Impact of Corporate Social Responsibilities in Modern Business Environment

Latika Verma

MBA in HR, Research Scholar, Department Of Management, Commerce and Economics, Shri Ramswaroop Memorial University, Lucknow

Abstract- Corporate social responsibility has much broader implications for the nation as a whole. It reduces dependency on the government for social change. Most governmental programmers quickly become embroiled in political manipulation, corruption, communal overtones, and bitter infighting. There is a need for evaluation and proper strategy for public-private partnership with well-defined controls and processes for the best use of resources for social change. Social reforms driven by the community will bring people together, turn the attention of the masses to tasks that benefit society, and reinforce peace and harmony. Social responsibility should not be limited to large successful corporations; there should be greater participation from most small, medium, and large businesses. The goodwill firms can generate from acts of social responsibility may, in fact, be worth far more to the businesses than the amounts they give. Corporations collectively can make India a better place for every citizen. Corporate social responsibility is about tradition and culture. It is necessary to create jobs and economic activity in rural communities to uplift the masses. Unless wealthy corporations and individuals spend on goods and services that touch the masses, economic prosperity for most of the population will remain a dream. Firms can institutionalize voluntarism among employees through appropriate incentives and recognition. Internal performance evaluation of employees could recognize community work. Community work can take many forms: teaching in government schools, supporting NGOs financially, empowering women, cleaning parks, planting trees, volunteering in orphanages, protecting the abused. Even if companies do not reward community activities, at least, the idea that the company cares will have a positive impact. Inculcating corporate social responsibility is also about training young minds and helping future generations organize themselves for greater good. Social responsibility needs to be deeply ingrained from childhood. Social responsibility is about leadership, respect for fellow human being sand balances.

Index Terms- corporate social responsibility, public private partnership, voluntarism.

I. INTRODUCTION

As per United Nations and the European Commission, Corporate Social Responsibility (CSR) leads to triple bottom-line: profits, protection of environment and fight for social justice. It is expected that Civil society, activist groups, Government and corporate sectors should work together to create appropriate means and avenues for the marginalized and bring them to the mainstream. The success of CSR lies in practicing it as a core part of a company’s development strategy. It is important for the corporate sector to identify, promote and implement successful policies and practices that achieve triple bottom-line results.

There are many instances where corporate have played a dominant role in addressing issues of education, health, environment and livelihoods through their corporate social responsibility interventions across the country.

Corporate Social Responsibility

The well accepted definition of CSR is not a common term; MNC’s prefers sustainable development or sustainable business while several Indian companies talk about responsible business or Triple P (People, Planet, and Profit). It is important to note that Indian companies and stakeholders give a broader definition of CSR than MNC and stakeholders. According to the Indian Corporate: “Sustainable development implies optimizing financial position while not depleting social and environmental aspects and CSR implies supporting issues related to children, women and environment”. These corporate refer in its definition of CSR to community development. In the context of Western community, development is often seen as charity. In the Indian context it is seen as a large responsibility of a corporate, not only by stakeholders but also by the local Indian management. The background of this is that stakeholders see the large western companies as capitalist islands in a developing country. This position gives them a certain responsibility towards the community. Most of the MNC’s leave room to their Indian daughter company to develop initiatives in this field; sometimes they have a special fund.

Today, CSR in India has gone beyond merely charity and donations, and is approached in a more organized fashion. It has become an integral part of the corporate strategy. Companies have CSR teams that devise specific policies, strategies and goals for their CSR programs and set aside budgets to support them. These programs, in many cases, are based on a clearly defined social philosophy or are closely aligned with the companies’ business expertise.

Reduced burden of government: a result of Corporate Social Responsibility

Habitat for Humanity is a non-profit organisation of volunteers engaged in building affordable housing for the needy. This paper epitomizes corporate social responsibility, even when the firm’s main objective is to increase shareholder value. The Pariveda executives are great role models for the new recruits.
This corporate activism is sustainable, acceptable, and valuable as a change agent, particularly in the context of India.

Corporate social responsibility has much broader implications for the nation as a whole. It reduces dependency on the government for social change. Most governmental programmes quickly become embroiled in political manipulation, corruption, communal overtones, and bitter infighting. There is a need for public-private partnership with well-defined controls and processes for the best use of resources for social change. Social reforms driven by the community will bring people together, turn the attention of the masses to tasks that benefit society, and reinforce peace and harmony.

Creating Social and Economic Value through Responsible Business

- Calculating benefits and costs to make the business case;
- Identifying and managing positive as well as negative impacts;
- Integrating CSR best practices into key business areas;
- Recognising outstanding efforts towards this end.

However, the challenges in India are enormous. Social responsibility should not be limited to large successful corporations; there should be greater participation from most small, medium, and large businesses. The goodwill firms can generate from acts of social responsibility may, in fact, be worth far more to the businesses than the amounts they give. Corporations collectively can make India a better place for every citizen.

Corporate social responsibility is about tradition and culture. Firms can institutionalize voluntarism among employees through appropriate incentives and recognition. Internal performance evaluation of employees could recognize community work. Community work can take many forms: teaching in government schools, supporting NGOs financially, empowering women, cleaning parks, planting trees, volunteering in orphanages, protecting the abused. Many corporations in the U.S. allow employees to write about their community service as part of their annual evaluation report. Even if companies do not reward community activities, at least, the idea that the company cares will have a positive impact.

Responsible business cooperation and Civil Society as Good Neighbours

- Recognizing the links between the welfare of society and that of the company;
- Proactively examining opportunities designed to benefit the organization and the community in terms of the environment, diversity, human rights, social impact, and the economy;
- Facilitating relationship building between NGOs and Corporations as co-actors of development.

Public-Private Partnerships make an effective development programs

The HIV/AIDS public-private partnerships established by USAID in developing countries help not only those affected by the disease, but also the partners themselves by offering a variety of benefits.

Business

Partnerships fulfill a crucial role in corporate responsibility for a business. They drive the growth of that entity, while increasing the chances of sustainability for the partnership. Many businesses indigenous to host countries have experienced financial setbacks as a result of the AIDS epidemic. Many confront such problems as employee absenteeism, declines in skilled workers, high rates of turnover, and increased training and health care costs. Moreover, HIV/AIDS reduces the demand for consumer goods. When people are ill and unable to work, they do not have resources to spend on consumer goods and services. By entering into partnership with USAID, a business can reduce costs, better protect the health of its employees, or improve conditions for its customers. By partnering with USAID, larger multinational corporations can expand their reach into local host country communities, building relationships with families and networks of local leaders, and, in some cases, offering business opportunities to vulnerable populations.

Nongovernmental organization

In developing countries, many NGOs serve children and adults who have a complex set of needs resulting from HIV infection and other factors, such as poverty, malnutrition, and insufficient sanitation. By participating in a USAID public-private partnership, an NGO is able to avail itself of resources it otherwise might not have and use those resources to strengthen and expand its portfolio of services.

Host Government

Host country governments in developing nations understand the challenges of keeping their citizens healthy, productive, and secure. In many cases, governments have not fully established national systems or the institutional capacity to implement HIV/AIDS programs of sufficient quality and scope. Through public-private partnerships, host governments gain access to varied networks, resources, and knowledge, which they can use to inform and fortify the systems and institutions they have in place. They also can help ensure that joint initiatives are appropriate to the needs and culture of the country. In these ways, governments can participate in the development of services that are effective, enduring, and ultimately owned by the country. Another advantage to HIV/AIDS public-private partnerships is that their effects frequently spill over to influence broader efforts in sustainable development. Public-private partnerships also play a pivotal role in country ownership by creating a bridge between the public and private sectors.

Today’s leader for corporate social responsibility

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In recent times, a number of foundations set up by leading Indian firms, including Infosys, Wipro, Tatas, TVS, and Dr. Reddy's Laboratory, have taken a keen interest in corporate activism to improve healthcare, education, and living conditions, and reduce poverty. These foundations support numerous government primary schools and have developed processes and methodologies for effective change. They support hundreds of non-governmental organisations and have built orphanages, hospitals, and schools.

**CSR Strategies Focusing on Protection rather than Competitive Advantage**

A CSR strategy that is focused on avoiding regulatory liability and maintaining a license to operate in the current business will not lead to current competitive advantage nor an imagination of future business models. Managing regulations, risk and legitimacy (license to operate) is also reflected in the main capabilities emphasized by the respondents: ethical behaviour, social accountability and stakeholder engagement. In order to leverage its CSR/sustainability strategy for competitive advantage, an organization needs the advanced capabilities of organizational learning and sustainable innovation. These two capabilities are critical for building sustainable business models that will lead to future sustained competitive advantage.

CSR has come a long way in India. From responsive activities to sustainable initiatives, corporate have clearly exhibited their ability to make a significant difference in the society and improve the overall quality of life. In the current social situation in India, it is difficult for one single entity to bring about change, as the scale is enormous. Corporate have the expertise, strategic thinking, manpower and money to facilitate extensive social change. Effective partnerships between corporate, NGOs and the government will place India’s social development on a faster track.

In an article on Trust and Corporate Social responsibility: Lessons from India, authors mentioned Spirituality and Corporate Social Responsibility have had a deep-rooted connection in India.

A phenomenon that has preceded the coining of the term ‘CSR’, the link between the ‘karma’ as espoused by sacred Indian texts and initiatives anchoring corporate as responsible citizens has been amply evident in India since the early days.

**Issues & Challenges**

Many companies think that corporate social responsibility is a peripheral issue for their business and customer satisfaction more important for them. They imagine that customer satisfaction is now only about price and service, but they fail to point out on important changes that are taking place worldwide that could blow the business out of the water. The change is named as social responsibility which is an opportunity for the business.

Some of the drivers pushing business towards CSR include:

**The Shrinking Role of Government**

In the past, governments have relied on legislation and regulation to deliver social and environmental objectives in the business sector. Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non-regulatory initiatives instead.

**Demands for Greater Disclosure**

There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations.

**Increased Customer Interest**

There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers. In a recent survey by Environics International, more than one in five consumers reported having either rewarded or punished companies based on their perceived social performance.

**Growing Investor Pressure**

Investors are changing the way they assess companies' performance, and are making decisions based on criteria that include ethical concerns. The Social Investment Forum reports that in the US in 1999, there was more than 2 trillion worth of assets invested in portfolios that used screens linked to the environment and social responsibility. A separate survey by Environics International revealed that more than a quarter of share-owning Americans took into account ethical considerations when buying and selling stocks. (More on socially responsible investment can be found in the 'Banking and investment' section of the site.)

**Competitive Labour Markets**

Employees are increasingly looking beyond pay checks and benefits, and seeking out employers whose philosophies and operating practices match their own principles. In order to hire and retain skilled employees, companies are being forced to improve working conditions.

**Supplier Relations**

As stakeholders are becoming increasingly interested in business affairs, many companies are taking steps to ensure that their partners conduct themselves in a socially responsible manner. Some are introducing codes of conduct for their suppliers, to ensure that other companies' policies or practices do not tarnish their reputation.

The challenges for the Corporate Social responsibility are as follows:

**Lack of Community Participation in CSR Activities**

There is a lack of interest of the local community in participating and contributing to CSR activities of companies. This is largely attributable to the fact that there exists little or no knowledge about CSR within the local communities as no serious efforts have been made to spread awareness about CSR and instill confidence in the local communities about such initiatives. The situation is further aggravated by a lack of communication between the company and the community at the grassroots.

**Need to Build Local Capacities**
There is a need for capacity building of the local non-governmental organizations as there is serious dearth of trained and efficient organizations that can effectively contribute to the ongoing CSR activities initiated by companies. This seriously compromises scaling up of CSR initiatives and subsequently limits the scope of such activities.

Issues of Transparency

Lack of transparency is one of the key issues brought forth by the survey. There is an expression by the companies that there exists lack of transparency on the part of the local implementing agencies as they do not make adequate efforts to disclose information on their programs, audit issues, impact assessment and utilization of funds. This reported lack of transparency negatively impacts the process of trust building between companies and local communities, which is a key to the success of any CSR initiative at the local level.

Non-availability of Well Organized Non-governmental Organizations

It is also reported that there is non-availability of well organized nongovernmental organizations in remote and rural areas that can assess and identify real needs of the community and work along with companies to ensure successful implementation of CSR activities. This also builds the case for investing in local communities by way of building their capacities to undertake development projects at local levels.

Visibility Factor

The role of media in highlighting good cases of successful CSR initiatives is welcomed as it spreads good stories and sensitizes the local population about various ongoing CSR initiatives of companies. This apparent influence of gaining visibility and branding exercise often leads many nongovernmental organizations to involve themselves in event-based programs; in the process, they often miss out on meaningful grassroots interventions.

Narrow Perception towards CSR Initiatives

Non-governmental organizations and Government agencies usually possess a narrow outlook towards the CSR initiatives of companies, often defining CSR initiatives more donor-driven than local in approach. As a result, they find it hard to decide whether they should participate in such activities at all in medium and long run.

Non-availability of Clear CSR Guidelines

There are no clear cut statutory guidelines or policy directives to give a definitive direction to CSR initiatives of companies. It is found that the scale of CSR initiatives of companies should depend upon their business size and profile. In other words, the bigger the company, the bigger is its CSR program.

Lack of Consensus on Implementing CSR Issues

There is a lack of consensus amongst local agencies regarding CSR projects. This lack of consensus often results in duplication of activities by corporate houses in areas of their intervention. This results in a competitive spirit between local implementing agencies rather than building collaborative approaches on issues. This factor limits company’s abilities to undertake impact assessment of their initiatives from time to time.

II. CONCLUSION

The concept of corporate social responsibility is now firmly rooted on the global business agenda. But in order to move from theory to concrete action, many obstacles need to be overcome. A key challenge facing business is the need for more reliable indicators of progress in the field of CSR, along with the dissemination of CSR strategies. Transparency and dialogue can help to make a business appear more trustworthy, and push up the standards of other organizations at the same time.

REFERENCES


AUTHORS

First Author – Latika Verma, MBA in HR, Research Scholar, Department Of Management, Commerce And Economics, Shri Ramsvaroop Memorial University, Lucknow, E-mail address: latikaverma14@gmail.com

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