest on the fact that not only public policy but even corporates should be responsible enough to address social issues. Thus companies should deal with the challenges and issues looked after to a certain extent by the states.

Among other countries India has one of the richest traditions of CSR. Much has been done in recent years to make Indian Entrepreneurs aware of social responsibility as an important segment of their business activity but CSR in India has yet to receive widespread recognition. If this goal has to be realized then the CSR approach of corporate has to be in line with their attitudes towards mainstream business- companies setting clear objectives, undertaking potential investments, measuring and reporting performance publicly.

II. Literature Review

Blowfield, M. (2005) found a critical approach to CSR not only requires us to ask how CSR affects company behavior in developing countries, but also to ask if, and how, business is affecting the meaning of development itself. The author argues in this article that business is indeed affecting development, and one of the ways this happens is by allowing business thinking to dominate the way we view the world and to become the norm against which everything else is tested for true and false value.

Chaudhary and Wang (2007) found that the number of companies with disclosures on internet is noticeably low in India in top 100 Information Technology companies. Though the study did not attest the lack of CSR activities but it certainly attested lack of proactive CSR communication, simply put the companies carried out CSR activities but did not disclose them properly.

Hossain and Reaz (2007) investigated the extent of voluntary disclosures by 38 listed banking companies in India. The empirical research concluded that the size and assets were the significant factors influencing disclosure whereas age, diversification, board composition and multiple exchange listing and complexity of business are not significant variables influencing social reporting practices of Indian banking companies.

Murthy (2008) examined the corporate social disclosure practices of the top 16 software firms in India. The 2003–2004 annual reports were analyzed using content analysis and it was found that the human resources was the most frequently reported followed by community development activities and the environmental activities was the least reported. Most of the information was qualitative and was disclosed in the ‘other’ sections of the annual report. Some firms had separate sections for each category while many others disclosed their social practices in the introductory pages of the annual report. The researcher suggested that shortage of skilled labor in the software sector might have led to social disclosure (CSD) practices in the human resources. Firms seemed to have engaged in community development activities without expecting changes to their economic performance and the CSD of community activities seemed to be shaped by the expectations of the society.

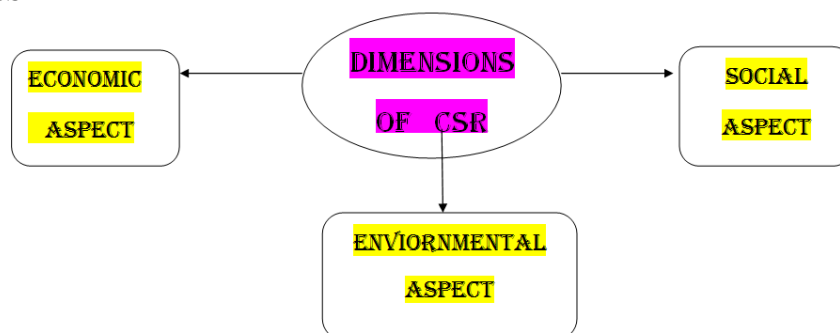
Jatana and Crowther (2008) edited book named “Corporate social responsibility – theory and practice with case studies” has shed light on myths of Corporate social responsibility, value addition, Globalization perspectives on corporate governance whistle blowing policies as corporate social responsibility and other contemporary issues in corporate social responsibility. In addition, it dealt with various case studies related to various industrial sectors insurance, private banking, SMEs, Information Technology, power generation sectors and companies like Abuja cements, Coca-Cola. In all these articles details of current projects pursued by companies has given but the CSR has not been measured as such.

Planken et al (2010) investigated CSR platforms and the communication surrounding those platforms in India and established that the CSR platforms are typically used, together with stakeholder attitudes to both the form and content of those platforms. The authors presented the fact that the selected Indian corporations pursued a primarily philanthropic platform with a focus on community development projects, as predicted by previous studies. It also indicated, however, that Indian consumers may not value philanthropic CSR as highly as other CSR initiatives.

III. Methodology

The prepared paper is a descriptive study in nature. The secondary data and information have been analyzed for preparing the paper extensively. The secondary information have been collected from different scholars’ and researchers’ published books, articles published in different journals, periodicals, conference paper, working paper and websites.

Dimensions of CSR



The three dimensional aspect of corporate social responsibility (CSR) includes :-

- ✓ Economic aspects.
- ✓ Social aspects.
- ✓ Environmental aspects.

1. Economic aspects of CSR

The economic aspects of CSR consist of understanding the economic impacts of the company’s operations. The economic aspects of CSR is often mistakenly considered to be synonymous with financial issues, which is why it has been assumed easier to implement than the other two pillars of the temple. However, the economic responsibility is not simply a matter of companies being financially accountable, recording employment figures and debts in their latest corporate responsibility report. The economic dimension of the

sustainability agenda should rather consider the direct and indirect economic impacts that the organization's operations have on the surrounding community and on the company's stakeholders. That is what makes up corporate economic responsibility.

a) Effect on Stakeholders

The economic performance of a company has direct and indirect impacts on all of its stakeholders – including its employees, local governments, non-profit organizations, customers, suppliers, and the communities in which the companies operate. A good economic performance makes it possible to develop operations for the long term and to invest in development and the well-being of employees. The employees of the company get good salaries, from which they purchase goods and services as well as pay taxes. These activities fuel the local service industry, government programs and the community activities. This multiplier effect becomes all the more important if the company is one of the largest employers in the communities.

b) Through taxes

Companies are major contributors to the well-being of the area surrounding their operations, for example through the local tax base. Therefore, the question arises: is it responsible for a business to see corporate taxes purely as to cost be avoided, rather than part of their social contract with society? Taxes have a significant impact on the creation and distribution of wealth: tax avoidance, though perfectly legal, deprives the community in the area of the company's operation of well-being.

c) Maintaining Trust

A company's license to operate depends upon the trust and support of the local communities where it operates. The shift in power from the public to the private sector emphasizes the importance of this trust – and the obligations and responsibilities that come with it. Some company activities are potentially very destructive to the trust earned from the community or otherwise cannot be regarded as economically responsible. These should be avoided or at least carefully considered. Example of such harmful company behavior include: bribery and corruption, tax avoidance: and concentration of rewards and incentives of the company's performance to few individuals only instead of fairer distribution among the personnel. The company should also stop to consider the economic effects of changes in locations and/or operations to the community.

2. Social Aspects of CSR

Social responsibility is the newest of the three dimensions of corporate social responsibility and it is getting more attention than it has previously had. Many organizations are becoming increasingly active in addressing social concerns social responsibility means being accountable for the social effects the company has on people -even indirectly. This includes the people within the company, in the supply chain of the company, in the community the company is in and as customers of the company which means the whole lot of stakeholder. It refers to the management's obligation to make choices and take actions that will contribute to the well fare and interests of society as well as those of the organization. The following aspects have been found to be key the social aspects of CSR for an organization.

a) Responsibility of CSR towards Customers

The idea of treating customers with respect and attention is not new to business: often being responsible to customers has a direct positive effect on the company's profits. There are, however, broader social responsibilities including providing good value for money. These responsibilities may include such issues as the safety and durability of products or services; standard or after sales service; prompt and courteous attention to queries and complaints; adequate supply of products or services; fair standards of advertising and trading; and full and unambiguous information to potential customers.

b) Responsibility of CSR towards Employees

Businesses are major contributors to the employment generation of the community. However, social responsibility to employees extends beyond terms and conditions of the formal contract of employment. Companies need to come up with wider expectations that today's employees have for the quality of their working life. Such expectations include taking care of the personnel's welfare and safety at work and upholding their skills and motivation for the work. Beyond these expectations, a socially responsible company secures a just treatment and equal opportunities for all its employees, regardless of gender, age, race, or religion.

c) Responsibility of CSR towards the Community

Companies depend on the health, stability, and prosperity of the communities in which they operate. Often majority of the company's employees and customers come from the surroundings area – especially so for

SME's. The reputation of a company at its location, its image as an employer and producer, but also as an actor in the local scene, certainly influences its competitiveness. Many companies become involved in community causes, for example by providing additional vocational training places, recruiting socially excluded people, sponsoring local sports and cultural events, and through partnerships with communities or donations to charitable activities.

3. Environmental aspects of CSR

Environmental concern and sustainable development is a key pillar of the corporate social responsibility. Environmental and ecological issues have been an important topic of discussion for the past thirty years in the business world – the longest time of the three dimensions corporate social responsibility. The knowledge and issues within the dimensions have progressed across a landscape of changing business realities. Environmental aspects put in place in the 1970s with the first real understanding of the environmental impacts of business.

a) Environmental Impact

Corporate activity may have many types of effects on the environment. Usually environmental impact refers to the negative effects occurring in the surrounding natural environment due to business operations. Such impacts may include: overuse of natural, non-renewable resources of energy, pollution wastage, degeneration of biodiversity, climate change, deforestation etc. Since many business – related environmental problems transcend national boundaries, most companies are thus actors in global environment.

b) Measuring Environmental Impact

Environmental impacts can be measured in several ways through environmentally extended input-output tables, material input per service unit (MIPS) calculations, ecological footprint and life cycle assessment, to name a few. Ecological footprint measures the amount of nature's resources consumed in a given year, and compares it to the resources available in the world. Life cycle assessment (LCA or eco-balance) is used to assess the environmental performance of a product from raw materials in the beginning of the production process all the way to disposal at the end of use. The MIPS value is calculated by dividing the amount of material the product or service causes to move, e.g. the amount of earth moved in mining, not just the metal used – during its entire life – span by the amount of benefits and value it brings.

c) Environmental Management

To truly commit to its environmental responsibilities a company should change its traditional modes of operation towards a more environmentally oriented one. The environmentally more responsible perspective could include such issues as an emphasis on increased resource productivity, cleaner production and active dialogue with the company's stakeholders. Many businesses have found that establishing an environmental management system is the best basis for good environmental performance. Quality, health and safety issues can also be integrated into the same management system.

d) Environmental Responsibility

Several individual companies have found that improving environmental performance may also have beneficial effects on the company itself. Using less material and streamlining processes to create less waste may lower the costs of operation significantly. Moreover, the close review of operations, which is needed to improve the environmental performance, may reveal other improvement points, such as risk and material loss. A responsible public image may also attract more customers. State governments can fulfill their role in helping business to identify market opportunities and undertake win-win investments, the action program also set out a number of other measures aimed at business: establishment of a compliance assistance program to help business understand the environmental requirements of the European Community; development of national, but harmonized, company environmental performance reward schemes that identify and reward good performers and encourage voluntary commitments and agreements.

Significance of CSR: -

CSR plays a very significant role in the smooth functioning of organizations. It includes:-

a) Social Responsibility and Customer Relationships

One of the foundational elements of CSR is that it causes companies to reason beyond basic ethics to consider the benefits of active involvement in communities. In his article "The 7 Principles of Business Integrity," business strategist Robert Moment argues that 21st-century companies must prove themselves to

customers to build long-term, trusting relationships. They must also get involved in the community to give back. This community connection endears your company to the local markets in which you operate.

b) Motivated Employees

Employees are a company's most valued asset. This is the premise of a company's obligation to this key stakeholder group with regard to CSR compliance. This means treating employees with respect and offering fair working conditions. It also means establishing fair hiring practices and promoting a non-discriminatory workplace. This improves morale within the workplace and encourages teamwork.

c) Profitability and Value

A CSR policy improves company profitability and value. The introduction of energy efficiencies and waste recycling cuts operational costs and benefits the environment. CSR also increases company accountability and its transparency with investment analysts and the media, shareholders and local communities. This in turn enhances its reputation among investors such as mutual funds that integrate CSR into their stock selection. The result is a virtuous circle where the company's stock value increases and its access to investment capital is eased.

d) Showing a True Commitment

The most successful corporate social responsibility programs integrate these two types of CSR together to show a true commitment to a cause. For example, a company that uses sustainable materials in their products, donates financial resources to environmental causes, and allows employees to take paid time off for volunteering at environmental charities would be showing a true commitment to the environment that goes beyond any single CSR initiative.

e) Social Media Visibility

One of the reasons that corporations should have visible CSR campaigns is due to the importance and prevalence of social media. Corporations that want to protect their brand understand that social media is an integral part of public perception. When a corporation exercises social responsibility in the form of fundraising or setting up employee giving programs, using social media to promote these actions helps to create a positive branding environment and it is a great way to engage with your audience on a deeper level that goes beyond your products or services.

f) Public Relations Benefits

Public relations are a potent tool for shaping consumer perception and building a company's image. Corporations that actively promote their social responsibility activities often take steps to publicize these efforts through the media. Getting the word out about corporate donations, employee volunteer programs, or other CSR initiatives is a powerful branding tool that can build publicity for you in both online and print media.

g) Government Relations

Corporations that place an emphasis on corporate social responsibility typically have an easier experience when dealing with politicians and government regulators. In contrast, businesses that present a reckless disregard for social responsibility tend to find themselves fending off various inquiries and probes, often brought on at the insistence of public service organizations. The more positive the public perception is that a corporation takes social responsibility seriously; the less likely it is that activist groups will launch public campaigns and demand government inquiries against it.

h) Building a Positive Workplace Environment

Finally, one of the greatest benefits of promoting social responsibility in the workplace is the positive environment you build for your employees. When employees and management feel they are working for a company that has a true conscience, they will likely be more enthusiastic and engaged in their jobs. This can build a sense of community and teamwork which brings everyone together and leads to happier, more productive employees.

IV. Managing For Social Responsibility

For managing social responsibility many steps are taken by the different companies for doing significant improvements in their environmental and social management practices.

1. Corporate Governance

In general, governance is about how power, privilege, and wealth are distributed and how and by whom they are exercised. In a corporate sense, governance involves defining a vision and the overall direction of the firm, setting standards, overseeing the allocation of financial and human resources, and balancing the interests of stakeholders or constituencies. It is increasingly recognized that governance must also be concerned with the sustainability of the enterprise and the values that guide decision making and the articulation and communication

of the core ideology of the firm. It is concerned with the relationships between shareholders, management, and the Board of Directors and increasingly with other key stakeholders or constituencies.

2. Organizational Alignment

Leading edge companies, those that have prospered and survived over time, have shown more than a clear sense of purpose and core values. They have also translated them into action and ensured that they are reflected consistently throughout the organization in everything the company does. They achieve this alignment through:

- Their goals, strategies, tactics, and systems,
- The way they organize (structures, building, office layouts),
- Their human resource policies and practices, and
- Their day-to-day decisions.

3. Audits and Accounting Practices

During the past ten years, a number of business networks and companies have engaged in environmental and social accounting.

Several NGOs and multi-sector partnerships such as AccountAbility and the Global Reporting Initiative have pioneered the development of standards, terminology, and accreditation procedures for social and ethical accounting and auditing. These innovative approaches are based on relatively sophisticated efforts to determine what is considered to be important for each of the stakeholders and then to define specific objectives and action programmes for priority areas of performance improvement. The annual social report evaluates performance against these plans just as the annual financial reports show financial results compared to prior years and sometimes objectives.

4. Educating for Social Responsibility

There is reason for some optimism about the increasing recognition of the need to build business ethics, environment, and social responsibility into educational programmes for business students and managers. Ethics and entrepreneurship are on the executive education agenda.

5. Forces at Work

Most business leaders would agree that they are managing times of turbulence and accelerating change. They would also find a consensus about most of the trends and forces which are challenging their traditional views of competitiveness and of the success factors for survival and profitability. These forces include the following:

- I. Globalization of markets, consumer preferences, supply chains and financial flows. Some business leaders consider globalization to be a revolution, not simply a trend, since it is having momentous effects on the economies of all countries and on corporations in most sectors.
- II. Increasing intensity of competition. Peter Veil used the expression 'managing in white water' to express the challenge of meeting the turbulence and instability which global competition has created. It is unlikely we will ever return to the comfortable 1970's.
- III. Rapid technological changes are transforming markets, alleviating burdensome tasks, enabling greater customization of production, and contributing to high labour displacement.
- IV. Modern information technology makes it possible to decentralize decision-making without losing control and to introduce more flexible and less hierarchical structures.
- V. A shift from an industrial economy to a knowledge and information based economy. Human capital is replacing financial capital as the most important strategic resource. Traditional concepts of work, of jobs, and of motivation are being challenged.
- VI. Demographic changes not only threaten the sustainability of our planet but create a mismatch between jobs and suitably trained workers, and between present educational systems and the needs of a knowledge and information-based economy.
- VII. Environmental challenges caused by pollution and resource depletion test the sustainability of our planet earth. Business leaders are called upon to play an important role in meeting these challenges.
- VIII. Changing value systems are finding expression in different lifestyles and expectations on the part of employees, customers, and communities as a whole. As the world business environment changes, so do the requirements for success and competitiveness. Because of the above forces at work, building deeper

and more strategic relationships with customers, suppliers, employees, communities and other stakeholders (the corporate eco-system) can become central to competitiveness and even survival.

- IX. Building these relationships can form the foundation for a new, progressive and people-centered corporate strategy which attacks the sources - not the symptoms of challenges facing business today.

Current State of CSR in India

CSR is not a new concept in India. Ever since their inception, corporate like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation, to name a few have been involved in serving the community. Through donations and charity events, many other organizations have been doing their part for the society. The basic objective of CSR in these days is to maximize the company's overall impact on the society and stakeholders. CSR policies, practices and programs are being comprehensively integrated by an increasing number of companies throughout their business operations and processes. A growing number of corporate feel that CSR is not just another form of indirect expense but is important for protecting the goodwill and reputation, defending attacks and increasing business competitiveness.

Companies have specialized CSR teams that formulate policies, strategies and goals for their CSR programs and set aside budgets to fund them. These programs are often determined by social philosophy which have clear objectives and are well defined and are aligned with the mainstream business. The programs are put into practice by the employees who are crucial to this process. CSR programs ranges from community development to development in education, environment and healthcare etc.

For example, a more comprehensive method of development is adopted by some corporations such as Bharat Petroleum Corporation Limited, Maruti Suzuki India Limited and Hindustan Unilever Limited. Provision of improved medical and sanitation facilities, building schools and houses, and empowering the villagers and in process making them more self-reliant by providing vocational training and a knowledge of business operations are the facilities that these corporations focus on. Many of the companies are helping other peoples by providing them good standard of living.

On the other hand, the CSR programs of corporations like GlaxoSmithKline Pharmaceuticals' focus on the health aspect of the community. They set up health camps in tribal villages which offer medical check-ups and treatment and undertake health awareness programs. Some of the non-profit organizations which carry out health and education programs in backward areas are to a certain extent funded by such corporations. Also Corporate increasingly join hands with Non-governmental organizations (NGOs) and use their expertise in devising programs which address wider social problems.

For example, a lot of work is being undertaken to rebuild the lives of the tsunami affected victims. This is exclusively undertaken by SAP India in partnership with Hope Foundation, an NGO that focuses mainly on bringing about improvement in the lives of the poor and needy. The SAP Labs Center of HOPE in Bangalore was started by this venture which looks after the food, clothing, shelter and medical care of street children. CSR has gone through many phases in India. The ability to make a significant difference in the society and improve the overall quality of life has clearly been proven by the corporate. Not one but all corporate should try and bring about a change in the current social situation in India in order to have an effective and lasting solution to the social woes. Partnerships between companies, NGOs and the government should be facilitated so that a combination of their skills such as expertise, strategic thinking, manpower and money to initiate extensive social change will put the socio-economic development of India on a fast track.

V. Conclusion

The evolution of corporate social responsibility in India refers to changes over time in India of the cultural norms of corporations engagement of corporate social responsibility (CSR), with CSR referring to way that businesses are managed to bring about an overall positive impact on the communities, cultures, societies and environments in which they operate. The fundamentals of CSR rest on the fact that not only public policy but even corporate should be responsible enough to address social issues. There are three dimensional aspect of corporate social responsibility (CSR) includes Economic aspects, Social aspects, and Environmental aspects. How social responsibility is significant for organizations like by motivating employees, profitability, increasing value etc. For managing social responsibility many steps are taken by the different companies for doing significant improvements in their environmental and social management practices. Different forces at work which help in managing CSR which includes globalization, technological, environmental changes etc. At the end current State of CSR in India. Different Indian companies used CSR. Companies have specialized CSR teams that formulate policies, strategies and goals for their CSR programs and set aside budgets to fund them. These programs are often determined by social philosophy which have clear objectives and are well defined and are aligned with the mainstream business. The programs are put into practice by the employees who are crucial to this process. CSR programs ranges from community development to development in education, environment

and healthcare etc. CSR contributes a lot to the organization. Every organization should adopt it make their business more efficient and profitable.

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