

Corporate Social Responsibility - Meaning, Need and its Evolution



The practice of CSR or Corporate Social Responsibility as a paradigm for firms and businesses to follow has evolved from its early days as a slogan that was considered trendy by some firms following it to the present day realities of the 21st century where it is no longer just fashionable but a business requirement to be socially responsible.

This evolution has been necessitated both due to the myriad problems that we as a race face which has changed the environment under which firms operate as well as a realization among business leaders that profits as the sole reason or *raison d'être* for existence can no longer hold good.

The reason why companies must look beyond profits is also due to the peculiar situation that humanity finds itself in the second decade of the 21st century. Given the political, economic, social and environmental crises that humans as a race are confronting, corporations have a role to play since they contribute the most to the economic well being of humanity and in turn influence the political and social trends.

Corporate Social Responsibility or CSR makes for eminent business sense as well when one considers the knock-on effect that social and environmental responsibility brings to the businesses. For instance, corporations exist in a symbiotic relationship with their environments (the term environment refers to all the components of the external environment and not to ecological environment alone) where their exchange with the larger environment determines to a large extent how well they do in their profit seeking endeavors.

The evolution of CSR as a concept dates back to the 1950's when the first stirrings of social conscience among management practitioners and theorists were felt. The writings of Keith Davis starting in the 1950's and continuing into the 1970's speak of the need for businesses to engage in socially responsible behavior and to ensure that society as a whole does not lose out in the process of profit making behavior by businesses. CSR as a concept was starting to be taken seriously by the time the 1970's dawned and through the tumultuous decade when big business and their minions were accused of several misdemeanors pertaining to rampant disregard for the environment and society as a whole.

One can trace the anxieties of activists and management theorists during this time as they feared that the rapacious behavior of businesses and corporations ought to be checked if a semblance of social responsibility was to be maintained. Of course, both sides started to stick to their positions and this resulted in the debate over CSR getting shriller during the 1980's. I conclude the article with two quotes that illustrate the need to think beyond the ordinary and at the same time remind ourselves of the responsibility we have towards succeeding generations: The first one by Albert Einstein where he said that "problems cannot be solved from the same level of consciousness that created them" and the second one which says that "We have not inherited the Earth. We have merely borrowed it from our children."

The Business Need for Corporate Social Responsibility

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When one considers the fact that the RBV or the Resource Based View of the firm is all about how well the firm exists in harmony with its external environment and how this exchange of inputs and outputs with the environment determines the quality of its operations, it can be inferred that socially responsible business practices are indeed in the interest of the firm and the argument against imposing hidden social taxes on the firms by undertaking socially responsible business practices might not hold good in the current business landscape.

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Indeed, the world since the days of Friedman has changed so much that socially responsible business practices ought to be the norm rather than the exception and the various readings surveyed for this paper do seem to indicate that it is high time for businesses to engage in responsible behaviour.

However, there is a tendency to treat CSR as yet another cost of business and hence be business like about the practice. So, mainstreaming the idea might not bring the desirable effect unless the media, the businesses, and the citizens themselves understand what is at stake and behave accordingly. Paying lip service or corporatizing the idea of CSR might not be the intended outcome of the proponents and the advocacy groups that promote this idea. Rather, a change in the mindset and attitude is what these groups have in mind when they push for socially responsible practices.

It has been mentioned elsewhere that CSR as a concept and as a paradigm ought to be woven into the DNA of the corporations and when the very fabric resonates with the threads of social responsibility; the goals of conscious capitalism and compassionate corporations would be realized.

Hence, a cautionary finger wagging is due for those who believe that since the concept of CSR has been mainstreamed, they can relax in the knowledge that corporations would do the rest. Given the history of profit seeking and mercantilist behaviour where fads and ideas come and go but the very nature of the corporations mutates rather than undergoes a fundamental change, we still have some distance to cover before the goals of the idea of CSR are achieved. Further, we should not end up in a situation where the imperatives of the 21st century force corporations to change their behaviour. Instead, a voluntary mindset change is something that is better suited given the vast resources that corporations have and which they deploy to resist change and thwart those that push for legislation that aims to do so.

Importance of Corporate Social Responsibility

Corporate social responsibility allows organizations to do their bit for the society, environment, customers or for that matter stake holders.

Let us go through the importance of corporate social responsibility.

The term corporate social responsibility gives a chance to all the employees of an organization to contribute towards the society, environment, country and so on. We all live for ourselves but trust me living for others and doing something for them is a different feeling altogether. Bringing a smile to people's life just because your organization has pledged to educate the poor children of a particular village not only gives a sense of inner satisfaction but also pride and contentment. One should never forget the importance of society and environment in our lives. It is indeed high time when we also start thinking about people around us who are less privileged and fortunate than us. Corporate social responsibility gives an opportunity to organizations to work towards the betterment of the society and make it a better place to live.

Corporate social responsibility goes a long way in creating a positive word of mouth for the organization on the whole. Doing something for your society, stake holders, customers would not only take your business to a higher level but also ensure long term growth and success. Corporate social responsibility plays a crucial role in making your brand popular not only among your competitors but also media, other organizations and most importantly people who are your direct customers. People develop a positive feeling for a brand which takes the initiative of educating poor children, planting more trees for a greener environment, bringing electricity to a village, providing employment to people and so on. You really do not have to invest much in corporate social responsibility activities. Do not undertake CSR activities only to gain publicity but because you believe in the cause. There are many organizations which tap remote villages, some of which are even unheard as an initiative of corporate social responsibility.

Corporate social responsibility also gives employees a feeling of unparalleled happiness. Believe me, employees take pride in educating poor people or children who cannot afford to go to regular schools and receive formal education. CSR activities strengthen the bond among employees. People develop a habit of working together as a single unit to help others. Infact they start enjoying work together and also become good friends in due course of time. They also develop a sense of loyalty and attachment towards their organization which is at least thinking for the society. Who does not like to work with an organization where management is kind enough to take out time for the society and contribute in their own small way? Ask yourselves, when is the last time you did something for your society, customers, stake holders or environment? Corporate social responsibility also goes a long way in building a positive image of the brand. Trust me, your brand becomes a "common man's brand". People start believing in the brand and nothing can help you more than your customers trusting you and your brand. Positive word of mouth eventually helps to generate more revenues for the organization.

In today's scenario of cut throat competition, everyone is so occupied in chasing targets and handling the pressure at workplace that we actually forget that there is a world around us as well. Have you ever thought about those who can't even afford proper meal twice a day? If you can take some time out of your busy schedule, please try to visit a village once. You would be surprised to see how people manage their lives there. Corporate social responsibility in a way also plays a crucial role in the progress of the society, which would at the end of the day benefit us only

Social Responsibilities of Organization Towards Employees

What is an organization without its employees? Nothing. Employees are said to be the true assets of an organization. Even the best of technology or best of infrastructure would not be of much use if employees do not perform up to the mark and are not satisfied with their current profiles.

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As they say, “charity always begins at home”. **The first and the foremost responsibility of an organization towards its employees is to ensure that they are happy and satisfied with their jobs.** It is unethical to treat employees as mere machines and expect them to work continuously for eight to nine hours at a stretch just because they are being paid. Do not treat your staff as labours. Management needs to ensure that individuals associated with their organization are actually enjoying what they are doing and also growing with time. Job profiles ought to be delegated equally as per expertise, knowledge and educational qualification of individuals so that no one is overburdened. Provide healthy working conditions to your employees. Assign proper workstations or cubicles for them to work comfortably and eventually deliver their level best. Everyone needs some amount of privacy and make sure your employees get the same; else soon they would be frustrated with their job and look for better opportunities.

Sit with your employees from time to time and try to find out whether they are happy with their job or not and if at all they are facing any problems in the system? It is the responsibility of the management to look after the safety of its employees. Ensure your office building is resistant to fire and earthquake. You can't play with the lives of so many individuals. Till the time an employee is on official duty, it becomes the responsibility of the organization to assist him/her in case of a medical emergency or other serious concern. If one of your employees gets hurt at your site, it is your responsibility to immediately take him to the hospital and provide basic medical assistance.

Crisis can come anytime. If an employee asks for some advance from his/her salary, please do not say a blunt NO. Analyse the whole situation and find out how serious the whole issue is? He/she might need some money to treat his/her ailing father. It would be really inhuman to deny help during such circumstances. I don't think there should be much of a problem in this; after all, he is asking money from his own salary only. God forbid, if any of your employees dies, make sure you extend your sympathies and support to his/her family members to cope up with such an irreparable loss. Whenever your employees need your help, make sure you are there with them. A feeling of loyalty towards the organization comes only when the management treats all its employees as part of one big family and takes good care of them.

Stand by each other not only during happy times but also sad moments. Remember; the fun is to enjoy not only the happiness but the challenges together.

Encourage employees to praise and appreciate each other. Give them ample opportunities to show their talent. Provide them an environment where they can hone their skills with time. Problems arise when management puts a full stop on the growth of employees. Ask them to interchange roles, so that everyone gets to work on something new. Timely appraisals are important. It is the responsibility of the management to ensure that employees who are working really hard and showing progress are suitably rewarded. Incentives, cash prizes, bonuses go a long way in not only motivating the employees but also creating a healthy and positive ambience at the workplace

Corporate Social Responsibility(CSR) Leads to Increased Business Efficiency

In case corporations need some convincing to be done to adopt CSR, the model proposed by Young and Tilley (2006) where they list six criteria for corporate sustainability that not only contributes to the social responsibilities of the business but also improves the business efficiency. The latter if presented in a convincing manner would appeal to businesses since increased efficiency leads to greater cost savings as well as improved profit margins.

The six criteria discussed by Young and Tilley are eco-efficiency, socio-efficiency, eco-effectiveness, socio-effectiveness and sufficiency and ecological equity. Taken together as a whole, these six criteria form an integrated model which corporations can follow for sustainable business practices and reap profits as well as be conscious in their business practices. The point here is that the motto that CSR pays in real economic terms ought to be broadcast far and wide and only when corporations realize the economic benefits of conscious capitalism would they embrace the paradigm of CSR wholeheartedly (Young & Tilley, 2006, 411).

Given Friedman's injunction that the social responsibility of businesses is to make profits, if it can be shown that being socially responsible brings in profits, there can be no better business case for CSR.

This is realizable given the emerging research into CSR and business practices which throw up several connections between conscious capitalism and increased profits and the new “renaissance” in business thought and corporate behaviour ought to gladden the hearts of all CSR enthusiasts. Before concluding the paper, it would be pertinent to note that Friedman's article though cited widely might be a bit anachronistic for the imperatives of the 21st century and while the great professor was far sighted he could have not foreseen the complete breakdown of the neo classical model of economics that the Great Recession of 2008 has engendered.

Thus, while views such as that of Friedman's can be a good starting point as to debate the relative merits and demerits of social responsibility versus profits, to base the whole idea of CSR on his ideas alone would be doing a disservice to the non-linear, complex and interconnected world in which we live in and which demands appropriate out of the box solutions

Corporate Social Responsibility or Profits: The Debate

In recent years, CSR or Corporate Social Responsibility has become the latest buzzword among the companies. This refers to the practice of the corporates in “giving back” to society in the form of programs that benefit the less privileged members of society. They can take the form of

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outreach programs that adopt schools; communities etc and provide funds for their upkeep as well as promote socially conscious business practices that lead to the betterment of society. This article analyzes the statement, “the idea that the company’s resources should be devoted to some cause other than making a profit is outrageous”.

There is an ongoing debate over whether a firm should exist solely for making profits or whether it should pay heed to the social and environmental concerns that accompany the practice of Corporate Social Responsibility or CSR. The proponents of the view that a firm exists solely for making profit argue about the market being the final arbiter of allocating resources and point to the market as the place where incentives for allocating resources for social and environmental causes is to be found. The opponents of this view take the stand that everything cannot be left to the market and there needs to be a mechanism in place whereby the environmental and social causes need to be taken care of.

If we examine both sides of the debate as well as take into account superficial attempts by businesses to pay lip service to CSR, the first strand of thought that comes to mind is about the need for businesses to invest in CSR as a way of mitigating the deleterious effects of the industrial paradigm on the environment. The practice of CSR by industrial companies is in vogue these days because of the fact that they have contributed to polluting the environment. As Martha Nussbaum contends, “If this world is to be a decent world in the future, “we must acknowledge right now that we are citizens of one interdependent world, held together by mutual fellowship as well as the pursuit of mutual advantage, by compassion as well as self-interest, by a love of human dignity in all people, even when there is nothing we have to gain from cooperating with them”

Hence, in this interconnected and flat world there is a need for concerted action by the businesses to take steps that would alleviate the pressing issues of the day. However, the opponents of this view are some of the multinationals themselves as can be seen from the following excerpt, “Thus the central theoretical and practical question in the discussion of corporate social responsibility is whether it remains a voluntary choice of the business or should be ensured through formal control”.

The point here is that CSR is being enforced rather than voluntarily embraced. This fact alone makes it clear that businesses by themselves do not contribute to CSR and that they have to be regulated to do so.

Examples of Companies with good Corporate Social Responsibility

In previous articles, we have discussed the pitfalls of companies not managing their CSR strategies appropriately resulting in poor press coverage as well as outrage among activists and degraded public opinion. In this article, we concentrate on the positive aspect of how companies have managed their CSR strategies well and are reaping the benefits of doing so. **The first company that comes to mind as a beacon of good corporate governance is the Indian IT industry bellwether, Infosys.** Indeed, Infosys is one of the companies that has set benchmarks for other companies not only in India but all over the world in the way corporate governance and social responsibility are handled and projected to the outside world. The point here is that companies not only need to walk the talk for CSR but also broadcast their achievements to the world at large.

Another company that has done an exceptional job of portraying itself as a good corporate citizen is the **TATA group** in India and The Body Shop (formerly owned by Anita Roddick) company in the United States.

While these two companies are at different ends of the spectrum as far as their product lines and lines of business are concerned, the public perceives these companies favourably mainly due to the visionary leaders that have led these companies as well as the reputation that has been established through decades of doing the right thing. Taken together with Infosys and companies like Sony Ericsson, these corporations reap the benefits of being good corporate citizens in terms of increased revenues and top of the mind brand recall by dint of being model corporate citizens.

The key take away from this discussion is that companies do gain tangible and intangible benefits by practising CSR and by projecting an image of good governance and social responsibility to the external world. Of course, we have seen how companies resort to “Green Washing” and spin to project something which does not exist fully or partially. The point about these examples is that these companies not only pursue socially and environmentally responsible strategies but also make it a point to be on cordial terms with all the stakeholders (the suppliers, governmental agencies, employees, consumers and society at large) which translates into measurable and immeasurable benefits to these companies.

Finally, being a good corporate citizen brings its own benefits to the companies. For instance, it is common to find leaders from these companies sitting on various boards and advisory committees which speak volumes about the high esteem in which they are held. This translates into instant recognition and a “halo” effect which for all practical purposes is like the adulation that rock stars and sports personalities receive from the people. The point here is that good corporate behavior is rewarded at some point or the other and hence, companies must seek to do well and do the right thing always. While not preaching, some of these companies also help other companies in actualizing their visions for society and by being transformational change agents as well as catalysts for CSR.

In conclusion, **CSR as a business imperative must not be accepted grudgingly or half heartedly. Instead, it must be practiced with full vigor and straight from the heart passion** and this certainly helps the companies in the long run. After all, business is not all about the next quarter only.

Social Responsibilities of Managers

Social responsibility is defined as the obligation and commitment of managers to take steps for protecting and improving society's welfare along with protecting their own interest. The managers must have social responsibility because of the following reasons:

1. **Organizational Resources** - An organization has a diverse pool of resources in form of men, money, competencies and functional expertise. When an organization has these resources in hand, it is in better position to work for societal goals.
2. **Precautionary measure** - if an organization lingers on dealing with the social issues now, it would land up putting out social fires so that no time is left for realizing its goal of producing goods and services. Practically, it is more cost-efficient to deal with the social issues before they turn into disaster consuming a large part of management's time.
3. **Moral Obligation** - The acceptance of managers' social responsibility has been identified as a morally appropriate position. It is the moral responsibility of the organization to assist solving or removing the social problems.
4. **Efficient and Effective Employees** - Recruiting employees becomes easier for socially responsible organizations. Employees are attracted to contribute for more socially responsible organizations. For instance - Tobacco companies have difficulty recruiting employees with best skills and competencies.
5. **Better Organizational Environment** - The organization that is most responsive to the betterment of social quality of life will consequently have a better society in which it can perform its business operations. Employee hiring would be easier and employee would be of a superior quality. There would be low rate of employee turnover and absenteeism. Because of all the social improvements, there will be low crime rate consequently less money would be spent in form of taxes and for protection of land. Thus, an improved society will create a better business environment.

But, manager's social responsibility is not free from some criticisms, such as -

1. **High Social Overhead Cost** - The cost on social responsibility is a social cost which will not instantly benefit the organization. The cost of social responsibility can lower the organizational efficiency and effect to compete in the corporate world.
2. **Cost to Society** - The costs of social responsibility are transferred on to the society and the society must bear with them.
3. **Lack of Social Skills and Competencies** - The managers are best at managing business matters but they may not have required skills for solving social issues.
4. **Profit Maximization** - The main objective of many organizations is profit maximization. In such a scenario the managers' decisions are controlled by their desire to maximize profits for the organizations' shareholders while reasonably following the law and social custom.

Social responsibility can promote the development of groups and expand supporting industries.

Notes