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CORPORATE SOCIAL RESPONSIBILITY IN INDIA

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Abstract

Corporate social responsibility (CSR, also called corporate conscience, corporate citizenship or responsible business) is a form of corporate self-regulation integrated into a business model. CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and national or international norms. With some models, a firm's implementation of CSR goes beyond compliance and statutory requirements, which engages in "actions that appear to further some social good, beyond the interests of the firm and that which is required by law". The binary choice between 'complying' with the law and 'going beyond' the law must be qualified with some nuance. In many areas such as environmental or labor regulations, employers can choose to comply with the they deliberately ignore gender equality or the mandate to hire disabled workers. There must be a recognition that many so-called 'hard' laws are also 'weak' laws, weak in the sense that they are poorly enforced, with no or little control and/or no or few sanctions in case of non-compliance. 'Weak' law must not be confused with soft law. The aim is to increase long-term profits and shareholder trust through positive public relations and high ethical standards to reduce business and legal risk by taking responsibility for corporate actions.

INTRODUCTION

CSR strategies encourage the company to make a positive impact on the environment and stakeholders including consumers, employees, investors, communities, and others.

Proponents argue that corporations increase long-term profits by operating with a CSR perspective, while critics argue that CSR distracts from businesses' economic role. A 2000 study compared existing econometric studies of the relationship between social and financial performance, concluding that the contradictory results of previous studies reporting positive, negative, and neutral financial impact, were due to flawed empirical analysis and claimed when the study is properly specified, CSR has a neutral impact on financial outcomes.

Critics questioned the "lofty" and sometimes "unrealistic expectations" in CSR.or that CSR is merely window-dressing an attempt to pre-empt the role of governments as a watchdog over powerful multinational corporations.

Political sociologists became interested in CSR in the context of theories of globalization, neoliberalism and late capitalism. Some sociologists viewed CSR as a form of capitalist legitimacy and in particular point out that what began as a social movement against uninhibited corporate power was transformed by corporations into a 'business model' and a 'risk management' device, often with questionable results.

CSR is titled to aid an organization's mission as well as serve as a guide to what the company represents for its consumers. Business ethics is the part of applied ethics thatexamines ethical principles and moral or ethical problems that can arise in a business environment. ISO 26000 is the recognized international standard for CSR. Public sector organizations (the United Nations for example) adhere to the triple bottom line (TBL). It is widely accepted that CSR adheres to similar principles, but with no formal act of legislation.

The term "corporate social responsibility" became popular in the 1960s and has remained a term used indiscriminately by many to cover legal and moral responsibility more narrowly construed.

Business Dictionary defines CSR as "A company’s sense of responsibility towards the community and environment (both ecological and social) in which it operates. Companies express this citizenship (1) through their waste and pollution reduction processes, (2) by contributing educational and social programs and (3) by earning adequate returns on the employed resources."A more common approach to CSR is corporate philanthropy. This includes monetary donations and aid given to nonprofit organizations and communities. Donations are made in areas such as the arts, education, housing, health, social welfare and the environment, among others, but excluding political contributions and commercial event sponsorship.

Another approach to CSR is to incorporate the CSR strategy directly into operations. For instance, procurement of Fair Trade tea and coffee. CSV is based on the idea that corporate success and social welfare are interdependent. A business needs a healthy, educated workforce, sustainable resources and adept government to compete effectively. For society to thrive, profitable and competitive businesses must be developed and supported to create income, wealth, tax revenues and philanthropy. The Harvard Business Review article Strategy & Society: The Link between Competitive Advantage and Corporate Social Responsibility provided examples of companies that have developed deep linkages between their business strategies and CSR. CSV acknowledges trade-offs between short-term profitability and social or environmental goals, but emphasizes the opportunities for competitive advantage from building a social value proposition into corporate strategy. CSV gives the impression that only two stakeholders are important - shareholders and consumers.

Many companies employ benchmarking to assess their CSR policy, implementation and effectiveness. Benchmarking involves reviewing competitor initiatives, as well as measuring and evaluating the impact that those policies have on society and the environment, and how others perceive competitor CSR strategy.

Cost-benefit analysis –

In competitive markets cost-benefit analysis of CSR initiatives can be examined using a resource-based view (RBV). According to Barney (1990), "formulation of the RBV, sustainable competitive advantage requires that resources be valuable (V), rare (R), inimitable (I) and non-substitutable (S)."A firm introducing a CSR-based strategy might only sustain high returns on their investment if their CSR-based strategy could not be copied (I). However, should competitors imitate such a strategy, that might increase overall social benefits. Firms that choose CSR for strategic financial gain are also acting responsibly.

RBV presumes that firms are bundles of heterogeneous resources and capabilities that are imperfectly mobile across firms. This imperfect mobility can produce competitive advantages for firms that acquire immobile resources. McWilliams and Siegel (2001) examined CSR activities and attributes as a differentiation strategy. They concluded that managers can determine the appropriate level of investment in CSR by conducting cost benefit analysis in the same way that they analyze other investments.

Reinhardt (1998) found that a firm engaging in a CSR-based strategy could only sustain an abnormal return if it could prevent competitors from imitating its strategy.

SCOPE

supply chain

Incidents like the 2013 Savar building collapse pushed companies to consider how the behavior of their suppliers impacted their overall impact on society. Irresponsible behavior reflected on both the misbehaving firm, but also on its corporate customers. Supply chain management expanded to consider the CSR context. Wieland and Handfield (2013) suggested that companies need to include social responsibility in their reviews of component quality. They highlighted the use of technology in improving visibility across the supply chain.

Engagement plan

An engagement plan can assist in reaching a desired audience. A corporate social responsibility individual or team plans the goals and objectives of the organization. As with any corporate activity, a defined budget demonstrates commitment and scales the program's relative importance.

Accounting, auditing and reporting

: Social accountingis the communication of social and environmental effects of a company's economic actions to particular interest groups within society and to society at large.

Social accounting emphasizes the notion of corporate accountability. Crowther defines social accounting as "an approach to reporting a firm's activities which stresses the need for the identification of socially relevant behavior, the determination of those to whom the company is accountable for its social performance and the development of appropriate measures and reporting techniques."

Verification

Corporate social responsibility and its resulting reports and efforts should be verified by the consumer of the goods and services. The accounting, auditing and reporting resources provide a foundation for consumers to verify that their products are socially sustainable. Due to an increased awareness of the need for CSR, many industries have their own verification resources. The include organizations like the Forest Stewardship Council (paper and forest products), International Cocoa Initiative, and Kimberly Process (diamonds). The United Nations also provides frameworks not only for verification, but for reporting of human rights violations in corporate supply chains.

Ethics training

The rise of ethics training inside corporations, some of it required by government regulation, has helped CSR to spread. The aim of such training is to help employees make ethical decisions when the answers are unclear. The most direct benefit is reducing the likelihood of "dirty hands", fines and damaged reputations for breaching laws or moral norms. Organizations see increased employee loyalty and pride in the organization.

Common actions

Common CSR actions include: Environmental sustainability: recycling, waste management, water management, renewable energy, reusable materials, 'greener' supply chains, reducing paper use and adopting Leadership in Energy and Environmental Design (LEED) building standards.

Community involvement: This can include raising money for local charities, providing volunteers, sponsoring local events, employing local workers, supporting local economic growth, engaging in fair trade practices, etc.

Ethical marketing: Companies that ethically market to consumers are placing a higher value on their customers and respecting them as people who are ends in themselves. They do not try to manipulate or falsely advertise to the potential consumer.

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