

CSR - A Harbinger of Sustainable Development

Abstract

CSR is an organisation's commitment to conduct its business in an economically, socially and environmental manner whilst balancing the interests of a diverse range of stakeholders. Society and business are complimentary to each other towards achieving the goal of sustainable development. One cannot thrive without the other. Hence, business has a moral responsibility to contribute in enhancing larger social good. The present paper aims at analyzing and understanding the initiatives, which indicate the signs of inclination and willingness of corporate. These can be considered as harbingers of the social change. Such initiatives motivate and inspire other corporates to bring a change and make the difference.

Keywords: Corporate Social Responsibility, Sustainable Development, Triple Bottom Line.

Introduction

The term Corporate Social Responsibility (CSR) came into common use in the early 1970s although it was seldom abbreviated. CSR, also known as corporate responsibility, corporate citizenship, responsible business, sustainable responsible business or corporate social performance is a form of corporate self-regulation integrated into a business mode. The concept of Corporate Social Responsibility stems from a deeply held vision by company leaders that business can and should play a role beyond making money. It is a conscious and sustained effort on the part of a corporate entity to strike a judicious balance between its own interest and that of its stakeholders. CSR aims at providing benefits to stakeholders' communities as well as for the government.

It aims at minimizing the chances of corruption, malpractices, financial frauds and misconduct of management. CSR is an organization commitment to conduct its business in an economically, socially and environmentally sustainable manner whilst balancing the interests of a diverse range of stakeholders. Thus it is recommended as a balanced approach for corporations to address economic, social and environmental issues in a way that aims to benefit people, communities and society allows a business to respond quickly to the emerging needs of a society, whether they are economic, environmental, or social problems. Yet in spite of all the benefits that CSR might bring, it demands coordinated action from all stakeholders and non-governmental organizations in order to achieve sustainable results. Responsibility for decisions, therefore, runs both ways. Business has to take into account its responsibilities to society in coming to decisions, but society, has to accept its responsibilities for setting the standards against which those decisions are made.

Corporate Responsibility – Past and Present

There was a time when the business had only one objective and that was to earn profit. Classical economists like Adam Smith asserted that the only responsibility of business is to maximize its profit. According to Noble Laureate Milton Friedman, "There is one and only one social responsibility of business, i.e. to use its resources and engage in activities designed to increase its profits". It implies that the only responsibility of business is to stay within the rules of the games and not to indulge in any malpractice. However, the scenario has undergone a sea change during the recent times. Now it is felt that the businessmen are not only the promoters of their business but also responsible members of the society. The existence of their business as well as their own existence depends upon the society and the welfare of the society is as much their concern as of any other citizen or organization. Keith Davis has very aptly remarked in this context, "Society wants business as well as other major institutions to assume significant social responsibility. The business which vacillates or chooses not to enter the arena of social responsibility may find that it



Nidhi Aggarwal

Assistant Professor,
Deptt.of Business Administration,
Meerabai Institute of Technology,
Maharani Bagh, New Delhi

gradually will sink into consumers and public disfavor". Thus, social responsibility is not a luxury but necessity for business.

Meaning of Corporate Social Responsibility

Social responsibility of business means the obligation of business enterprises to make decisions and follow lines of action which are desirable in terms of the objectives and values of society. Decisions may affect environment, consumers and the community. CSR simply means that business must function as part of a larger social system. According to R.K. Andrews, CSR means intelligent concern for the welfare of the society and restrain destructive activities. The EC defines CSR as "the responsibility of enterprises for their impacts on society". To completely meet their social responsibility, enterprises "should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders" According to the UNIDO, "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."

From the above definitions it can be clearly said that the CSR approach is holistic and integrated with the core business strategy for addressing social and environmental impacts of businesses. CSR needs to address the well-being of all stakeholders and not just the company's shareholders. Philanthropic activities are only a part of CSR, which otherwise constitutes a much larger set of activities entailing strategic business benefits.

Need and Significance of Present Study

The activities of business enterprises affect a wide spectrum of the society. The resources they make use of are not limited to those of the owners but many people who are in no way connected with the enterprise feel the impact of their operations also. Business depends for its survival and long-term growth on society. The long-term sustainability of any business requires a positive image and strong bond between business and society. There is no secret or hidden formula responsible for the success of corporation. The most important mission for a successful corporation is to develop a healthy relation with society.

CSR in India is being seen as a corporate philanthropy while there are many developments in line with global trends in CSR. With the challenges of globalization, liberalization and the emerging trend towards a free market economy-facing India the role of CSR is paramount. Because the foreign investment

has increased in India, trade links of India and developed countries have grown and the role of private companies has been extended, there has been powerful influence on CSR, as well as, in India. Companies operating in India are increasingly recognizing the fact that the best way for their business to grow is by aligning themselves with the nation's development objectives.

CSR in India

India has one of the world's richest traditions of CSR (Corporate Social Responsibility).The Companies Act, 2013 lists out the CSR activities, suggests communities to be the focal point. On the other hand, by discussing a company's relationship to its stakeholders and integrating CSR into its core operations, the draft rules suggest that CSR needs to go beyond communities. It will be interesting to observe the ways in which this will translate into action at the ground level, and how the understanding of CSR is set to undergo a change. It has introduced the idea of CSR to the forefront and through its disclose-or-explain mandate, is promoting greater transparency and disclosure. Nearly all leading corporates in India are involved in CSR programs in areas like education, health, livelihood creation, skill development, and empowerment of the weaker sections of the society. Notable efforts have come from the Tata group, Infosys, Bharti Enterprises, Coca Cola India, Pepsico and ITC Welcome group, among others. Looking across the current practices of leading Indian corporations, a number of core elements emerge such as:

Community Development

Most of the large companies either have their own foundations or contribute to other initiatives that directly support the community upliftment, notably in health, education and agriculture.

Environmental Management

Environmental policies and programmes are now standard, and many companies have implemented the ISO 14001 system through their businesses.

Workplace

Growing out of long-lasting commitments to training and safety is more recent emphasis on knowledge and employee well-being.

CSR: Harbinger of Sustainable Development

Sustainability (corporate sustainability) is derived from the concept of sustainable development which is defined by the Brundtland Commission as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". Corporate sustainability essentially refers to the role that companies can play in meeting the agenda of sustainable development and entails a balanced approach to economic progress, social progress and environmental stewardship. CSR in India tends to focus on what is done with profits after they are made. On the other hand, sustainability is about factoring the social and environmental impacts of conducting business, that is, how profits are made. Hence, much of the Indian practice of CSR is an important component of sustainability or responsible business, which is a larger idea, a fact that is evident from various sustainability frameworks. An interesting case in point

is the NVGs for social, environmental and economic responsibilities of business issued by the Ministry of Corporate Affairs in June 2011. Principle eight relating to inclusive development encompasses most of the aspects covered by the CSR clause of the Companies Act, 2013. However, the remaining eight principles relate to other aspects of the business. The UN Global Compact, a widely used sustainability framework has 10 principles covering social, environmental, human rights and governance issues, and what is described as CSR is implicit rather than explicit in these principles.

Globally, the notion of CSR and sustainability seems to be converging, as is evident from the various definitions of CSR put forth by global organisations. The genesis of this convergence can be observed from the preamble to the recently released draft rules relating to the CSR clause within the Companies Act, 2013 which talks about stakeholders and integrating it with the social, environmental and economic objectives, all of which constitute the idea of a triple bottom line approach. It is also acknowledged in the Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises issued by the DPE in April 2013. The new guidelines, which have replaced two existing separate guidelines on CSR and sustainable development, issued in 2010 and 2011 respectively, mentions the following: "Since corporate social responsibility and sustainability are so closely entwined, it can be said that corporate social responsibility and sustainability is a company's commitment to its stakeholders to conduct business in an economically, socially and environmentally sustainable manner that is transparent and ethical."

A triple bottom line enterprise seeks to benefit many constituencies, not exploit or endanger any group of them. In concrete terms, a TBL business would not use child labour and would monitor all contracted companies for child labour exploitation, would pay fair salaries to its workers, would maintain a safe work environment and tolerable working hours, and would not otherwise exploit a community or its labour force. A TBL business also typically seeks to "give back" by contributing to the strength and growth of its community with such things as health care and education. Quantifying this bottom line is relatively new, problematic and often subjective. The Global Reporting Initiative (GRI) has developed guidelines to enable corporations and NGOs alike to comparably report on the social impact of a business.



Figure: Triple Bottom Line

The idea is to balance the needs of people, the planet and the company's profits to create long-term share-holder value. Thus, CSR expects a company to go much further than required by law so as to:

1. Treat employees fairly and with respect;
2. Operate with integrity and in an ethical manner in all its business dealings with customer, suppliers, lenders, and others;
3. Respect human rights;
4. Sustain the environment for future generations;
5. Be a responsible neighbor in the community and a good 'corporate citizen'.

Conclusion

Corporate Social Responsibility (CSR) came into common use in the early 1970s. Various authors and organisations have defined this concept but still a suitable and consensual definition of CSR is awaited. CSR in India is known due to the efforts of the TATA. Nowadays galaxy of the organisations is following CSR activities. However, there are have been different point of view regarding CSR. In the present scenario, CSR is practiced for social causes, healthcare, education, infrastructure development, women empowerment, community development, political empowerment and national heritage. However, there are certain areas which are untouched. In today's globalized era, new trends of CSR like generation of electricity, containing & checking pollution, bio- diversity production should be encouraged. CSR is the need of the hour to bring changes in the current situation to put socio-economic development in India on a fast track.

A popular explanation of the term CSR is the continuing commitment by businesses 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. Over the last years an increasing number of companies worldwide started promoting their business through Corporate Social Responsibility strategies because the customers, the public and the investors expect them to act sustainable as well as responsible. In some cases, CSR is a result of a variety of social, environmental and economic pressures while some other cases many large corporations, it is primarily a strategy to divert attention away from the negative social and environmental impacts of their lives. It enables the company to leverage its products, employee strength, networks and profits and up to some extent to create a sustainable change for marginalized communities. Despite certain criticisms on the CSR activities, more and more companies in the world are inclined towards corporate social responsibility.

References

1. Gosh, J. (2003). Strategy for Development', Frontline, vol. 20 (18).
2. Rahman, Shafiqur (2011) Evaluation of definition: Ten Dimension of CSR. World ReviewofBusiness Research, Vol 1 (1):166 – 176.
3. Ahmed, Mohd. Khalil (2013). Corporate Social Responsibility in Indian Organisations. Maratha Mandir's Babasaheb Gawde Institute of Management Studies. Also available at

P: ISSN NO.: 2394-0344

E: ISSN NO.: 2455-0817

http://www.mmbgims.com/docs/full_paper/13_M_OHAMMAD%20KHALIL%20AHMED_pp.pdf

4. Kerr, I. R. (2006). Leadership strategies for sustainable SME operation. *Business Strategy and the Environment*, 15(1), 30–39.
5. Joseph, E. (2002). Promoting corporate social responsibility: Is market-based regulation sufficient? *New Economy*, 9(2), 96-101.
6. Husted, B. W., & Allen, D. B. (2007). Corporate social strategy in multinational enterprises: Antecedents and values creation. *Journal of Business Ethics*, 74, 345–361.

Remarking

Vol-III * Issue- I* June - 2016

7. See Jouni Korhonen, The Dominant Economics Paradigm and Corporate Social Responsibility, *CORP.Soc.RESP.&ENVTL.MGMT.* 67, 70 (2002).
8. See Business for Social Responsibility, Working with Multilaterals, available at www.bsr.org/multilaterals.pdf.
9. Aras G & Crowther D (2007) What level of trust is needed for sustainability? *Social Responsibility Journal* 3 (3), 60-68.
10. Marsden C (2000) The new corporate citizenship of big business: part of the solution to sustainability; *Business & Society Review*, 105(1), 9-25.
11. Zwetsloot G I J M (2003) From management systems to corporate social responsibility; *Journal of Business Ethics*, 44 (2/3), 201-207.