

Corporate Social Responsibility – Challenges and Prerequisites

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Abstract

CORPORATE SOCIAL RESPONSIBILITY (CSR) is a term describing a company's obligation to be accountable to its entire stakeholder in all its operation and activities. Socially responsible companies consider the full scope of their impact on communities and the environment when making decisions, balancing the needs of stakeholder with their need to make profit. A company's stakeholders are all those who are influenced by and can influence a company's decisions and action, both locally and globally. Business stakeholders include employee, suppliers, customer, community organizations, subsidiaries and affiliates, joint venture partners, local neighbourhoods, investors, shareholders and most importantly environment. Corporate social responsibility is not a charity work as understood by many. Here the overlapping area shows mutual benefits as against philanthropy model where one party gets benefited at the expense of other. So in the model called corporate social responsibility a partnership exists between companies, individual and NGO's for mutual benefits. Business leaders, government officials, and academicians are focusing considerable attention on the concept of "Corporate Social Responsibility" (CSR) particularly in the realm of environmental protection beyond complete compliance with environmental issues.

The paper presents a theory of corporate social responsibility (CSR) and shows the implications on the global world. The paper also examines the benefits and prerequisites of good governance.

Introduction

The International Organization for Standardization, known as ISO, strategic advisory group on CSR describes it as "a balanced approach for organizations to address economic, social and environmental issues in a way that aims to benefit people, communities and society

."Corporate social responsibility broadly refers to: (a) The expectation that business is responsible to society—in the sense of accountability and for society—in the sense of compensating for negative externalities and contributing to social welfare.

(b) The expectation that business conducts itself a responsible fashion and more specifically.

(c) The management by business of the corporation-society interface through the enhancement of stakeholder relationships.

Ethics and values are essentials on which businesses are founded and through which success can be achieved and communities developed. CSR has always been a major influence in the business world and is growing in importance as it is increasingly supported by business models and standards.

CSR includes consideration of issues such as:

- Human rights.
- Workplace and employee issues, including occupational health and safety.
- Unfair business practices.
- Organizational governance.
- Environmental aspects.
- Marketplace and consumer issues.
- Community involvement.
- Social development.

In the twentieth century, Corporate Social Responsibility (CSR) developed both as a management idea (Porter and Kramer 2006, Donham 1927) and as an academic concept (Bowen 1953, Walsh, Weber and Margolis 2003, Clark 1916). This development has been reflected in the depth and breadth of its place in management and the academy, particularly management and business scholarship and education. The development has certainly been uneven but it is also true to say that CSR's status in the second decade of the twenty-first century is greater than it had been in the previous hundred. The emphasis of this collection is certainly academic but it also includes numerous accounts of CSR as a management concept and practice.

However, definitions have varied together with the concepts used to describe the social phenomena corresponding to CSR. Although these transformations usually reflect sound conceptual developments or changes in managerial practices and visions they also reveal the paradigm that accompany the cycle of consulting and managerial fads and fashions. Thus CSR can be understood as dynamic, overlapping and contextual.

Its dynamic quality in large part rests on the developments in business-society relations – including through new or re-invigorated understandings of irresponsibility. The overlapping nature of CSR reveals that it is something of a cluster concept reaching into and drawing from such cognate fields as business ethics, corporate governance, business strategy, sustainability, business-society relations and business government relations, to name but a few. Although the emergence of CSR has been most conspicuous in the USA it is also true that CSR has also emerged in very different national contexts, reflecting different corporate governance, institutional, economic, political, social and ethical contexts such that CSR stories can be told in a variety of countries. Moreover, even within and across countries different sectors have developed distinctive CSR trajectories, often reflecting respective balances of risk and opportunity, or market structure and ownership.

Objectives of the Studies

1. To study the concept of CSR and its accountability.
2. To formulate prerequisites of a good governance.
3. To study the indicators and barriers of CSR.
4. To know about the importance of CORPORATE SOCIAL RESPONSIBILITY.

Research Methodology

The Researcher uses secondary data available on internet & in written form. For the study purpose the data has been collected through various websites and various reports available on the websites. The researcher also uses books & written reports such as journals, articles, newspapers, magazines etc available in libraries

Review of Literature

This study aims to trace the conceptual evolutionary path of theories on corporate social responsibility (CSR) and to reflect on the implications of the development. The retrospection has revealed that the trend has been a progressive rationalization of the concept with a particular focus on tighter coupling with organizations' financial goals. Rationalization involves two broad shifts in the conceptualization of CSR. First, in terms of the level of analysis, researchers have moved from the discussion of the macro-social effects of CSR to organizational-level analysis of CSR's effect on profit. Next, in terms of theoretical orientation, researchers have moved from explicitly normative and ethics-oriented arguments to implicitly normative and performance-oriented managerial studies.

Based on the retrospection, the limitations of the current state of CSR research that places excessive emphasis on the business case for CSR are outlined, and it is suggested that future research needs to refocus on basic research in order to develop conceptual tools and theoretical mechanisms that explain changing organizational behaviour from a broader societal perspective.

Potential Business Benefits

The scale and nature of the benefits of CSR for an organization can vary depending on the nature of the enterprise, and are difficult to quantify, though there is a large body of literature exhorting business to adopt measures beyond financial ones found a correlation between social/environmental performance and financial performance. However, businesses may not be looking at short-run financial returns when developing their CSR strategy.

1. Human resources

A CSR program can be an aid to recruitment and retention, particularly within the competitive graduate student market. Potential recruits often ask about a firm's CSR policy during an interview, and having a comprehensive policy can give an advantage. CSR can also help improve the perception of a company among its staff, particularly when staff can become involved through payroll giving, fund raising activities or community volunteering. CSR has been found to encourage customer orientation among frontline employees.

1. Risk management

Managing risk is a central part of many corporate strategies. Reputations that take decades to build up can be ruined in hours through incidents such as corruption scandals or environmental accidents. These can also draw unwanted attention from regulators, courts, governments and media. Building a genuine culture of 'doing the right thing' within a corporation can offset these risks.

2. Brand differentiation

In crowded marketplaces, companies strive for a unique selling proposition that can separate them from the competition in the minds of consumers. CSR can play a role in building customer loyalty based on distinctive ethical values. Several major brands, such as The Co-operative Group, The Body Shop and American Apparel are built on ethical values.

Business service organizations can benefit too from building a reputation for integrity and best practice.

3. License to operate

Corporations are keen to avoid interference in their business through taxation or regulations. By taking substantive voluntary steps, they can persuade governments and the wider public that they are taking issues such as health and safety, diversity, or the environment seriously as good corporate citizens with respect to labour standards and impacts on the environment.

4. Criticisms and Concerns

Critics of CSR as well as proponents debate a number of concerns related to it. These include CSR's relationship to the fundamental purpose and nature of business and questionable motives for engaging in CSR, including concerns about insincerity and hypocrisy.

1. Nature of business

Milton Friedman and others have argued that a corporation's purpose is to maximize returns to its shareholders, and that since only people can have social responsibilities, corporations are only responsible to their shareholders and not to society as a whole. Although they accept that corporations should obey the laws of the countries within which they work, they assert that corporations have no other obligation to society. Some people perceive CSR as incongruent with the very nature and purpose of business, and indeed a hindrance to free trade. Those who assert that CSR is contrasting with capitalism and are in favour of the free market argue that improvements in health, longevity and/or infant mortality have been created by economic growth attributed to free enterprise.

2. Motives

Some critics believe that CSR programs are undertaken by companies such as British American Tobacco (BAT), the petroleum giant BP (well known for its high-profile advertising

campaigns on environmental aspects of its operations), and McDonald's to distract the public from ethical questions posed by their core operations. They argue that some corporations start CSR programs for the commercial benefit they enjoy through raising their reputation with the public or with government. They suggest that corporations which exist solely to maximize profits are unable to advance the interests of society as a whole.

3. Ethical consumerism

The rise in popularity of ethical consumerism over the last two decades can be linked to the rise of CSR. As global population increases, so does the pressure on limited natural resources required to meet rising consumer demand. Industrialization, in many developing countries, is booming as a result of both technology and globalization. Consumers are becoming more aware of the environmental and social implications of their day-to-day consumer decisions and are therefore beginning to make purchasing decisions related to their environmental and ethical concerns. However, this practice is far from consistent or universal.

Globalization and Market Forces

As corporations pursue growth through globalization, they have encountered new challenges that impose limits to their growth and potential profits. Government regulations, tariffs, environmental restrictions and varying standards of what constitutes "labour exploitation" are problems that can cost organizations millions of dollars. Some view ethical issues as simply a costly hindrance, while some companies use CSR methodologies as a strategic tactic to gain public support for their presence in global markets, helping them sustain a competitive advantage by using their social contributions to provide a subconscious level of advertising. Global competition places a particular pressure on multinational corporations to examine not only their own labour practices, but those of their entire supply chain, from a CSR perspective. That all government is controlling.

Social Awareness and Education

The role among corporate stakeholders is to work collectively to pressure corporations that are changing. Shareholders and investors themselves, through socially responsible investing are exerting pressure on corporations to behave responsibly. The extension of SRI bodies driving corporations to include an element of 'ethical investment' into their corporate agenda's generates socially embedded issues. The main issue correlates to the development and overall idea of 'ethical investing' or SRI, a concept that is constructed as a general social perspective. The problem becomes defining what is classified as 'ethical investing'. The ethics or values of one SRI body will likely differ from the next since ethical opinions are inherently paradoxical. For example, some religious investors in the US have withdrawn investment from companies that fail to fulfil their ethical expectations. The Non-governmental organizations are also taking an increasing role, leveraging the power of the media and the Internet to increase their scrutiny and collective activism around corporate behaviour. Through education and dialogue, the development of community awareness in holding businesses responsible for their actions is growing.^[34] In recent years, the traditional conception of CSR is being challenged by the more community-conscious Creating Shared Value concept (CSV), and several companies are refining their collaboration with stakeholders accordingly.

1. Ethics Training

The rise of ethics training inside corporations, some of it required by government regulation, is another driver credited with changing the behaviour and culture of corporations. The aim of such training is to help employees make ethical decisions when the answers are unclear. Tullberg believes that humans are built with the capacity to cheat and manipulate, a view taken from Trivers (1971, 1985), hence the need for learning normative values and rules in human behaviour. The most direct benefit is reducing the likelihood of "dirty hands" (Grace and Cohen 2005), fines and damaged reputations for breaching laws or moral norms. Organizations also see secondary benefit in increasing employee loyalty and pride in the organization. Caterpillar and Best Buy are examples of organizations that have taken such steps.

Increasingly, companies are becoming interested in processes that can add visibility to their CSR policies and activities. One method that is gaining increasing popularity is the use of well-grounded training programs, where CSR is a major issue, and business simulations can play a part in this.

2. Geography

In a geographical context, CSR is fundamentally an intangible populist idea without a conclusive definition. Corporations who employ CSR behaviours are empirically dissimilar in various parts of the world. The issue of CSR diversity is produced through the perpetual differences embedded in the social, political, cultural, and economic structures within individual countries. The immense geographical separations feasibly contribute to the loosely defined concept of CSR and difficulty for corporate regulation.

3. Public policies

CSR has inspired national governments to include CSR issues into their national public policy agendas. The increased importance driven by CSR has prompted governments to promote socially and environmentally responsible corporate practices. Over the past decade governments have considered CSR as a public issue that requires national governmental involvement to address the very issues relevant to CSR. The heightened role of government in CSR has facilitated the development of numerous CSR programs and policies. Specifically, various European governments have implemented public policies on CSR enhancing their competence to develop sustainable corporate practices. CSR critics such as Robert Reich argue that governments should set the agenda for social responsibility by the way of laws and regulation that will allow a business to conduct them responsibly. Actors engaged in CSR are governments, corporations and civil societies.

4. Regulation

The issues surrounding corporate regulation pose several problems. The concept of regulation is inherently difficult to address because of the numerous amount of corporations that exist are vastly dissimilar in terms of corporate behaviour and nature. Thus, regulation in itself is unable to cover every aspect in detail of a corporation's operations. This leads to burdensome legal processes bogged down in interpretations of the law and debatable grey areas. Government regulation or public institutional regulation is difficult to achieve. Depending on the political regime and form of government – democracy, parliamentary, presidential – issues of governmental ineffectiveness may transpire. As a result, attempts at CSR policy development and implementation may be unattainable.

5. Law

The laws legally binding the corporation's behaviour and activity are quite insignificant in relation to the global consequences. Only recently have countries included CSR policies in government agendas legislature. Common types of countries who have implemented legislation and CSR laws generally consist of socio-economic and politically sophisticated countries. The level of political stability and effectiveness is inextricably linked to a countries capacity to ensure national CSR policies.

The increasing ability and influence corporations have on the economic, political, and social dynamics of society correlate to the recent studies by the UN Commission on Human Rights. More research and international political instruments are being explored to protect and prevent corporations from violating human rights.

Crises and Their Consequences

1. Stakeholder priorities
2. Increasingly, corporations are motivated to become more socially responsible because their most important stakeholders expect them to understand and address the social and community issues that are relevant to them. Understanding what causes are important to employees is usually the first priority because of the many interrelated business benefits that

can be derived from increased employee engagement (i.e. more loyalty, improved recruitment, increased retention, higher productivity, and so on). Key external stakeholders include customers, consumers, investors (particularly institutional investors), and communities in the areas where the corporation operates its facilities, regulators, academics, and the media. The stakeholder perspective suffers from a wheel and spoke network metaphor that does not acknowledge the complexity of network interactions that can occur in cross sector partnerships. It also relegates communication to a maintenance function, similar to the exchange perspective.

3. Industries Considered Void of CSR

Several industries are often absent from CSR research. The absence is due to the presumption that these particular industries fail to achieve ethical considerations of their consumers. Typical industries include tobacco and alcohol producers as well as defence firms

Prerequisites for Good Governance

There are some pre-requisites for good corporate governance. They are:

- A and responsibility.
- Vision, principles and norms which indicate development path, normative considerations and guidelines and norms for performance.
- A proper system for guiding, monitoring, reporting and control.

Challenges CSR Faced Under The Globalization

Most corporations, especially multinational corporations (MNCs) have already adopted CSR policy despite the fact that there are still debates over the concept.

a. Limitations of jurisdictions

Under globalization, many corporations have outsourced their products manufacturing process to other countries, mainly developing countries. In those countries, domestic legislations do not usually provide sufficient protection on labour, such as minimum wage or guidelines on health and safety in the workplace. Even countries like China, which does have a well drafted labour protection legislation, labour exploitation issues still exist because of weak enforcement of the law.

b. No direct responsibility imposed on the purchasing firms

Even if the domestic law is well enforced, the purchasing MNCs are not legally responsible for any of the charges. Ultimately, it is the domestic factory or firm will be held responsible. Since there almost no punitive measures on the MNCs, the law and enforcement system fail to function here. Since it is not an obligatory commitment for the MNCs to provide fair

And safe labour treatment, whether a MNC will give equal treatments to factory workers will largely depend on how socially responsible they are. Although acquiring state-like characteristics, businesses are nonetheless still profit-driven actors.

c. Difficulties in auditing

In order to comply with higher standard of CSR, some firms have undergone active research and auditing on the firms they hired in their supply chain. Discrepancies between reality and audit results do exist. One very crucial difficulty in auditing is that the factory can always hide the bad things since they know what they look for. Workers could also be under pressure and not tell the truth. Since difficulties exist while carrying out active auditing, its effectiveness and reliability is therefore questionable.

d. Local factories' attitude

Very often the list of supplying companies and factories are confidential to the public. Since local factories are not directly link to the public, their only goal is to satisfy demands from the purchasing firms. Hence, 'social responsibility' is an idea which they may not even be

bothered to care. Though the purchasing firms may carry out active research on the companies and factories, as addressed above, there are always ways to hide reality away. Moreover, since there are many of this kind of factories over the world, the purchasing companies may not have much choice other than 'choosing one sweatshop over the other'. Moreover, since there are many of these kinds of factories over the world, the purchasing companies may not have much choice other than 'choosing one sweatshop over the other'.

The Way Forward...

Inevitably, process of globalization has changed the power balance between different social actors, especially the role on states and big businesses. Since hard law is no longer effective in regulating corporate behaviours elsewhere outside their origin countries, a firm can determine how socially responsible they want to be with the situations in developing countries. This is largely dependent on their initiatives.

Since manufacturing process has become far more complicated and many more actors are involved, it is difficult to separate responsibilities. Rather than holding the MNCs solely responsible, labour exploitations in the industry is more like an unfavourable consequence resulted from mixtures of factors.

Though not solely responsible, the MNCs still are the most influential actor to change the situation. Hence, civil societies and concern groups, which pressurize and monitor MNCs will be of growing importance in acting against corporate misbehaviours.