

INNOVATIVE APPROACHES AND STRATEGIES OF 21st CENTURY CORPORATE SOCIAL RESPONSIBILITIES

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Abstract: The main aim of this study is to understand the innovative strategies on CSR used in Industries of 21st Century .Corporate social responsibility (CSR) is a means of analysing the interdependent relationships that exist between businesses and economic systems, and the communities within which they are based. The idea of firms looking beyond profits to their role in society is generally termed Corporate Social Responsibility (CSR). The World Business Council for Sustainable Development (WBCSD) defines, CSR is the continuing commitment by business 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.

CSR also has been defined as an obligation to pursue those policies, to make those decisions, or to follow those lines of action that are desirable in terms of the objectives and values of our society. Firms may have diverse motivations which influence the decision to implement CSR. Therefore CSR approaches vary from firm to firm.

An attempt is made in the present study to measure CSR activities on Industries of 21st Century in India. The objectives of the study is to review CSR initiatives of industries in India and to analyse the differences between large, medium and small firms in CSR activities and to analyse the differences between public, private and partnership firms in CSR activities.

The study will be made by referring several other literatures on “CORPORATE SOCIAL RESPONSIBILITIES” published by various sources. In the above context, a Qualitative study will be conducted on “INNOVATIVE APPROACHES AND STRATEGIES OF 21st CENTURY CORPORATE SOCIAL RESPONSIBILITIES”. This being a non-empirical study the analysis will be made from the data and contents collected from various articles published by various authors and released through various sources. The references of the same will be given in reference part. The hypothesis of the analysis is Industrial social work of 21st Century definitely play a crucial role in upliftment of the Society which we live currently.

Keywords: CSR – Corporate Social Responsibility ,SA – Social Auditing ,AA – Account Ability, ESA – Ethical Accounting Statement, GRI – Global Reporting Initiatives, SAI - Social Accountability International , CSO - Civil Society Organisations , EU – European Union, UN – United Nations , SME – Small Medium Enterprises.

I. INTRODUCTION

The industrial revolution and its focus on wealth creation separated business from social concerns. Over time, along with the growth of socio-regulatory pressure, business gradually became more aware of its impact. Corporate Social Responsibility (CSR) encompasses the role of the business sector in protecting the natural environment as well as protecting basic human rights, labour standards, and other related welfare activities. CSR is defined as commitment of business to economic development with contribution to the quality of life of their employees, local community and society at large. It is gaining worldwide value as a business tool and social effort towards development. Similarly, CSR approaches also vary from firm to firm. Against the backdrop of economic globalization, there are growing international demands for firms to be more transparent and more accountable for their economic, social and environmental impacts

wherever they operate. Therefore, at the World Economic Forum in Davos on 31st January 1999, UN Secretary-General, Kofi Annan, challenged world business leaders to embrace and enact the Ten principles of the "Global Compact" within their sphere of influence. The Global Compact is the UN initiative that encourages the business organization to commit to socially and ecological operations all over the world. The Compact comprises ten principles that are related to four areas of Human Rights, Labour Standards, Environment and Anticorruption.

II. GOAL OF THE STUDY

The goal of this study is to analyse the CSR initiatives in India by analysing the differences between large, medium and small firms in CSR activities.

Why CSR?

CSR has become more and more relevant and firms are working actively with these issues. But why are they actually doing this? Is it just to avoid bad reputations? Or is it because they want to be good citizens and do the right thing. In developing economies as India, there are some important factors related to CSR issues, like cheap labour and less stringent environmental and labour laws. Due to this firms have to pay more attention to these areas. This being a very important issue, there is a very little information at the firm level to understand the CSR in Indian context.

Measuring the impact of CSR

Several techniques have been developed for measuring different aspects of social responsibilities discharged by corporate houses through,

Social Auditing (SA): This technique was introduced for dealing with observation and reporting measure of ethical behavior and social impact of an organization in relation to its aims and those of its stakeholder.

Account Ability (AA) 1000: This was launched in November 1999 by the ISEA (Institute for Social and Ethical Accountability). Account Ability deals with linking various CSR management tools such as the Global reporting initiatives, the sustainability integrated guidelines for management, the balances scorecard and other initiatives.

Ethical Accounting Statement (ESA): This was developed at the Copenhagen business school concentrating on the stakeholder approach. However this approach does not believe in benchmarking with references to external sources on the ground that such measure are meaningless.

Global Reporting Initiatives (GRI): This was released in March 1999. Subsequently in 2002, GRI was setup as a permanent independent, international body with a multi stakeholder governance structure with headquarters in Amsterdam. Based on sustainability concept, GRI has been developed as one of the important frameworks to assess and measure CSR. It has been attempting to devise a set of indicators so that firms can report progress.

SA 8000: In 2002, Social Accountability International (SAI) developed new international standards (SA8000) indicating the auditable on board a numbers of issues such as Child Labour, Health and Safety, Freedom of Association , Right to Collective Bargaining, Discrimination, Disciplinary Practices, Working Hours and Remuneration .

III. TRADE AND INDUSTRY OBLIGATION

Economically speaking, all firms have a responsibility to earn a profit, since capitalism and a free market society deem that this is necessary. Businesses were created as economic entities, designed to provide goods and services to societal members. Economic responsibility explained the most fundamental one since all other business responsibilities are based upon the economic responsibility of the firm, because without it the others become doubtful. Carroll (1991) proposed a pyramid that constituted total CSR from four dimensions of social responsibilities including Economic, Legal, Ethical, and Philanthropic. According to this principle, if a firm is not making profits and is not providing high quality of goods and services to meet consumers' needs, it cannot be considered socially responsible even when the firm has devoted many efforts in social causes.

Economic Component of Corporate Social Responsibility

- It is important to perform in a manner consistent with maximizing earnings per shareholder.

- It is important to be committed to being as profitable as possible.
- It is important to maintain a strong competitive position.
- It is important to maintain a high level of working efficiency.

Legal Obligation

Businesses are expected to pursue its economic responsibility within the framework of the legal one. At the same time business is expected to comply with the laws and regulation spread by central, state and local governments as the ground rules under which business must operate. Legal responsibilities symbolize basic notions of fair operations as established by our lawmakers. Even though they are depicted as the next level of the pyramid, it is seen coexisting with the economic one. In other words maximizing ones profit while obeying the rules and regulations that is set by the government. Organizations can choose to break the law, but society has little to do or say with how a firm achieves its legal obligations

Legal Component of Corporate Social Responsibility

- It is important to comply with various central, state and local regulations.
- It is important to provide goods and services that at least meet minimal legal requirements.
- It is important that a successful firm be defined as one that fulfils its legal obligations is consistently profitable.

Moral Obligation

Ethical responsibility is referring to those activities and practices that are expected or prohibited by societal members even if they are not organized into law. Ethics are simply values in action, and as a result, they tend to change as societal values change. Those responsibilities are about accepted norms, standards and expectations that reflect a concern for what consumers, employees, shareholders, and the community regards as fair. It is simply about respecting and protecting stakeholder's moral rights. In some cases, ethical norms and standards go before the establishment of law. Ethical responsibility can also been seen as acceptance of new values and norms which businesses are expected to meet, even if those values and norms may reflect on a standard performance that is higher and that is not currently required by law. It is hard to tell which voice is actually echoing the society at large and which is from critical NGO. Furthermore there is a lively process between the ethical responsibilities and the legal responsibilities since what have earlier been ethical often become laws when there is a strong enough agreement in the society

Ethical Component of Corporate Social Responsibility

- It is important to perform in a manner consistent with expectations of societal habits and ethical norms.
- It is important to prevent ethical norms from being compromised in order to achieve corporate goals.
- It is important that good corporate citizenship be defined as doing what is expected morally or ethically.
- It is important to recognize that corporate integrity and ethical behavior go beyond mere compliance with laws and regulations.

Charitable Obligation

At the top of the pyramid there are the philanthropic responsibilities of the firm, which responds to the society's expectation of the firm to be a good citizen. Philanthropic responsibility refers to corporations acting as a good corporate citizen, by contributing resources to the community and improving quality of life. The distinction between ethical and philanthropic is that the philanthropic one is not expected in an ethical or moral sense. It is good if businesses give away charities, but they are not seen as unethical corporations if they aren't engaged in those kind of activities. Philanthropic responsibility is therefore more optional on the part of businesses. In other words, philanthropy is highly desired and prized but actually less important than the other three categories of social responsibility.

Philanthropic Component of Corporate Social Responsibility

- It is important to perform in a manner consistent with the philanthropic and charitable expectations of society.
- It is important that managers and employees participate in voluntary and charitable activities within their local communities.

- It is important to voluntarily assist those projects that enhance a community's quality of life.

Principle of United Nation on CSR

In other side, although a number of instruments and tools are available for evaluating corporate social responsibility practices of the business sector as described in this chapter, the UN Global Compact have been preferred over others, because the Global Compact has been initiated and enthusiastically supported by the United Nation, the only forum representing all the countries of the globe and also enjoying due respect for its decisions from majority of the member states.

The four areas encompassing the corresponding Global Compact principles are:

Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Make sure that they are not complicit in human rights abuses.

Labour Standards

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. The elimination of all forms of forced and compulsory labour.
5. The effective abolition of child labour.
6. The elimination of discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges.
8. Undertake initiatives to promote greater environmental responsibility.
9. Encourage the development and diffusion of environmentally friendly technologies.

Anti- Corruption

10. Businesses should work against all forms of corruption, including extortion and bribery.

(source: www.unglobalcompact.org)

IV. CORPORATE SOCIAL RESPONSIBILITY AND SMALL & MEDIUM ENTERPRISES

CSR is clearly affecting SMEs in developing countries through direct supply chain relationships, as well as the development of legislation, and international standardization and certification. CSR represents not just a change to the commercial environment in which individual SMEs operate but also needs to be considered in terms of its net effect on society. If CSR, as some critics believe, introduces social and environmental sections resulting in tariff barriers by the back door, imposes inappropriate cultural standards or unreasonably bureaucratic monitoring demands on small businesses, the net effect on the communities concerned will be reduction in welfare. On the other hand, CSR offers opportunities for greater market access, cost savings, productivity and innovation to SMEs, as well as broader social benefits such as education and community development.

Thus the interaction between CSR and SMEs in developing countries is an important issue, not only for the SMEs and those supporting their development, but also for all the performers which are driving CSR forward. Civil Society Organisations (CSOs), Governments, and Multilateral bodies like the EU and UN, have incorporated CSR within their strategies. It is critical that SMEs in the South are able to go beyond compliance based reactive mode of CSR to engage in the on-going development of what effective CSR means. CSR approaches are increasingly being seen alongside other development interventions, as a key way in which donor countries can assist in the development process. Without the incorporation of SMEs into the global 'social' value chain, the aim of CSR to contribute to International Development Targets will not be met.

The concept of Corporate Social Responsibility is very popular amongst big corporations but Small and Medium Enterprises are lagging behind. CSR is still in its infancy for Small and Medium Enterprises They can play a big role in helping the society by boosting their CSR initiatives. They can provide a helping hand to small communities or by helping NGOs in their efforts. They can take variety of steps like conservation of natural resources, protection of environment, steps for eradication of illiteracy, adult education, spreading awareness in rural areas about health care etc. They can also take steps to reduce child labor in the country. Small and Medium Enterprises often face stiff competition from the large corporations when it comes to bagging fresh orders or retaining their existing clients. As a result, a growing number of small and medium sized companies are laying emphasis on their CSR activities.

However, some of these small businesses are taking a judicious approach while dealing with their CSR initiatives as they are finding it quite challenging to meet the costs involved in carrying out these initiatives. Some of the ways on through which they can focus on CSR activities are by Giving a fixed amount in budget for funding their CSR initiatives allocating a fixed amount for CSR can help the organizations to make sure that they have a clear idea about the funds that will be utilized for carrying out the CSR proposals. This helps in ensuring that unnecessary expenditures are avoided to a large extent. Select the some of the appropriate initiatives according to the requirement of the community of the place.

It is not necessary for the Small and Medium Enterprises to follow the large corporations on this front, as there are various ways in which these initiatives can be performed at a limited budget. For example if the company is dealing in readymade garments it can provide clothes for orphans in orphanage once in a year. Or if there is no school in the area it can set up a small school for the children. It will be useful not only to the local people but also to the employees of the company.

Employees and other stake holders can be given an integral role in the organization by getting them involved in CSR activities. For this, employees and other stake holders can be encouraged to donate generously or offer aid in the form of products that can be extended for such activities. We can do CSR initiatives not only from stake holders of the company but also from the residents and other beneficiaries of the area. Suppose you are supplying clothes in orphanage then you can request the local people to drop the clothes which their children are not using and along with your company's products you can supply these clothes at the orphanage. Along with taking up CSR initiatives it also necessary to make people know about the companies initiatives. For this purpose effective promotion is required.

Following some of the measures listed below,

1. Companies to make their staff aware of CSR initiatives. They are the best spokes persons.
2. Companies to make best use of the intranet, website, newsletters, meetings, staff award schemes and community corridors to showcase the activities and events towards CSR.
3. Companies to make use of local, regional and national media to showcase their activities.
4. Companies to keep the customers, suppliers, investors and other stakeholders informed of what they are doing.

Benefits that Small and Medium Enterprises can derive from their CSR initiatives are,

1. CSR initiatives will improve their long term profitability.
2. Large number of SMEs is sick. They can revive by focusing on their corporate social responsibilities.
3. They can improve their public image and image in the society and thereby they can improve their financial performance.
4. There will be better retention of employees. The attrition rate will decline.

V. SUMMARY

Thus I conclude my study by saying that CSR activities performed by majority of the SMEs in India has reached a majority of our population in society even though it is performed to cover up the ill-effects done by the company to the society indirectly such as Pollution, inflation, hoarding etc. The future growth of the company lies in the amount of CSR activities done by them now. Without customers no business can make profit and in the same way without the satisfaction of people living in society no company can grow further. The company's internal customers will also be proud to work in such a kind of company and they will not resign.

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