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STUDY OF CORPORATE SOCIAL RESPONSIBILITY (CSR): GLOBAL EVOLUTION OF CSR VS INDIAN PERSPECTIVE

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INTRODUCTION:

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 impacts. 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. Effective CSR aims at "achieving commercial success in ways that honor ethical values and respect people, communities, and the natural environment."

The issues that represent an organization's CSR focus vary by size (small, medium and large), sector (for example, financial institutions, infrastructure providers, textile manufacturers, agri-producers, supermarket retailers, etc.) and even by geographic region. In its broadest categories, CSR typically includes issues related to business ethics, community investment, environment, governance, human rights, the marketplace and the workplace.

A widely cited definition of CSR in business and social context has been given by the European Union (EU). It describes CSR as "the concept that an enterprise is accountable for its impact on all relevant stakeholders. It is the continuing commitment by business to behave fairly and responsibly, and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large".

Corporate Social Responsibility (CSR) is a buzzword in the early 21st century. Almost every big company has CSR strategy to meet the requirements of customers and the society as a whole. Consumers are demanding that companies implement social responsibility regardless of their size, shape or origin. Since societies around the world are facing various social problems, they expect from the companies to help in solving them using their resources effectively. Advocates of CSR consider it as a vehicle for development, and state that in an increasingly globalized economy competition has become more fierce and traditional differential factors among firms are on the verge of obsolescence, therefore, successful firms will be those that are able to respond to the demands of their stakeholders whatever these demands might be (Doane, 2005; Hollender, 2004; Idemudia, 2011). Company focus shifted from just profit maximization towards more important issues of business survival and the satisfaction of social needs. There is the necessity to balance current stakeholder and societal needs with those of the future (Hildebrand et al., 2011). Consequently, many companies attempt to understand and meet requirements both their consumers and all stakeholders. According to Lindgreen et al. (2009: 135), CSR must reach out to many different stakeholders; the organization listens and responds to stakeholders that form part of the organization's relationships, networks and interactions. However, debates are still continuing about whether or not companies should adopt and engage in CSR, especially in developing countries like India.

DEFINITION:

Corporate social responsibility (CSR) is a company's sense of responsibility towards the community and environment (both ecological & social) in which it operates.

Companies express this citizenship:

i) through their waste and pollution reduction processes,
ii) by contributing educational and social programs,
iii) by earning adequate returns on the employed resources.

GLOBAL EVOLUTION OF CSR:

The term "corporate social responsibility" (CSR) is widely used in every-day business. Still, the origin of the definition itself is not very clear. But one is certain - the history of corporate social responsibility is long and varied. Although the roots of CSR trace back to the emergence of business in general, the real concept of it was formally formulated quite recently.

The modern era of corporate social responsibility and serious discussion around the topic began in 1950s when the book "Social Responsibilities of the Businessman" by Howard R. Bowen, who is so-called "the Father of Corporate Social Responsibility," was published. This book was specifically concerned with the doctrine of social responsibility. Bowen's belief was that social responsibility is no panacea, but that it contains an important truth that must guide businesses and companies in the future (Carroll, 1999, p. 268-270).

Bowen (1953) argued that society is the playground where business activities are operating therefore the societal interests are of concern to businesses and firms (cited in Banerjee, 2007). Corporate social responsibility (CSR) as a field of business study emerged in the 1950s in the United States.

This academic concept was followed by a number of different interpretations – by Cheit in 1964, Blomstrom and Davis in 1966, Steiner in 1975, etc. But in academic researches, only Bowens' explanation of CSR is the one, which is considered to be the first definition of the term "corporate social responsibility". According to Bowen, CSR refers "to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action, which are desirable in terms of the objectives and values of our society" (Juholin, 2003, p 21-22).

In addition, there was another significant man from the early period of CSR, the decade of the 1960s – Keith Davis. Davis believed that some socially responsible business decisions can be justified by a long and complicated reasoning process as having a good chance of bringing a long-run economic and financial gain to the firm, thus paying it back for its socially responsible outlook. This view and idea became commonly accepted and known in the late 1970s and 1980s. The key of his fame were his views on the relation between business power and social responsibility (Caroll, 1999, p. 271).

The modern debate on CSR started in the USA in 1970, when Nobel Prize winning economist Milton Friedman came out with an article where he stated that any company should not deal with issues, which do not directly belong to its core mission of increasing shareholder value and maximizing profit. For Friedman, corporate social responsibility was a fundamentally subversive doctrine and a pure socialism (Friedman, 1970).

At the same time, not all agreed to Friedman, as there were two men, who expressed an opinion about Friedman's article - Thomas Mulligan and Bill Shaw. They found that companies should still be socially responsible. And, despite the costs which these activities demand, the company should concentrate on emphasizing the usefulness of the conception in the society in general (Poff, Waluchow, 1987, p. 46-57).

In spite of the proliferation of corporate social responsibility, it is still very difficult to define it as the concept is very widespread because of its breadth and number of different notions, which vary from business-ethics to sustainability. Subsequently, there are different approaches in order to explain the definition of corporate social responsibility.

According to Kilcullen and Kooistra (1999), CSR can be defined as, “the degree of moral obligation that may be ascribed to corporations beyond simple obedience to the laws of the state” (p. 158). At the same time, Kotler and Lee (2004) explain the term corporate social responsibility as, “a commitment to improve community well-being through discretionary business practices and contributions of corporate resources”.

In order to balance the theoretical side of the definition, more practical view of what corporate social responsibility is, using the definition by European Commission. According to European Commission (2006), most of the definitions describe corporate social responsibility 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”. Traditionally, one company’s key of success has been a “single bottom line” – financial results. But due to the heightened attention of consumers, different environmental organizations and government towards the influence of companies and environmental problems (e.g. climate changes) the more the importance of the “triple bottom line”, a concept developed by John Elkington in the middle of 1990s, has been arisen. The three parameters of it are “planet”, which refers to sustainability, “people” to a changing social responsibility and “profit” to business results (Jonker & Witte, 2006, p. 4). The “triple bottom line” simultaneously considers and balances economic, environmental and social goals from a microeconomic standpoint (Carter & Rogers, 2008). The aim of taking these three factors into consideration is to guarantee the sustainability of companies and society. Therefore, in addition to the financial indicators, the social and environmental influences and the expectations of external stakeholders are also taken into account (Global, 2002-2006).

According to Freeman (1984), stakeholder is, “any individual or group who can affect or is affected by the actions, decisions, policies, practices, or goals of the organization”. This is actually one of the broadest definitions in the literature. At the same time, Rhenman has defined stakeholders as groups or individuals who are depending on a company in order to achieve personal goals, and on whom the company is depending for its existence (Nasi, 1995). These two definitions reflect the same notion – there is an exchange of influence and two-way interaction (Carroll & Buchholtz, 2003).

Stakeholders are divided into primary and secondary. Primary stakeholders include company’s owners, employees, customers, suppliers. Secondary stakeholders, at the same time, are all other interested groups – consumers, media, lobbyists, governments, courts, competitors, the public and the society (Weiss, 1994, p. 32). R. Edward Freeman has offered a very good overview of one large company’s major stakeholders, which can be seen on Figure 1. As all these stakeholders have different interests, wishes and expectations towards the company and its business behaviour, the company has to find the solution of how to make decisions in a way, which satisfies and equilibrates all the mentioned stakeholder-groups.

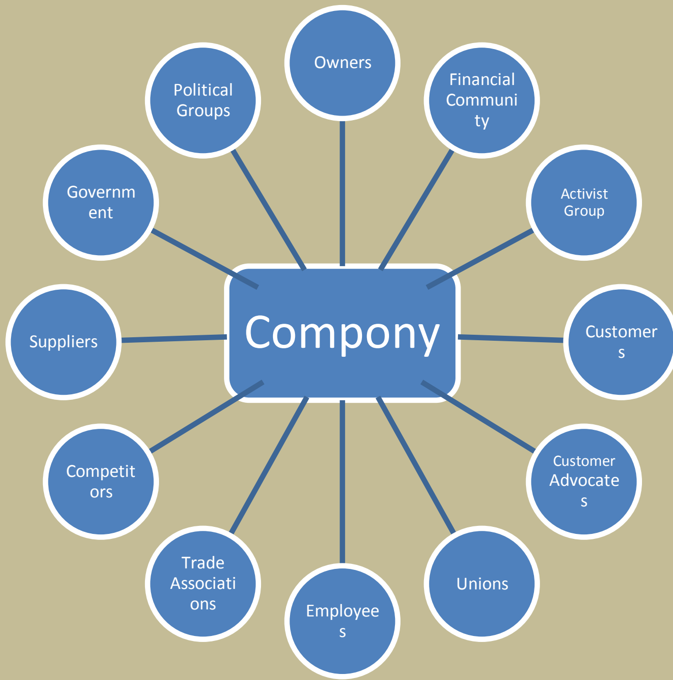

Figure 1: Company's major stakeholders (Freeman, 1984, p. 25).

In three areas (planet, people, and profit) of the "triple bottom line", several different activities of how one company can reach to its stakeholders while being socially responsible, can be implemented. Developing corresponding values and principles, identifying important social partners and compatible actions, and the evaluation and measurement of the results requires, above all, leadership and commitment from governing board. Therefore, the contribution of time is much bigger than financial (Groon, 2004, p. 22). At the same time, Ashridge Centre for Business and Society writes in its report "Catalogue of CSR Activities: A broad overview", that CSR activities can be clustered into seven main groups, which can be seen on Figure 2.

Figure 2: Main groups of corporate social responsibility activities (Ashridge, 2005). These groups, seen on the Figure 2, follow broadly the mainstream CSR descriptions and guidelines, focusing mainly on practical activities. Therefore, when explaining the Ashridge's figure more closely, then couple of practical examples can be brought out about each activity.

Accordingly, CSR should be incorporated into company’s purpose, values and vision. It is important to practice ethical policies and procedures, and have responsible consumer relations. In addition, the company should stand for their products’ responsibility and correct labeling. The company makes the market work for all by respecting ethical competition. Also, there are a lot what one company can do in its workforce activities – having a correct communication, ensuring employees’ skills’ development, guarantying safety, and honouring their diversity and equality are only some of them. In addition, the company can be a fair customer by having ethical supply chain standards. And, when talking about stakeholders, then responsible responding, managing, reporting, communication and consultation are the key terms for successful CSR activities in this field. Being a good neighbour guarantees success in community issues and responsible transport planning, pollution and waste management, resource and energy use ensure that the company acts ethically in the field of environment (Ashridge, 2005, p. 2, 29).

It is not necessary to deal with all previously named issues at the same time. The best results are achieved if to prioritise and concentrate specifically on these areas, which are the most connected with the company’s actions. Though, CSR does not coincide on one-to-one with company’s business interests, it should still be taken as a company’s strategic activity, which is an ongoing process and is targeted to the future (Loorents, 2004).

All in all, socially responsible company should not only be law-obedient and profit-oriented, but act like a good citizen by caring of its employees, local community and surrounding environment. The needs of all different stakeholders should be taken into account by tying them into company’s everyday activities. By that, a company can create a surplus value to all of its parties. Though the actions and activities of CSR can be costly, then still, in a long-term period it will be beneficial. And that not only to companies who implement the principles of CSR in their everyday business, but to whole society, especially when corporate social responsibility is, or at least becomes one very important issue to consumers as well.

CORPORATE SOCIAL RESPONSIBILITY (CSR) IN INDIA:

The concept of corporate social responsibility of large industrial groups has occupied a prominent place in the greater national discourse on economic issues since the pre-independence era in India. Gandhi described large business as ‘trusts’ of the ‘wealth of the people’ and thus emphasized on the larger social purpose that industrial wealth should serve in independent India. In the early days of the post- independence period, the Indian state under the heavy influence of Nehruvian socialism encouraged private industries to play an active role in the economic and social development of the backward sections of the society, while at the same time setup a mammoth public sector for serving larger societal interests. As Nehru’s gentle socialism gave way to the more radical policies of nationalization and extensive state regulation of the Indira Gandhi era. Industrial groups desperate to avoid the draconian state policies and regulations in economic affairs resorted to large scale corporate welfare programs to demonstrate that private wealth also played a important role in poverty alleviation and the socio-economic development of the nation and was not anti-people.

An impeding crisis in Indian economy led the Rajiv Gandhi and Narashima Rao governments to dismantle the ‘license raj and introduce much-needed economic reforms in the country, which marked the beginning of the economic liberalization and the free market economy in India. The major impact of these economic reforms has been the increased presence of transnational corporations in the country and transformation of Indian businesses into large global enterprises.

In this scenario, there is an increased focus on the social role of these private enterprises by both the proponents and opponents of liberalization in India.

The conceptualization of corporate social responsibility up till the 1990's was purely in terms of philanthropy or charity. Welfare programs or initiatives were introduced not as a duty or a responsibility but as a form of charity that was supposed to indicate the virtues of the company or the organization. Many industrial groups like the Tatas or Birlas setup charitable trusts that provided financial grants for various worthy causes. Although there were some cases where the corporation took up a more active role like the establishment of the Birla Institute of Technology, Pillani by the Birlas or setting up of primary schools by several major industrial groups for their workers 's children but even in these cases the approach was philanthropical.

With the shifting of the corporate social responsibility paradigm to a stakeholder centric approach, practices at the ground level have also undergone a radical transformation. In every aspect of corporate social responsibility measures the last decade has seen corporations innovating to increase efficiency, effectiveness and accountability. The focus has been on initiatives that are people-centric with active com- munity participation at all levels. Further, the corporation themselves have moved away from the charitable initiatives like giving financial grants or sponsorships to providing products and services in a manner that would make a real difference in the target communities.

The first perceptible change has been the introduction of a host of innovative programs and schemes in several areas like education, healthcare, rural development, environment protection, protection of artistic and cultural heritage and disaster management that are customized to meet the specific needs of the target group and corporations devote not only financial resources but expertise, manpower, products and services for the successful implementation of these schemes:

- ***Lupin India Ltd***, India's leading manufacturer of pharmaceuticals has started a project for providing sustainable development in 154 villages across Rajasthan. The scheme instead of providing for piece-meal assistance that does not lead to effective alleviation of poverty or adequate development is designed as a holistic action plan that includes an Agricultural Income Generation Scheme, land cultivation and fruit plantation programs, fodder preservation schemes, sericulture and water-recycling programs, establishment of medical and educational centers, adult literacy programs and credit schemes.
- ***Ranbaxy***, one of India's major pharmaceutical firms operates seven mobile healthcare vans and two urban welfare centres that reach over a lakh people in various parts of northern and central India as part of its corporate social responsibility initiative.
- ***Tata Consultancy Services (Tcs)*** has set up a fully- equipped computer training laboratory for children from the Society for the Welfare of the Physically Handicapped and Research Centre, in Pune for imparting basic com- puter knowledge.
- ***Niit,*** has launched a highly popular 'hole-in-the-wall' scheme where it places a computer on a public wall in urban and rural areas so that neighbor- hood children can learn computer basics using the play- way method.
- ***Bharat Electronics Ltd,*** built cyclone proof houses for the victims of the super cyclone in with the help of the victims themselves so that the houses are built according to their needs.

India, also, has a large public sector with several huge corporations and companies operating in various sectors like petroleum, heavy industries, aviation, mining, steel, equipment manufacturing and shipping. The Indian public sector has had a long tradition of corporate social responsibility and the initiatives of corporations like the Oil and Natural Gas Commission (ONGC), Steel Authority of India Ltd (SAIL) and Gas Authority of India Ltd. (GAIL) have critical in the development of several backward regions of the country. Indian Airlines and Bharat Heavy Electronics have been widely acclaimed for their disaster management efforts.

CONCLUSION:

CSR is relevant in business for all societies, it is particularly significant for developing countries like India, where limited resources for meeting the ever growing aspirations and diversity of a pluralistic society, make the process of sustainable development more challenging. CSR interventions based on commitment, mobilization of employees voluntarism, innovative approaches, appropriate technology and continuing partnership-have been making lasting differences in the life of the disadvantaged. Further, synergy of corporate action with the government and the civil society are making the CSR interventions more effective and facilitating the corporate carrying on business in the society.

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