Strategic implications of corporate social Responsibility

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INTRODUCTION

Corporate Social Responsibility (CSR) is an organization's obligation to consider the interests of their customers, employees, shareholders, communities, and the ecology and to consider the social and environmental consequences of their business activities. By integrating CSR into core business processes and stakeholder management, organizations can achieve the ultimate goal of creating both social value and corporate value. While the interests of shareholders and the actions of managers of any business enterprise have to be governed by the laws of economics, requiring an adequate financial return on investments made, in reality the operations of an enterprise need to be driven by a much larger set of objectives that are today being defined under the term CSR. The broad rationale for a new set of ethics for corporate decision making, which clearly constructs and upholds a organization's social responsibility, arises from the fact that a business enterprise derives several benefits from society, which must, therefore, require the enterprise to provide returns to society as well. A business cannot succeed in a society which fails. This, therefore, clearly establishes the stake of a business organization in the good health and well being of a society of which it is a part. More importantly, in this age of widespread communication and growing emphasis on transparency, customers of any product or service are unlikely to feel satisfied in buying from an organization that is seen to violate the expectations of what is deemed to be ethically and socially responsible behavior. It is becoming increasingly evident that organizations that pay genuine attention to the principles of socially responsible behavior are also finding favour with the public and are the preferred choice for their goods and services. In an age in which environmental and social issues are top of mind for many consumers, businesses can no longer exist in a bubble. Today's shoppers aren't just looking for the best price and quality — they expect the companies they patronize to do good with their dollars and make a positive impact on the world around them. To this end, many organizations are now making social responsibility a top priority. Corporate social responsibility (CSR) refers to a business practice that involves participating in initiatives that benefit society.

OBJECTIVES OF THE STUDY

- To study the CSR status in India.
- To examine the CSR initiatives in consumers awareness.
- To study the section 135 of companies act 2013 in regarding to CSR.
- To know the need and challenges before CSR in India.

RESEARCH METHODOLOGY

The research paper is an attempt of exploratory research, based on the secondary data sourced from journals, magazines, articles and media reports. Looking into requirements of the objectives of the study the research design employed for the study is of descriptive type. Keeping in view of the set objectives, this research design was adopted to have greater accuracy and in depth analysis of the research study. Available secondary data was extensively used for the study. The investigator procures the required data through secondary survey method. Different news articles, Books and Web were used which were enumerated and recorded.

REVIEW OF LITERATURE

Moir Lance (2001) reviewed definitions of corporate social responsibility from both practice and the literature and looks at theories to explain why such behavior takes place. The literature has strong divides between normative or ethical actions and instrumental activities. The article concludes by posing the question of when instrumental activities become business activities rather than largely social responsibility.

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Lantos Geoffrey P. (2001) reviewed the development of the corporate social responsibility (CSR) concept and its four components: economic, legal, ethical and altruistic duties. Discusses different perspectives on the proper role of business in society, from profit making to community service provider. Suggests that much of the confusion and controversy over CSR stem from a failure to distinguish among ethical, altruistic and strategic forms of CSR.

Sarbutts Nigel (2003) reviewed a spectrum of views on reputation and CSR and argues that searching for a definitive, value-for-money-based formula for reputation management and CSR is at odds with stakeholder expectations, and that much evidence exists to suggest that truly effective CSR is the result more of pragmatism than theory or corporate strategy and in some ways SMEs are better placed to take advantage of CSR programmes.

Christian Superti (2005) corporate responsibility (CR) has gained a lot of attention during the last decade and many more companies are producing non-financial reports today than ten years ago. Although a widespread definition is not available CR means that businesses are pursuing their economic, social and environmental responsibilities on a voluntary basis and are integrating them into all business operations, while interacting with their stakeholders.

Marshall Judi (2007) reviewed the potential gendering of leadership in the emerging field of corporate social responsibility (CSR). It explores whose voices are becoming dominant, how leaders speak, and what forms men's and women's leadership take.Simeon Scott (2007) examined five themes arising from definitions of corporate social responsibility (CSR): responsibility to the community and society; promoting democracy and citizenship; reducing poverty and the inequality between rich and poor; employee rights and working conditions; ethical behaviour. The paper also aims to evaluate three important articles on CSR, and investigate conceptual value added, with reference to these five themes.

Ball Kim (2008) proposed a shift in view from corporate social responsibility to corporate social performance (CSP) as a means to assess CSR policies and practices. A harmful product category was chosen to illustrate how corporate social performance using a consumer's point-of-view can be assessed.

Galbreath Jeremy (2009) explored how corporate social responsibility (CSR) can be effectively built into firm strategy. Gabriel Juan (2009) From the decision-maker's viewpoint, the success of a social responsibility program rests heavily on a corporation's ability to create links in the public consciousness between the CSR activities of an organization and its performance to different stakeholders. However, thinking broadly about CSR outcomes often results in a list that is much too long to be of any practical use. The purpose of this paper is to provide an empirical study to provide understanding as to why business organizations are increasingly engaging in corporate social responsibility issues.

135 OF THE COMPANIES ACT, 2013

CSR is the process by which an organization thinks about and evolves its relationships with stakeholders for the common good, and demonstrates its commitment in this regard by adoption of appropriate business processes and strategies. Thus CSR is not charity or mere donations.CSR is a way of conducting business, by which corporate entities visibly contribute to the social good. Socially responsible companies do not limit themselves to using resources to engage in activities that increase only their profits. They use CSR to integrate economic, environmental and social objectives with the company's operations and growth.

CSR IN INDIA

India has a long rich history of close business involvement in social causes for national development. In India, CSR is known from ancient time as social duty or charity, which through different ages is changing its nature in broader aspect, now generally known as CSR. From the origin of business, which leads towards excess wealth, social and environmental issues have deep roots in the history of business. India has had a long tradition of corporate philanthropy and industrial welfare has been putto practice since late 1800s. Historically, the philanthropy of business people in India has resembled western philanthropy in being rooted in religious belief. Business practices in the 1900s that could be termed socially responsible took different forms: philanthropic donations to charity, service to the community, enhancing employee welfare and promoting religious conduct. Corporations may give funds to charitable or educational institutions and may argue for them as great

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humanitarian deeds, when in fact they are simply trying to buy community good will. The ideology of CSR in the 1950s was primarily based on an assumption of the obligation of business to society.

In initial years there was little documentation of social responsibility initiatives in India. Since then there is a growing realization towards contribution to social activities globally with a desire to improve the immediate environment. It has also been found that to a growing degree companies that pay genuine attention to the principles of socially responsible behavior are also favored by the public and preferred for their goods and services. This has given rise to the concept of CSR. After Independence, JRD Tata who always laid a great deal of emphasis to go beyond conducting themselves as honest citizens pointed out that there were many ways in which industrial and business enterprises can contribute to public welfare beyond the scope of their normal activities. He advised that apart from the obvious one of donating funds to good causes which has been their normal practice for years; they could have used their own financial, managerial and human resourced to provide task forces for undertaking direct relief and reconstruction measures. Slowly, it began to be accepted, at least in theory that business had to share a part of the social overhead costs of. Traditionally, it had discharged its responsibility to society through benefactions for education, medical facilities, and scientific research among other objects. The important change at that time was that industry accepted social responsibility as part of the management of the enterprise itself. The community development and social welfare program of the premier Tata Company, Tata Iron and Steel Company was started the concepts of "Social Responsibility." The term corporate social performance was first coined by Sethi (1975), expanded by Carroll (1979), and then refined by Wartick and Cochran (1985). In Sethi's 1975 three-level model, the concept of corporate social performance was discussed, and distinctions made between various corporate behaviours. Sethi's three tiers were 'social obligation (a response to legal and market constraints); social responsibility

(Congruent with societal norms); and social responsiveness (adaptive, anticipatory and preventive) (Cochran, 2007). The last decade of the twentieth century witnessed a swing away from charity and traditional philanthropy towards more direct engagement of business in mainstream development and concern for disadvantaged groups in the society. This has been driven both internally by corporate will and externally by increased governmental and public expectations (Mohan, 2001).This was evident from a sample survey conducted in 1984 reporting that of the amount companies spent on social development, the largest sum 47 percent was spent through company programs, 39 percent was given to outside organizations as aid and 14 percent was spent through company trusts (Working Document of EU India CSR, 2001). In India as in the rest of the world there is a growing realization that business cannot succeed in a society which fails. 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).

NEED FOR CORPORATE SOCIAL RESPONSIBILITY

The current trend of globalization has made the firms realize that in order to compete effectively in a competitive environment they need clearly defined business practices with a sound focus on the public interest in the markets **(Gray, 2001)**. Firstly, the increase in competition among the multinational companies to gain first mover advantage in various developing countries by establishing goodwill relationships with both the state and the civil society is ample testimony to this transformation. Secondly, in most of the emerging markets, the state has a duty of protecting the interests of the general public and thus gives preference to companies which take care of the interests of all the stakeholders. Thirdly, emerging markets have been identified as a source of immense talent with the rising levels of education. For example, the expertise of India in churning out software professionals and China in manufacturing has now become internationally renowned. In order to draw from this vast talent pool coming up in developing countries, companies need to gain a foothold in these markets by establishing sound business practices addressing social and cultural concerns of the people. It has been observed that consumers consider switching to another company's products and services, speak out against the company to family/friends, refuse to invest in that company's stock, refuse to work at the company and boycott the company's products and services in case of negative corporate citizenship behaviors **(Edenkamp, 2002)**. Fourthly, firms all over the world are beginning to grasp the importance of intangible assets, be it brand name or employee morale. Equity created in a company's reputation or brand can easily be harmed or even lost particularly for companies whose

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brand equity depends on company reputation. Reputation is built around intangibles such as trust, reliability, quality, consistency, credibility, relationships and transparency, and tangibles such as investment in people, diversity and the environment. Only firms that have gained the goodwill of the general public and are ideal corporate citizens will be to develop these intangible assets into strategic advantages. CSR can be an integral element of a firm's business and corporate-level differentiation strategies. Fifthly, CSR is an important factor for employee motivation and in attracting and retaining top quality employees as well. Innovation, creativity, intellectual capital and learning are helped by a positive CSR strategy. Sixthly, better risk management can be achieved by in-depth analysis of relations with external stakeholders. Given the increase in cross-border business relationships and the threat of cross-border litigation, boards have to consider the risk management standards of business partners, and even suppliers. CSR also helps in compliance with regulation and the avoidance of legal sanctions, while the building of relationships with host governments, communities and other stakeholders can enhance a company"s reputation and credibility and be important with regard to its future investment decisions.

CSR INITIATIVES REGARDING CONSUMERS AWARENESS

As consumers' awareness about global social issues continues to grow, so does the importance these customers place on CSR when choosing where to shop. "Technology has brought global connectivity and enabled advocacy and awareness for social situations that were once obscure," said Alexis Magnan-Callaway, whose fashion company Pax Cult donates 10 percent of its profits to an organization of the customer's choice. "Millennials are redefining what it means to connect and give back through this technology. It's not just about having a recycling program or sustainable products. Those actions, while appreciated and commendable, should be done intuitively. People want to feel good about what their dollar is doing in the world."

- **Labor rights**:
- child labor
- forced labor
- right to organize
- safety and health
- **Environmental conditions**
- water & air emissions
- climate change
- **Human rights**
- cooperation with paramilitary forces
- complicity in extra-judicial killings
- **Poverty Alleviation**
- job creation
- public revenues, skills and technology

CHALLENGES BEFORE CSR

It is important for CSR strategies to become central to business strategy and part of the long-term planning process. Stakeholders are questioning more on CSR initiatives of the companies today. They are challenging the companies" decisions-making in this direction. It has become imperative to incorporate stakeholders" views. In India the CSR managers face number of challenges in managing CSR activities. The biggest problem is of lack of budget allocations followed by lack of support from employees and lack of knowledge as well. Lack of professionalism is another problem faced by this sector.

Small companies do not take adequate interest in CSR activities and those which undertake them fail to disclose it to the society. In the process they loose out on people and their trust in them. Media can come up with strong support for informing the people at large about the CSR initiatives taken up by the companies. It can sensitize population and also make them aware of the benefits of CSR to them. However, media is not doing enough in this regard.

The failure of the government to come up with statutory guidelines to give a definite direction to companies taking up CSR activities, in terms of size of business and profile of CSR activities also results into few companies practicing CSR concept adequately.

CONCLUSION

There is a growing awareness that business needs to manage its relationship with the wider society. Corporate leaders are responsible for their corporations' impact on society and the natural environment beyond legal compliance and the liability of individuals. CSR is becoming a leading principle of top management and of entrepreneurs. The number of observations in research in this field clearly delineated models, leadership competencies, accountability, and structure of partnerships as well as organizational challenges and limitations and ethics. Organizations can reexamine their pattern of behaviors in the TBL framework and begin their journey toward a sustainable approach that is integrated into their business strategy.

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