Corporate Social Responsibility: The Next Level

Author’s Details: 1) Abhimanyu Verma, Dyal Singh College, University of Delhi, Lodi Road, New Delhi-110003, India  
Co-author: 2) Ritika Tanwar, Dyal Singh College, University of Delhi, Lodi Road, New Delhi-110003, India

Abstract: The term ‘CSR’ (Corporate social Responsibility) has grown over the years to append a prefix ‘strategic’ which indicates that companies today have a plan to balance business and social objectives, in turn laying the framework of a reputable organisation. It marks a transformation from being a good company to a great one. Over the last few years there has been a trend towards compartmentalising CSR and turning it into a specialised activity. It is intrinsic to all parts of the business, and hence is reflected in the actions of a company, in all the aspects such as HR, corporate governance and management, etc. However, the manifestation of a company’s CSR activities and commitments could take myriad forms. Till this day, manifested itself in different forms ranging from corporate philanthropy, internal organisational and educational initiatives, social and environmental reporting, improving the quality of life of differently-abled people, environmental sustainability, talent sustainability, community investment, supporting causes or a combination of several of these. Some wide-spread examples include supporting a NGO by propagating their cause, programmes to support local communities and investment in clean technology.

Keywords: corporate governance, corporate social responsibility, philanthropy, strategic, sustainability.

I. INTRODUCTION

There are basic internal initiatives and traditional approaches that every organisation has been trying to adopt in some form or the other, the outlook to CSR is beginning to evince a more structured approach. Even as companies worldwide are trying to establish suitable framework for corporate sustainability, these could be achieved only when CSR becomes an integral part of the business strategy of organisations. It is wise for companies to identify and associate with CSR assignments that created shared value, drive business growth, aid in employee alignment and improve the living conditions of the society. For global organisations, this assumes a greater importance as companies acting in different parts of the world face the challenge to be confronted with different cultures and value systems of their respective stakeholders and different conceptions about the focus and scope corporate responsibility. Thus, the objective of CSR today is to systematically embed and integrate it at varying levels within an organisation and makes it a way of life.

In the context of current Companies Bill, it stipulates guidelines on mandatory spend for social welfare activities. Some of the other points that have been addressed include an emphasis on governance, disclosure, higher transparency, increased accountability at the board level and representation of women on government boards. Currently a wait and watch scenario, the industry would await the nuances of the new legislation, the way it takes shape and how this would transform the corporate landscape in India. This could also pave the way for CSR consultancies as organisations learn to navigate their way through the legislations and evolve skill tests that will be sought to address CSR initiatives.

There doesn’t exist a global standardisation yet for CSR practices. At its core it is an ideology of shared growth, one that would perhaps require a multi-disciplinary approach to teach, train and implement it in its entirety.

It is true that a firm must make profits in order to survive. It is also true that without profit there is no firm and no corporate social activity. But it is not true that CSR is something that comes after profits are made and money deposited with the stockholders. Nor is it true that corporate social responsibility is only for the big players and that smaller entrepreneurs have to make their money first. For Milton Friedman, corporate philanthropy is alright, but anything resembling CSR is letting the shareholders down. There is no doubt that in a country like India corporate philanthropy has a significant place, but CSR has a different charter. CSR at its best is about the corporate sector reaching out from within the company to the society outside in order to benefit both business and the social and physical environment in which it functions. CSR thus synergises social and business interests, and it is this coupling that makes it different from philanthropy, as we know it to be.

II. What Is Corporate Social Responsibility?

According to one of the most frequently cited definitions, 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’.

In reality, the distinction between companies’ voluntary and mandatory action is sometimes blurred in the developing world. As Graham and Woods point out, voluntary initiatives may have mandatory aspects and national regulatory frameworks may incorporate the use of voluntary instruments. Also, debating whether companies should go beyond their legal obligations and voluntarily adopt CSR initiatives makes little sense in many developing countries. In some countries, for example India and Pakistan, it is the rule rather than the exception that companies do not comply with existing legal frameworks related to corruption, payment of taxes, fair trade practices, respect for human rights, customer services, environmental protection, etc. As Bhushan argues, ‘the challenge in India is first to get business to meet these basic [legal] obligations’. In this respect we agree with Blowfield and Frynas’s adoption of a broader definition of CSR, as an
umbrella term for a variety of theories and practices all of which recognize the following:

(a) that companies have a responsibility for their impact on society and the natural environment, sometimes beyond legal compliance and the liability of individuals;
(b) that companies have a responsibility for the behaviour of others with whom they do business (e.g. within supply chains); and
(c) that business needs to manage its relationship with wider society, whether for reasons of commercial viability, or to add value to society.

Keeping this in mind, one can now take the next step and argue that corporate social responsibility is best put in practice when it helps meet the expectations of a firm’s stakeholders. This implies that CSR must have a business perspective without being obsessed by profits. If one keeps ethics as top priority the bottom line will swell, and swell in a sustainable manner. It is true that many have got away by being sheer robber barons in the way they do business, but let it be known that the life of such organisations is very short, and sometimes even the biggest, like Enron, can have a mighty fall.

To make CSR sustainable it is necessary to keep the business interest of the company in mind. If this is not done then CSR programmes will run so long as the top executive is personally involved in it and wither away when something more gripping comes around grabs the leader’s attention. CSR cannot be left to personal whims and fancies, nor should CSR be seen as something that is done as an afterthought once profits have been made. CSR is an aspect of everyday business and executives would do well to see it that way.

The Friedman’s formulation that “the business of business is business” has outlived its utility, social responsibility and being a good corporate citizen are the buzzwords today. In the long run, organizations that do not exercise power and conduct business which society considers responsible will tend to lose. Therefore, an organization needs to operate a business in a manner that meets or excels the ethical, legal, commercial and public expectations that a society has from the business.

The concept of corporate social responsibility has gained prominence from all avenues. Corporate Social Responsibility is an evolving concept that currently does not have a universally accepted definition. The emerging concept of Corporate Social Responsibility (CSR) for businesses goes beyond charity; it requires the company to act beyond its legal obligations; to integrate economic, social, environmental, ethical and other concerns to company’s business model. CSR practiced by companies can become one of the important drivers of inclusive development. What may be needed is refocusing CSR as a strategy to promote overall human development. The practice of CSR is subject to much debate and criticism to harmonize the business concerns of earning profit and to allocate resources to CSR, therefore it is a challenge for the Corporates and the state (which includes community) at large to see that the interest of the society are protected.

Though it is the primary responsibility of the government to ensure inclusive and sustainable development, it is simply impossible not to look at supplementary efforts by other players. But the government can play a pro-active role in inspiring other players including industries and the corporate sector to fulfill their social commitments. The government needs to fine-tune its economic policies and incentive schemes for industry and trade to persuade, motivate and make to behave as a responsible corporate citizen. The objective of the paper is to see why CSR still remains a challenge for the corporate world, for the state and what more needs to be done for inclusive as well as sustainable development.

As Abraham Lincoln said, “You cannot escape the responsibility of tomorrow by evading it today.” The future of the business lies in doing a responsible business.

III. Next Step To Be Taken

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. Stakeholders include employees, investors, shareholders, customers, business partners, clients, civil society groups, Government and non-government organisations, local communities, environment and society at large.

Corporate Social Responsibility and Sustainability is essentially a way of conducting business responsibly. ‘Corporate responsibility’ is integral to corporate social responsibility. Implicit in this premise that business should be conducted responsibly, are several expectations from corporate enterprises.

Corporate enterprises are expected to conduct their business operations and activities in a socially responsible and sustainable manner at all times. Even routine business activities not funded from the CSR and Sustainability budget, should aim at creating new business opportunities and developing new products and services that are affordable for the consumers, profitable for the companies, and help in contributing to socio-economic development and environment protection.

Corporate Enterprises should integrate and align their CSR and Sustainability policies and activities with their business goals, plans and strategies. Enterprises are expected to adhere to the global standards in this regard and keep in mind the UN Global Compact and the UN Millennium Development Goals. Mandatory compliance with legal requirements / rules / regulations / laws in letter and in spirit will be covered under CSR and Sustainability activity. However, expenditure on such activities would not be covered by CSR’s financial

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component and would be considered as mainstream business spend.

CSR and Sustainability policies should address social, economic and environmental concerns and in the selection of activities the focus should be on the social, economic and environmental impact thereof, rather than mere output or outcomes. Activities which are ad hoc and philanthropic in nature should be avoided. In fact, impact assessment of CSR and Sustainability initiatives may get greater weightage in performance (MoU) evaluation after completion of the project / activities than mere certification of having utilized the earmarked budget, or even rigid adherence to timelines. Enterprises are encouraged to join hands and pool their resources and capabilities to create synergy for undertaking joint ventures for projects which have scalability and greater social impact that can trigger socioeconomic development through ripple effects.

IV CSR: The Lice Concept

Leadership:

1. Get your CEO and other key executives to describe the social purpose of your company and how this contributes to its value as a business. Use this as the foundation for writing a social purpose “manifesto.”

2. Help move your company beyond “CSR lite” by assessing the ways in which social investments are supporting your business goals and fostering meaningful social change. (Business is good for social change and social change is good for business!)

Integration:

3. Ensure CSR considerations are incorporated into every significant planning process and conversation in your company by creating a CSR toolkit for executives and managers in each functional area.

4. Plan to eliminate your next CSR report and incorporate environmental, social, and governance priorities and performance into your company’s annual report.

Capacity:

5. Identify a small group of people in your organization who are particularly sceptical regarding the business value of CSR. Then engage them in creating a new system/approach to measuring ROI in this area. (I recommend finding people in areas such as finance, IT, and engineering – these folks are trained to trust only what can be quantified.)

6. Implement an annual “CSR Exchange” where you or one of your team members works for a week at your most important non-profit partner organization and someone from this organization works with you – you’ll learn more than you can possibly imagine.

Education:

7. Increasing your team’s knowledge of CSR by attending great events this fall such as the BSR Conference and the Net Impact Conference.

8. Document 4-6 best CSR practices among your competitors and outside of your industry, and then implement one new idea before the end of this year.

The CSR checklist spells out an easy-to-remember acronym: “LICE.” As you’re considering the points above, remember that LICE is about more than just scratching your head. It’s about taking action, maximizing the limited resources you have, remembering how fortunate you are to be at the leading edge of an area that has become so important in such a short period of time and there is so much to be done in order to attain sustainability.

CONCLUSION

Corporate social responsibility (CSR) is finally being seen as a direct driver of revenue growth and profitability. This represents a huge shift from the old day when companies just made a donation to a local charity and that was it. The good news for those of us that work in corporate responsibility is that the issues related to better governance are steadily rising up the corporate agenda. A recent report from consultants Ernst and Young estimates that social and environmental corporate issues affecting companies now makes up half of all shareholder resolutions.

Taking corporate social responsibility to the next level means having the conviction to stand for a social purpose, even if that means walking away from conventional business thinking. Taking corporate social responsibility to the next level also involves putting a high priority on outcomes that are qualitative and not easily measurable. The value of your investment in the community is not based on the number or amount of grants you make. It’s the social change that happens as a result of working collaboratively with effective community organizations. Taking corporate social responsibility to the next level involves building trust by being more transparent than you ever thought possible. CSR still has the potential to be remarkable but it needs to rise above the status quo that’s been established in the last five years. We need to put social purpose ahead of profits, to remember that we have the privilege and responsibility of helping to make the world a better place, and to dream bigger.

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