ROLE OF CSR AS A STRATEGIC MANAGEMENT TOOL IN THE GLOBALISED ERA

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ABSTRACT

Today Corporate Social Responsibility has become a buzzword, especially with the government’s approval for clause 135 of Companies Bill 2013 on CSR. Globalization has thrown many challenges before the companies especially in the developing countries, one of them is the CSR. It has on one side, widened the scope for business operations, and on the other side has increased the expectations of the people and made the corporate accountable to the society. Businesses being a corporate citizen have got responsibilities and duties not only towards their employees but also towards the environment and economy and society where they operate. The growth and development of the business depends upon the co-operation, support and development of the masses. As a result many corporate houses came up with their Corporate Social Responsibility initiatives to fulfill the unmet basic requirement of the society like, education, health, and social security needs. But in the 21st century it is no more considered as philanthropy but has emerged out as a strategic tool to mitigate the social risk of the business. The paper aims to find the ways how CSR can be used as a strategic tool to mitigate the various risk.

Keywords: CSR; Sustainable Development; Social Risk; Corporate Entities; Strategy

INTRODUCTION

CSR has become a burning topic toady. Hardly there is a day when the newspapers, magazines, and other media do not contain any topic relating to it. But CSR is not a new concept, it has been in existence since the ancient period, but earlier they were considered as a philanthropic and generous activity undertaken only by few large corporate houses. The companies and the business houses were only accountable to their shareholders, as it used the capital invested by them. But today the company is accountable to the stakeholder (who influence and are being influenced by the functions and activities of the business). It not only influences the reputation of the company but also governs the financial performance. (R. & A., 2010). Today it has become an essential determinant factor for the existence and survival of the business.

OBJECTIVES OF YOUR STUDY

1. To study the effect of globalization on CSR
2. To study the strategic benefits of CSR

Meaning and Definition

Corporate Social Responsibility (CSR) is made up of three words “corporate”, “social”, and “responsibility” where corporate are the business entities set up with an aim to earn profit, society is the place where the business is conducted. It constitutes of the stakeholders. And CSR includes responsibilities that are inherent on both sides of these relationships (W.B. & D., 2009).
“Corporate social responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (Triple-Bottom-Line Approach), while at the same time addressing the expectations of shareholders and stakeholders. In this sense it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, will directly enhance the reputation of a company and strengthen its brand, the concept of CSR clearly goes beyond that.” (UNIDO, 2007)

The growing importance of CSR is clearly evident from the above definition. In India clause 135 of the Companies Act, 2013 has brought SMEs(having minimum profit of 5cr. INR) under the purview of the CSR. It has made essential for the companies to set up a CSR committee consisting of the managing directors of the companies and one independent director. Moreover, they are required to submit their CSR report included in their financial reports.

Impact Of Globalisation

Source: W.B. & D., 2009

The impact of globalization is well depicted in the figure above. Globalization is viewed as a network of social and economic system worldwide. The first phase of globalization was the phase for expansion of corporate. The corporate operated on the world wide basis; they were able to shift to the off-shore manufacturing to earn the benefit of low cost of operation and production. Other reforms like, supply chain management, strong brand image, etc. were possible. As a result in most of the countries the corporate have the greater economic power than the government. The second phase of globalization was started with the development of the ICT sector.

On the contrary to the first phase, through globalization the economies have become interdependent on one another and are being more vulnerable to other’s influence. The rapid growth and development in the ICT sector has shifted the controlling power to the stakeholders. The free flow of information with an increasing access to internet, mobile phones, etc. certainly has potential to affect the corporate target if it affects their interest. The easy access to information has also increased the influence of the NGOs. They are able to easily collect information and communicate their thoughts and views worldwide relating to the corporate activities. The shareholders are concerned about the activities undertaken by the corporate from their investments and through socially responsible investments are pressurizing them to behave responsibly (Verma, 2009)

In 2000, the International Monetary Fund (IMF) identified four basic aspects of globalization trade and transactions, capital and investment movements, migration and movement of
people and the dissemination of knowledge (IMF, 2000). Globalizing processes affect and are affected by business and work organization, economics, socio-cultural resources, and the natural environment.

**Need For Strategic CSR in the Globalised Era**

CSR has become not only an important but also essential factor determining the sustainability of the organization. It has been transformed and magnified by the globalization through free flow and easy access to information. But most of the corporate pay less attention to the activities they are investing in which may sometimes reduce the importance and may also lead to devastating results. CSR due to its influence on the function and existence appears as threat before the corporate, but these can be converted into opportunity by strategically handling the CSR activities.

**Source:** [http://upload.wikimedia.org/wikipedia/commons/thumb/7/70/Sustainable_development.svg/500px-Sustainable_development.svg.png](http://upload.wikimedia.org/wikipedia/commons/thumb/7/70/Sustainable_development.svg/500px-Sustainable_development.svg.png)

Social, environment and the economic activities are the three pillars for the CSR activities of any business. A proper blend of these three leads to sustainability and sustainable development of the society. In other words, the corporate should concentrate on including the CSR in the business strategy, where it is used as a filter, by the decision makers, to think beyond the profit maximization goal for the sustainability of the corporate.

Lee Buka and Jeanne M. Logsdon, in their study of relationship between the philanthropic contribution and profits have stated, “CSR (policy, program or process) is strategic when it yields substantial business-related benefits to the firm, in particular by supporting core business activities and thus contributing to the firm’s effectiveness in accomplishing its mission.” (Verma, 2009). It evaluates the stakeholder’s implication on the strategies of the corporate. But, since the corporate operates in different countries and different regions may have a specific problem which needs to be addressed, hence, there is no specific model suitable for all have been developed for it.

**Strategic Benefits of CSR**

1. Strengthening brand: Brand values both at the local as well as local level has become important for the companies today, and since brands are built on the perception and ideals having high appealing values. CSR proves helpful for the companies in this state. It matches the corporate operations with that of the stakeholder’s expectation. It can be used for market appeal and protect the firm's investment for a longer time.

2. Management of social risk: A well planned and organized CSR activities of the company helps in managing the social risk arising out of the company’s activities. Having a good image in the society acts as a social license for the company’s operation.

3. Competitive differentiation: the growing affluence, degrading environment, health hazards, etc. have raised the world’s concern and has shifted their concentration towards the corporate activities made CSR compulsory. But a strategic CSR activity like contributing a portion of
sale to some social activities widens the scope and can help the companies to gain competitive differentiation in the market and market leader.

4. Maximize economic performance: even though studies have not shown any relationship between the CSR activities and financial performance of the corporate, many a times CSR activities acts as an advertising media for the brand and the company, thereby increasing awareness of the product or services, increasing the sales, and the economic performance of the company.

5. Stakeholder’s engagement: In a well empowered and informed society, CSR is the strategic planning is the only way to satisfy stakeholder.

6. Retention and motivation of employees: a good CSR activities and a better corporate image of the company is an esteem factor not only for the owners but also for the its employers. It attracts the candidates are helpful in selection of the suitable employees. Making the employees volunteer various CSR activities acts as a motivating factor for the employees. Also engagement of employee’s view for the CSR activities make them feel important and contributing to the firm’s vision, mission, goals, and objectives. Tata group is the best example for this, where employees wish to die.

Challenges Ahead

1. Development of proper performance indicators to measure the effectiveness and impact of CSR efforts is the biggest challenge faced in the present era.

2. Unconnected and unfocused CSR: Many companies are unable to find the exact goals to set for CSR and the related strategies to be used resulting in unconnected and unfocused CSR in the organizational goals.

3. Many company’s CSR efforts are still un-strategic and are not communicated well among their stakeholders.

SUGGESTIONS

The managers and leaders at the top of the companies must develop a clear vision which should be linked with vision, mission, goals, objectives, and values of the organization aiming towards created business values apart from social and environmental values. CSR should be built/ linked in the whole management system and its performance appraisal to ensure its proper implementation. Every company should develop present a proper CSR report and make efforts to communicate them to their concerned stakeholders.

CONCLUSION

Globalizations has posed many risks in front of the corporate like, social risk, technical risk, economic risk strategy, and have started the same level of concern like the other functions. It has been added as a sepa, political risk, etc. These risks can be handled and avoided very well through the including it as a part of the main business strategy. The CSR managed strategically have the potential for to convert the social risks and many other threats in opportunity. The management of many business houses have realized that just like other functions (marketing, branding, innovation, etc.), CSR is also an important function in the corporate rate department in many of the organization’s structure to responsibly and efficiently concentrate on it. Globalization has created an operating environment for business leaders, who understand the dynamics of global operation.

REFERENCES


