

CORPORATE SOCIAL RESPONSIBILITY: EVOLUTION, ISSUES AND CHALLENGES WITH REFERENCE TO INDIAN ORGANIZATIONS

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ABSTRACT

Business organization does not exist in vacuum; they are an integral part of the society. In order to serve our society in a better manner a company has to maintain ethical standards. In India, CSR has evolved to encompass employees, customers, stakeholders and sustainable development or corporate citizenship. CSR taken up by various genres of companies primarily focuses on poverty alleviation, environmental protection and sustained development. Companies are taking initiatives for developing infrastructure in rural areas. Government, social activists and the media hold companies accountable for the outcome of their social activities. Numerous organizations grade companies on the performance of their corporate social responsibility. As a result CSR has emerged as an inevitable concern for business managers in every organization. The way to keep up the ethical business standards is by examining the moral character of business people, employees, and consumers and sticking to the fundamental moral codes of trustworthiness, respect, responsibility, fairness, caring, and citizenship.

Keywords: Business Ethics, Corporate Culture, Moral Conduct, Social Responsibility

INTRODUCTION

World Business Council for Sustainable Development defined CSR as “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. Corporate Social Responsibility (CSR) is a subject matter of great interest in the corporate world. CSR has grabbed the attention of many which includes business world, investors, consumers, and the media. Social responsibility or community relations (Verschoor, 2003) are sometimes used to describe CSR. Corporate Social Responsibility (CSR) is viewed as a comprehensive set of policies, practices and programs that are integrated into business operations, supply chains, and decision-making processes throughout the organization -- wherever the organization does business -- and includes responsibility for current and past actions as well as future impacts¹. CSR involves addressing the legal, ethical, commercial and other expectations society has for business, and making decisions that fairly balance the claims of all key stakeholders.

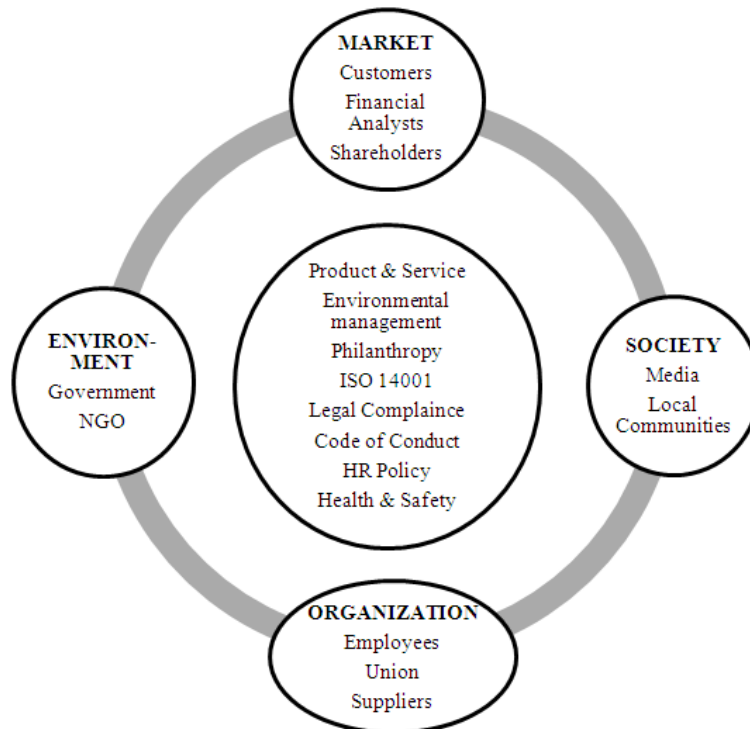


Figure 1. Areas of Corporate Social Responsibility

Apart from this a number of terms are used interchangeably with CSR like business ethics, corporate Citizenship, corporate accountability, sustainability and corporate responsibility Organizations involvement in CSR issues has grown enormously over the last twenty five years. Many organizations spread across India are now deeply involved in CSR. It implies some kind of commitment, through corporate policies and action. The CSR is reflected through an organizations social performance and how a firm manages its societal relationships, what its social impact is and what are the outcomes of its CSR policies and actions (Wood, 1991).

A responsible company also takes into account employees, suppliers, dealers, local communities, and the nation when shaping its policies. Corporate Social Responsibility (CSR) is a broad set of policies, practices and programs integrated into business operations and decision-making processes. It includes responsibility for the present and past actions as well as for the impact in future. CSR involves dealing with the legal, ethical, commercial and other expectations society has from business, and taking decisions that evenly balance the demands of all key stakeholders. CSR intend to achieve commercial success by ethical values, respecting people, communities, and the natural environment. The underlying principle for a fresh approach towards ethical means for corporate decision making has come up because of the fact that a business organization derives various benefits from the society and the organization has to returns to the society as well. Moreover, with extensive communication and growing emphasis on transparency, consumers don't want to buy from an organization which violates their expectations of ethical and socially responsible behavior. It is becoming more and more apparent that organizations which give real attention to the socially responsible behavior are finding a favorable place in the customer's heart and

are becoming the preferred choice for their goods and services. Organizations chose their CSR activities strategically so that their CSR orientation fulfills the relationship marketing objectives. Many big organizations may exhibit higher CSR orientation to signal better market performance; on the other hand, relatively less profitable or smaller companies may want to increase CSR orientation to build stronger relationships with its stakeholders. In simple terms, CSR can be defined as a set of management practices which ensures that the company take full advantage of the positive impacts of its operations on society in a way that meets and even exceeds the legal, ethical, commercial and public expectations that society has of business. From the customer's perspectives CSR activities may include commitment to product quality, fair pricing policies, and so on. CSR taken up by various genres of companies primarily focuses on poverty alleviation, environmental protection and sustained development.

LITERATURE REVIEW

CSR has been under discussion for several decades .Peter Drucker has mentioned in the past that corporate management has three tasks (cited in Phillips, 2006, p. 69):

- Increase economic performance.
- Make the worker productive and efficient.
- Manage social impacts and responsibilities.

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 differences were made between diverse corporate behaviors. 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).In a country like India where there exists a wide gap between sections of people in terms of income and standards as well as socio-economic status an ideal CSR has both ethical and philosophical dimensions (Bajpai, 2001). According to Carroll, "CSR encompasses the economic, legal, ethical and discretionary (philanthropic) expectations that society has of organizations at a given point in time." Howard Bowen in 1953 argued that since social institutions shaped economic outcomes it was to be expected that business firms as an economic outcome of societal interests should consider the social impact of business activity. According to Infosys founder, Narayan Murthy, 'social responsibility is to create maximum shareholders value working under the circumstances, where it is fair to all its stakeholders, workers, consumers, the community, government and the environment'. According to Bowen, "CSR refers to the obligations of businessmen to pursue those policies to make those decisions or to follow those lines of relations which are desirable in terms of the objectives and values of our society." Social reporting and social audits are examples of how firms can assess their social performance. Frederick 1960 stated 'Social responsibility means that businessmen should oversee the operation of an economic system that fulfills the expectations of the people. According to World Business Council for Sustainable Development "The essence of corporate social responsibility is to recognize the value of external stakeholder dialogue. Because of this, we place stakeholder engagement at the center of CSR activity. European Commission described CSR as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. In 1960's Keith Davies argued that CSR refers to 'the

firm's consideration of, and response to, issues beyond the narrow economic, technical and legal requirements of the firm' (Davies, 1973).” Gray, Owen, & Maunders in 1987 defined CSR as “the process of communicating the social and environmental effects of organizations economic actions to particular interest groups within society and to society at large”. Similarly, Perks 1993 defined corporate social reporting as “the disclosure of those costs and benefits that may or may not be quantifiable in money terms arising from economic activities and substantially borne by the community at large or other stakeholders”. The modern view of CSR proposed by Quazi and Brein (2000) points towards business, and maintaining relationship with the broader matrix of society, where there are net benefits flowing from socially responsible action in the long run, as well as in the short term. (Waddock & Smith, 2000) concluded that the CSR brand does reap more relationship benefits from its social initiatives than do its competitors indicating the competitive positioning and relationship benefits of the brands associated with CSR. Large corporations began to go public about corporate social responsibilities and publish some of their efforts, but they also made public that ‘any approach to corporate responsibility must begin with the practical recognition that the corporation must be profitable enough to provide shareholders a return that will encourage continuation of investment. Companies are augmenting their discussions with labor unions, environmental groups and other relevant stakeholders and the implementation of certification solutions by corporations, which is the establishment of codes of conduct (Kapstein, 2001), monitoring and reporting. Some research on impact of CSR orientation on business performance suggests that CSR orientation positively affects several customer related outcomes. At the same time, some previous studies have also shown that CSR's impact on consumers is moderated by culture (Williams and Zinkin, 2006). However the overall empirical evidence between CSR orientation and business performance is mixed (Margolis, et. al., 2007). This means that in a nation like India, firms would need to consider responsiveness to the needs of stakeholders as a moral obligation compared to individualist nations (Miller, et.al., 1990).

Therefore, the CSR orientation of organizations may manifest itself more from responsiveness, and duty-based moral code (Miller, 1994), and less by profit objectives. McIntosh defines CSR or Corporate citizenship as “Corporate citizenship is concerned with the relationship between companies and society both the local community, which surrounds a business and whose members interact with its employees, and the wider and increasingly worldwide community, which touches every business through its products, supply chain, dealer network, and its advertising, among other things” (McIntosh et al., 1998, p. 20, as cited in Lindgreen et. al. 2009). Organizations increasingly use CSR activities to position their corporate brand in the eyes of consumers and other stakeholders, such as through their annual reports (Sweeney and Coughlan 2008) and websites (Maignan and Ralston 2002).

Although lot of research has already been done on CSR in western markets, it remains a relatively under researched area in Asia (Chapple and Moon, 2007), specially CSR in Asian countries particularly India (Chapple and Moon, 2005; Sahay, 2004; Mohan, 2001). It's a known fact that emerging markets are different from western economies, in terms of cultural and social values, as well as the norms and priorities that form the foundation of CSR philosophy in the western nations (Blowfield and Frynas, 2005; Jamali and Mirshak, 2007). However there may be many dimensions of CSR, the stakeholder engagement must be at the core (Smith, 2003). Therefore the fundamental idea of CSR is that business organizations have a responsibility to work towards meeting the needs of all the stakeholders.

Why CSR?

The concept of CSR had different meaning depending on the specific situation of the enterprises. A CSR project can begin in response to an emergency or unpleasant publicity that a company may go through. The drive for launching CSR can vary between philanthropy and notions of corporate citizenship. Some of the reasons for organizations orientation towards CSR include the following:

Increase in the Awareness Level of Consumer

The research findings firmly substantiate the fact that the ethical behavior of companies has influence on the purchase decisions of consumers. Several survey conducted by some international institutions have suggested that now the consumers are more involved in the activities of companies towards the society. A good image of the company tilt the buying decision of the consumers towards that company engaged in CSR activities.

Demands for Transparency

The ever-increasing demand for greater transparency at business world is another reason for rise in CSR activities .Transparency in terms of corporate disclosure from stakeholders like customers, suppliers, employees, communities, investors, and activist organizations has made the organizations to focus its energy on CSR also.

The Decreasing Role of Government

Previously governments used to deliver social and environmental objectives in the business sector through legislation and regulation. However in the present scenario due to the decreasing resource of government coupled with changes in regulations, has led to the discovery of voluntary and non-regulatory scheme in its place.

Holistic Approach towards Suppliers

These days' stakeholders' interests in the dealings of companies have increased. There are many companies who are taking some measures to ensure that their ally conduct themselves in a socially responsible way. Some companies are introducing codes of conduct for their suppliers, to ensure that other companies' policies or practices do not tarnish their reputation.

Concern of Investor

Gone are the days when return on investment and profit was the only criteria for making investment. Now a day's investors are shifting the way they assess company's performance, and are taking decisions based on criterion which include ethical behavior of the company also.

Changing HR Norms

The job seekers and employees are progressively looking beyond salaries, perquisite and are looking out for employers whose philosophies and operating practices match their own principles. With the intention of recruiting and retaining skilled employees, organizations are enforced to improve the conditions of their workplace.

Evolution of CSR in India**Table 1.** Evolution of CSR Orientation

1855-1915	1915 -1960	1960-1990	1990 onwards
Phase 1	Phase 2	Phase 3	Phase 3
Mainly philanthropy and charity during Industrialization. Organization solely responsible to proprietor and manager.	During the Independence struggle CSR used as a tool for social development. Organization is for proprietor, managers and employees	CSR under the aegis of mixed economy Organizations Responsibility towards proprietor, managers and other Environmental factors.	CSR in a globalized world in a puzzled state. Organizations Responsibility towards proprietor ,managers, environment and public in general.

CSR in India has evolved to include employees, customers, stakeholders and sustainable development or corporate citizenship. From the employee's perspective, CSR include facilitating health and safety measures, protecting employee rights and discouraging prejudice at workplace. This helps in promoting a healthy environment within the company. The gamut of CSR includes a number of areas as human rights, safety at work, consumer protection, climate protection and caring for the environment, and sustainable management of natural resources. CSR is a process driven by globalization, liberalization and privatization. With the passage of time expectations of the customer has grown very much with demands focusing on myriad issues like poverty, unemployment, inequality etc and by doing so they force companies to take affirmative action. The current state of CSR is believed to have been developed in stages (Kolk(2000) qtd.in Yakovleva,2005) ,GDI,2007), which depends on socio economic development of the society in which the company functions . Lindgreen and Swain (2010) used the term "embryonic stages" to define this development of CSR. On the basis of framework proposed by Kolk (2000) and GDI (2007) the Indian CSR development can be divided into four phases as shown in Table 1. The first phase was primarily determined by culture, religion, family tradition. Merchants and traders dedicated themselves to society by building temples and providing relief in times of calamity such as famine or epidemics. The companies during this phase were responsible only to their proprietor and managers. The second phase was chiefly influenced by Mahatma Gandhi's theory of trusteeship, the objective of which was to strengthen and intensify social development, and the Organizations were responsible to their proprietor, managers and their employees. After Independence, JRD Tata 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. The third phase was dominated by the paradigm of the mixed economy with the surfacing of PSUs and sufficient legislation on labor and environmental standards. This period witnessed the growth of non family-owned businesses and an increase in numbers of trusts setup by businesses and the organizations also became responsible to the environment besides their owners, managers and their employees. In the fourth phase of CSR the companies which after globalization of Indian economy, were creating products for the international market faced a demand to fulfill the international standards whereas the

increased profitability of these organizations increased business willingness as well as ability to give (Arora and Puranik, 2004). TATA implemented social welfare provisions for its employees that have since become the legislative norm. Almost all top corporate in India are involved in corporate social responsibility in areas like health, education, skill development, livelihood creation, and empowerment of weaker sections of the society. Remarkable efforts have come from the Tata Group, Infosys, Bharti Enterprises, ITC Welcome group, Indian Oil Corporation among others. Companies are taking initiative for developing infrastructure in rural areas, e.g., TATA Motors provides desks, benches, chairs, tables cupboards, electrical fittings and educational and sports material to various primary schools in Singur. The company has also planned similar program to upgrade school infrastructure and is also planning to set up a computer laboratory in one of the high schools. Airtel's joint venture with the Indian Farmers Fertiliser Cooperative Limited (IFFCO), known as IFFCO Kisan Sanchar Limited (IKSL), aims to empower the farmers and people living in rural India. Relevant information and services are provided, through a highly affordable communication network and rural friendly technologies. It has helped farmers become more productive and profitable by providing easier access to vital agricultural information on weather, mandi (rural market) prices, dairy farming, animal husbandry, agronomy, horticulture, forestry, rural health initiatives and government schemes. Most of these services are delivered via voice messages and a helpline to over 40,000 IFFCO societies. Airtel has been a keen partner in many community development program which help children to make a tangible difference in their communities. Students are enabled to identify and address social issues in their own villages and local communities. Over the years, students have addressed issues like empowerment of the girl child, widows and underprivileged women, eradication of social evils like child marriage During September 2011, when Odisha was hit by devastating floods; Team Airtel visited nearly 120 villages and made seven PCOs operational helping villagers to connect with their relatives in other places, and distributed food packets. Similarly, TVS Electronics was involved in CSR during the Tsunami to provide relief measures to the victims. They have also participated with the government to improve sanitation in a village called Tiruvidenthai. Such initiatives will help in improving the conditions of rural people. BHEL is actively involved in the Welfare of the surrounding communities is helping the organization to earn good will of the local people BHEL is also providing drinking water facilities, construction of roads and culverts, provision of health facilities, educational facilities, and so on. ACC has been rendering social service for many years. They are setting up schools, health centers, agro-based industries and improving the quality of rural life. Companies like ONGCs are encouraging sports by placing good players on their pay rolls. ONGC has also committed resources by adopting a few villages to implement Dr. Abdul Kalam's idea of PURA (Provision of Urban Amenities in Rural Areas). NTPC has established a trust to work for the cause of the physically challenged people.

How Organizations Can Improve Their CSR

It is a fact that organizations have made considerable contributions towards CSR and are thus fulfilling the goal of sustainable development. However there is still some scope of improvement. Some of the organizations believe that corporate social responsibility is a secondary issue for their business and satisfying their customer is paramount for them. These organizations believe that customer satisfaction is related to price and service only. They fail to make out some important changes that are taking place across the globe which has a major

impact on the business. The change is social responsibility which is an opportunity for the business. Here are some suggestions for the organizations for improving their CSR activities:

- Organizations should expand the horizon of CSR activities in some less privileged state instead of focusing in resource rich states.
- In order to compete in the global market, organizations should develop an effective value chain system for their products through their CSR activities.
- The CSR activities will give better results if it is based on inclusive approach and involves the community at the grass root level.
- The organization should encourage voluntarism among its employees and it should be institutionalized through appreciation and incentives.
- Business managers who are working on social issues should be given special training to tackle any type of situation.
- Small and medium business should be encouraged to participate in CSR activities.
- Associating with NGOs can be a good option as they have considerable amount of experience in social activities.

Organizations should adopt strategies for corporate social responsibility and integrate it with their core business objectives. For instance Dabur has played an important role in sustainability by developing sources for herbal ingredients and reducing the strain on natural herbal resource. The BPO facilities set up by the Jindal South west (JSW) foundation at JSW's far-flung areas to provide an alternate livelihood to the neighboring population is noteworthy. ITC's performance measured in terms of increasing economic, environmental and societal capital is laudable. In order to contribute towards the national goals of sustainable development and inclusive growth ITC has innovatively created unique business model called e-chaupal. Presently, e-choupals cover four thousand villages and benefit millions of farmers by providing a unique source of agricultural product sourcing. ITC's Integrated Watershed Development initiative has helped create fresh water potential covering over forty thousand hectares water-stressed areas.

CONCLUSION

The CSR activities in India focus on community participation and there is a strong culture of solidarity, consensus building and trust in Indian CSR programs. Most of the CSR programs focus on the involvement of employees as well as other stakeholders. Corporate social responsibility in India is and has been primarily about performing activities that promote people, community and cultural values. However there are some roadblocks in implementing CSR in India. There is a lack of agreement among local agencies regarding CSR projects. The outcome of lack of agreement time and again results in replication of activities by business houses in areas of their involvement. As a result there is competition between local implementing agencies rather than building joint approaches on issues. This acts as a limiting factor for the company to make an assessment of the impact of their initiatives from time to time. No clear cut regulatory framework regarding also acts as a hindrance in implementing CSR. It is found that the degree of CSR activities of companies should depend upon their business size and profile. In other words, the bigger the company, the bigger is its CSR program. Non-governmental organizations and Government agencies

generally possess a constricted viewpoint towards the CSR activities of companies. As a result, they find it hard to decide whether they should contribute in such activities at all in medium and long range. The task of media in highlighting good cases of winning CSR activities is commendable as it communicates good stories and informs the local population about various ongoing CSR initiatives of companies. This way of getting noticed influences many nongovernmental organizations to involve themselves in branding activities like event-based programs to gain visibility. In the process, they often miss out on meaningful bottom level intervention. Lack of transparency is another issue which needs focus. This is mainly due to the fact that there is little or no knowledge about CSR within the local communities since no sincere efforts have been made to create awareness about CSR and win the confidence of local communities. The situation is multiplied by lack of communication between the organization and the community at the bottom level.

To facilitate corporate social responsibility, companies are increasingly concerned that they adhere to the regulatory guidelines of their particular business. A clearly defined compliance program makes it possible for a company to integrate it into its business model. This ensures that the organization, remain alert about the possible regulatory issues that can arise in the occurrence of an audit by a regulatory agency. This understanding can allow an organization to take proactive measures before the initiation of an unpleasant regulatory act. There are many instances of unethical corporate behavior and it is a reasonable proposition that an unethical business will not survive in the long run. At the same time, one might speculate why companies indulge in unethical conduct in the first place. If unethical business practices can activate regulatory analysis, that might cause downfall, then it seems prudent for organizations to implement and maintain ethical practices.

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