

CONTEMPORARY TRENDS IN CORPORATE SOCIAL RESPONSIBILITY

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[The prime motive of every business organization has always been to earn profits. Every firm acquires the necessary resources from the society and environment to carry out its various functions and activities. In this context, it is indebted to the society for its many favours and benefits. Hence it is obligated to repay back the society by sharing some of its earnings/profits and by discharging its duties towards its stakeholders, society in general. This is the essence of the concept of social responsibility of business or its contemporary terminology corporate citizenship. Social responsibility of business is no more seen only as philanthropy. The corporations are expected to discharge its responsibilities at five levels viz. Economic level, legal level, ethical level, environmental level and social level.]

The present paper aims to highlight the contemporary issues associated with corporate social responsibility.

Keywords: *Corporate Social Responsibility, Corporate Citizenship, Stakeholders, Corporate Initiatives, Philanthropy]*

Introduction

The concept of CSR is now well established in all developing and developed countries. Companies and business houses are now regarded as a major social organ of the society. The idea of corporate citizenship has also gained lot of momentum in different contexts. Corporations and business houses that contribute in different fields of socio-economic initiatives are considered to be

good corporate citizens. It is quite obvious that a major segment of society i.e. the business community should come forward to help different sections of the society as a matter of social initiative. Business community control a larger portion of economic and financial resources and thus indirectly hold the key to economic development. If such organizations do not come forwards for welfare and

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development of society, then a balanced socio-economic advancement will turn into a distant dream. On this background, it becomes essential that organizations should develop a proactive and pro-societal approach towards social development.

The business world has known 'Corporate Social Responsibility (CSR)', as a concept for over 50 years. Corporate social responsibility is also known as corporate conscience, corporate citizenship, social performance, or sustainable responsible business/ Responsible Business (Wood, 1991). But it has gained prominence and importance in the recent years. With the changing global situations, the corporate firms have realised the interdependences of & inter-linkages between business & society. Hence, the corporate community has become aware of their duties towards the society. This realization gave rise to the concept of "Social responsibilities of business" or "Corporate Social Responsibility". Every company, while achieving its profit making objective should try to make the world- a better place to live in.

Being a good corporate citizen involves integration of various responsive concepts, policies and practices in their core-decision making which is inclusive of-

- Making provisions for a effective corporate governance framework
- Implementation of shop floor safety standards
- Value-addition to products and services

- Adoption of environmentally sustainable measures
- Community development measures
- Philanthropic activities

Today's era demands the business entities to find solutions to not only for local problems but also address the global issues. Finding such viable solutions to eradicate social stigmas is an important requisite of being a good corporate citizen.

Objectives of Writing the Paper

The present paper is written with the following objectives:

1. To understand various phases of initiatives regarding CSR taken by the corporations.
2. To understand the contemporary issues associated with CSR.
3. To identify the factors that motivates the corporations to undertake CSR initiatives.

Review of Literature

The concept of corporate social responsibility has been discussed by different expert and authorities on different platforms. A wide variety of issues are analysed in relation to corporate social responsibility by different experts. Different countries in different growth phase have adopted different approaches towards corporate social responsibility. Similarly, different companies in different arena and of different sizes also have a different approach towards corporate social responsibility. It is not possible to review the whole gamut of corporate social responsibility in a short review. However,

considering the nature of the study, the authors have examined a few facets of corporate social responsibility which have been summarized as follows.

1. The book 'Social Responsibility and Environmental Sustainability in Business' edited by P. Banerjee and V. Shastri is also a collection of articles by various scholars which covers topics like relation of CSR and social entrepreneurship, measurement of social impact, corporate sustainability and environmental sustainability, ways to manage stakeholders, concept of clean technology, green innovation and projects pertaining to environmental sustainability (Banerjee & Shastri, 2010).
2. In 'Corporate Philanthropy- Global Experiences', Jayasimha. K. R. and E. Mrudulla have analysed different facets of Corporate Philanthropy on global scale. Similarly, they have identified how corporate philosophy affects the company social responsibility policies (Mrudula & Jayasimha, 2005).
3. E.M. Dodd and Chester Barnard have given their views on corporate social obligations by asking a rhetorical question on whether the executives of large corporations had an obligation to society extending beyond their daily business (Dodd, 1932).
4. According to Milton Friedman, "in a free society there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long

as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud" (Friedman, 1970).

5. In the book 'Corporate Social Responsibility- Readings and Cases in a global market' edited by A. Crane, D. Matten and L. Spence, various parameters of understanding CSR has been covered. Topics like- What is CSR? Case for and Against CSR, theories for CSR, application of CSR at market place, work place, community and ecological environment, managing CSR, reporting, auditing, strategy and implementation of CSR in global context has been well explained in easy to understand language. It also covers global case studies pertaining to CSR (Crane, Matten & Spence, 2007).

The authors, through their review of literature on CSR, feel that though there has been an extensive study on various aspects of CSR, however there is a need to study the concept and relevance of CSR in the contemporary context. Since its inception in 1950s, the concept of social responsibility of business has evolved and is still changing. Therefore it is important to study the concept of CSR in the present day context.

Corporate Social Responsibility: Conceptual Understanding

'Responsibility' is a very subjective term. As such there are no single definition which accurately describes the actual

responsibility of the business towards the society or which gives the true parameters on which the business can be judged- whether or not it is a socially responsive entity. Also the idea of each entity of its responsibility towards society is different from another; thus giving CSR a unique outlook.

In spite of its subjective nature, certain authors/ researchers/ academicians, and independent organizations have come up with comprehensive definitions of CSR.

Some of them are mentioned below to provide a better understanding of the term Corporate Social Responsibility from different perspectives.

- **[Michael Hopkins]**

Corporate Social Responsibility is concerned with treating the stakeholders of a company or institution ethically or in a responsible manner. 'Ethically or responsible' means treating key stakeholders in a manner deemed acceptable according to international norms.

- **[Archie Carroll]:**

"The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that a society has of organizations at a given point in time."

- **[EU]:**

"CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis."

- Kotler and Levy, define corporate social responsibility as "a commitment to improve community well-being through discretionary business practices and contributions of corporate resources."

Allocation of CSR Resources

Business corporations are one of the major trustees of physical and economic resources of society. As such, the businesses are expected to direct a part of resources towards social development and welfare. Thus, corporate social responsibility is about allocating a defined portion of resources towards social upliftment and development in a planned and systematic manner; taking into consideration the requirement of each sector which requires a positively responsive attitude from the business corporation.

The allocation of CSR resources should be such that it should promote sustainability at each stage of value addition.

The following figure shows the company's approach towards CSR in three stages viz. Philanthropy, Risk Management and Value Creation. Every stage shows an enhanced version of social responsibility of corporate community. Now-a-days, corporate entities look at CSR more as a value creation activity than as a philanthropic obligation. It is true that corporations initiate CSR with basic philanthropic activities. However, at a later stage, they start looking at CSR as a risk management tool and value creation technique.

Stages of CSR Initiatives

<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">For Sustainable Value Addition</div> 	Stage	Aspect of CSR	Purpose	Impact	Characterized Benefits
	III	Value Creation	For innovations & Promoting Sustainable business model	Fundamental Strategic & Operational Impact	<ul style="list-style-type: none"> • Shared Value - For Business, Institution & Communities • Promotes Competitiveness & Innovation • Promotes a healthy corporate strategy & sustainable business model • Develops Human Capital and Labour Efficiencies
	II	Risk Management	Compliance	Medium to high strategic & operational impact	<ul style="list-style-type: none"> • Mitigates operational Risks • Support external Relationship
I	Philanthropy	Providing Funding Support & Skills	Little Strategic and operational Impact	<ul style="list-style-type: none"> • Corporate Philanthropy & Sponsorship • Limited funds and short term benefits • Limited budgets spread across many charitable activities 	

Adapted from figure titled 'CSR Approaches', http://en.wikipedia.org/wiki/Corporate_social_responsibility

Stage 1 : CSR seen as Philanthropy which includes charitable initiatives, has a very limited strategic and operational impact with short term benefits and depends more on the company's funding capacity.

Stage 2 : CSR seen as a tool for Risk Management deals with compliance to various environment standards, legal norms and ethical expectations. It thus mitigates the operational risks of the business due to increased efficiencies through the implementation of responsibility initiatives.

Stage 3 : CSR as the means for creation of value, not only benefits the social members but also develops organizational culture and gives a competitive edge to the business which leads to development of a Sustainable Strategic Business Model.

Thus, corporate social responsibility does not speak only of company's philanthropic initiatives. It basically implies at value creation at every stage of activities undertaken by the company not only for itself but also for the general society who are directly or indirectly affected by the same.

Contemporary CSR

CSR took birth in the business world in middle of 20th Century and has evolved ever since. CSR then was based upon the principle and values of philanthropy and welfare. It was a way to attainment of personal satisfaction through social development and not as a business strategy. Not anymore.

Now-a-days, where the business has to

strive hard to survive the ever-growing cut-throat competition, CSR is seen with in strategic intent. The organization that works merely for profit is often forgotten and no sooner loses its existence. The success of the organization depends not merely on having a profit making product, but also, to a very great extent, depends upon its image, by exercising creditability in the society. This is the aspect of Corporate Social Responsibility which carries a great importance in today's modern day business. With rising awareness amongst the members of the society, the expectations of the stakeholders are also increasing. Society supports the enterprises which are socially responsive. Organizational survival depends upon how the society perceives the organization. Thus CSR now is treated as both- a moral responsibility and an economic necessity. CSR is no longer limited only to philanthropy. But the scope of CSR has extended to company's value system, ethical functioning, proper disclosure, community development welfare by using sustainable means.

A shareholder of a firm is not interested merely in knowing how much profit the firm has made, but at the same time wants to know in what way and by using what means the firm has made the profits. Similarly, a customer wants not only quality product but also wants that the firm has not made an improper usage of the resources. The Government wants taxes from the business, but at the same time wants the business should protect the environment. All these things lead to the

development of social consciousness and a sense of responsiveness.

At the global level, various efforts are made to promote the concept of social responsiveness. A business is the most important economic and social organ which pumps life-blood in the economic system of the country. No business can neglect the larger interest of the society. Similarly, the business holds the key to development and approach to development. No country can progress, if the economic resources are not identified and put to its optimum usage. There are different assertions regarding social responsiveness of the business organization-

- a) *Some consider a business organization as a custodian of social and economic resources; whereas*
- b) *Other experts and thinkers recognize a business as trustee of society.*
- c) *The modern approach looks at business as a corporate citizen.*

Though there are a variety of approaches of looking at the business, its role and responsibilities, the focal point remains the same that, "a business should work for the betterment of society, should try to develop a social consciousness and create a philosophy of well-being of all through efficient resource utilization.

Many global standards & frameworks have been developed for corporate social responsibility recently so as to help companies to formulate principles, policies, plans and practices in accordance with the need of the hour

which goes beyond the statutory requirements. These include ISO 14000, SA 8000, AA100 as well as codes formulated by OECD, UN & Global Compact.

It is very essential for today's companies to develop and adopt a system of belief and follow a certain code of conduct so as to develop itself into a responsible business entity. Companies should support, embrace and implement a set of core values in the areas of labour standards, human rights, the environment, anti-corruption and welfare.

Factors Motivating the Businesses to be Socially Responsible Corporations

(i) Building Employee Competencies

Corporate social responsibility program, if undertaken, makes the employees more integrated and efficient in their work, brings in high levels of commitment, enables them to think creatively and identify their core aspects which motivate them to work better with increased competencies. This helps in optimization of resources including human-resource.

Example:

A Company has started with an innovative idea of 'skill banks'. The company identified the skills, the new trends in skill management, the areas where specific skills are required and emerging ideas in which the skills can be optimally put to use. The company encouraged their employees to take up such new skills so that they are able to stand in the competitive environment. The employees

have found this exercise as very useful, innovative and profitable. Today, the turnover and attrition rate is minimized in the company due to the enhancement of the skills of its existing employees and making them well acquainted to meet the company's current requirement.

(ii) Enhancement of Corporate Culture

Involving the employees in social responsibility activities creates a sense of cooperation amongst the organizational members, and develops a sense of belongingness in them towards the company of which they are a part of. This in turn helps to develop a stronger corporate culture.

Example:

A Public sector unit wanted to transform its business structure. The company noticed unwillingness on the part of employees to accept new practices. The employees were unwilling for a simple reason that they felt that such a change will result into the loss of their status, importance and role that they are presently playing. The company had tried to counsel their employees. However, it did not work. The company then adopted a new practice. The company encouraged the employees to write their views as to how the level of employee participation in management can be enhanced. The employees who gave appropriate and acceptable suggestions were rewarded by the company. This aroused the interest of the employees and they started offering many suggestions useful to improve many suggestions useful to improve the company's present work status. Slowly, it has become

of the organization to have a participative management. The culture of participation has gained recognition and gap between the management and employees is minimized. Healthy and interactive participation is the way the employees work. With this, the doubts, confusion, feeling of alienation and hatred is minimized. Today, the organization has a very healthy corporate culture.

(iii) Increase in Overall Productivity

Improved efficiency levels; responsible, accountable and creative employees, optimal utilization of resources, better research and development facilities etc. increases the overall productivity of the business organization which leads its development graph to move in an upward direction.

(iv) Customer Base Widening

Customers are one of the key stakeholder's of the business on whom the survival of business is dependent. A part of being a socially responsible business entity is that the business should provide competitive products and services i.e. quality products/services at a reasonable price.

Moreover, good businesses often earn goodwill from today's professional customers who buy products not only to satisfy their material needs, but also for moral satisfaction. Thus, a socially responsible business entity has a large and widening customer base.

Example:

Many companies consider corporate social responsibility as a means to improve their

standing and reputation in the society. For this purpose, they take into account various expectations of the customers, how they look towards the company's products and services and their business practices.

A very famous company had sold a very famous consignment of cars to its customers. After the cars were sold, the company realised that there was a minor variation in the colour combination. It might not have been even noticed by the customers. However, the company accepted the flaw and decided to take the cars back. Though it was a costly exercise, it made a positive impact on the customers. The advantage to the company was that it added to the company's reputation and image. Thus in long run, not only the cost was recovered but it has added to the profits of the company.

(v) Augmentation in the Company Reputation

A responsible business entity is positively perceived by the community. Without social support, it is very difficult for the business to survive in today's competitive scenario. Thus being socially responsible augments the company's reputation index and this gives a competitive edge to the business.

(vi) Sense of Morality & Ethics

Involvement in socially responsible activities makes the employees more ethical, develops in them, 'a sense of morality' and gives them a feeling self satisfaction of doing something good for the society in their own small way.

Example:

Many companies undertake various activities having religious and social standards. The purpose of these activities is to create a healthy spirit and image. At the Same time, to spread certain values, ideas and socially acceptable philosophies. Business is just not about making money, but also about creating an environment that helps a healthy and positive business practices. Establishment of temples and places of religious worship creates a spiritual awareness. It also develops a sense of belonging which is often required for social peace, welfare and development of society.

Insights Gained

From the above discussion, the authors have made following observations:

1. There is a gradual change in the concept of social responsibility and even in the approach of corporations towards various stakeholders.
2. In the early period, the concept of social responsibility was having a very restricted and narrow sense which has now broadened significantly due to the changed socio-cultural and economic scenario.
3. The old idea of corporate philanthropy is no longer valid. On the contrary, its position is taken by many new concepts including corporate citizenship and welfare approach of corporations.
4. The change in the approach of company's approach towards CSR

cannot be attributed only to the regulatory and socio-cultural factors, but also to others factors like type and volume of resources deployed. Scope and coverage of corporate activities are also equally responsible for this changed approach.

5. The contemporary issues of CSR are related with competencies building, creation of corporate culture, development of corporate image and developing companies as an integral entity of society.
6. The thrust area of companies is no longer restricted only to extend market share and customer base. It has further widened and broadened. Companies are now expected to work as culture creators and value builders. As such, there is a consistent emphasis on management of reputation and image building.

Conclusion

Thus, in the above paper, the authors have tried to focus on identifying new trends in CSR. The implications of CSR are also examined by identifying various new initiatives taken by the company to meet the expectations of the stakeholders. Thus, the CSR trends have a more broadened view emphasizing more on value and image creation as well as development of a sound socio-cultural business entity.

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