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CORPORATE SOCIAL RESPONSIBILITY IN INDIAN PERSPECTIVE

* ***Dr. Prasad.S.Madan,*** Assistant Prof., V.S.S. College Jalna
** ***M.A.Bansode,*** Research Scholar, Dr. Babasaheb Ambedkar Marathwada University Aurangabad.

INTRODUCTION

One of the most frequently asked questions at this site - and probably for all those individuals and organisations dealing with CSR issues is the obvious - just what does 'Corporate Social Responsibility' mean anyway? Is it a stalking horse for an anti-corporate agenda? Something which, like original sin, you can never escape? Or what? Different organisations have framed different definitions - although there is considerable common ground between them. My own definition is that CSR is about how companies manage the business processes to produce an overall positive impact on society. Corporate Responsibility (CR) has emerged as a significant theme in the global business community and is gradually becoming a mainstream activity, according to a new survey by the Economist Intelligence Unit, in cooperation with Oracle Corporation. The growing emphasis on corporate responsibility is affecting the relationship between companies and their various stakeholders, such as investors, customers, vendors, suppliers, employees, communities and governments.

MODEL SHIFT

Over a period of the two decades since Drucker made his remarks about business ethics, there has been tremendous change in the paradigm, which is the result of two shifts. The first shift relates to the philosophy of business. The new perspective has broken down this compartmentalization of business and society and by now it has been realized that social and environmental issues can no longer be addressed entirely through a unilateral imposition by the State through a legal framework. In the light of this new development, the business had to gear itself to rethink to develop new theories and practices of management to align itself with this breakdown.

Besides this, the phenomena of a rapid decline in the role of the State and withdrawal of the State from the social space have created a vacuum. As the needs of the society and the imbalances in the society have not changed, and therefore business has to emerge as the filler. The roles, relationships and realms of the three entities – the government, the business and the society have changed. The first implication is that this imposes a corporate responsibility of businesses towards society. This is indicative of a paradigm shift in the philosophy of business.

CORPORATE RESPONSIBILITY OF BUSINESSES TOWARDS PEOPLE

By the existing philosophy of business a business only had a responsibility towards its shareholder by earning profit for them. This was the understood as the role of business. Business was 'possible' because society desired this role of it. Here, we wish to make a strong axiomatic enunciation, namely, if the philosophy of business is about 'how business is possible?' and about 'formation and

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operation of a business enterprise', then it automatically includes the premise of 'how business may not be possible' and how instead of 'formation and operation of a business enterprise' how a business may cease 'to operate'. The basis of the philosophy of business should naturally include its obverse. Hence, the philosophic basis of business does not arise out of 'business strategy' and is not buttressed by how CSR enhances profits. It lies in not only explaining 'how business is possible?' but in explaining "How businesses cease to operate?" or "How businesses fail?" And, how this is not merely a question of finance or profit, for some of the most profitable concerns and giants at that have failed.

CORPORATE RESPONSIBILITY

Corporate Responsibility, it has been seen arises from Business Ethics and has three dimensions, that is:

(a) Good Corporate Governance

(b) Corporate Social Responsibility

(c) Environmental Accountability

(d) Corporate Sustainability and Sustainability Reporting

This is how business ethics becomes an all pervading influence in the governance of business. The top management is not only responsible to envision such a change but to translate this vision into practices and also to make sure that they adopt a balanced approach towards three dimensions. It should be evidenced from the conduct of business as it is not easy for them to get away from this by indulging into only in lip service.

(a) Good quality Corporate Governance:

In A Board Culture of Corporate Governance business author Gabrielle O'Donovan defines corporate governance as 'an internal system encompassing policies, processes and people, which serves the needs of shareholders and other stakeholders, by directing and controlling management activities with good business savvy, objectivity and integrity. Sound corporate governance is reliant on external marketplace commitment and legislation, plus a healthy board culture which safeguards policies and processes. **(b) Corporate Social Responsibility ("CSR"):**

Second ethical dimension of CSR includes the social practices where the company is discharging its responsibility towards community at large i.e. stakeholders. Stakeholders are the ones who can influence or can be influenced by the actions, decisions, policies, practices and goals of the company.

There is today a growing perception among enterprises that the sustainable business

(c) Environmental responsibility:

Corporate Responsibility has third dimension in form of accountability of business towards environment. As business interacts with its natural environment, it draws its resources from the environment. It also influences the environment by its actions. Therefore, it is also accountable to it for any impact, which it makes. Earlier corporate dumped their wastes with impunity in the environment. With the growing awareness and concern about environmental degradation, depletion of natural resources like water and fossil fuels and the phenomenon of global warming, there is moral and legal pressure on corporate to realize that the earth needs to be preserved, and looked after so that future generation are not adversely affected.

(d) Business Sustainability and Sustainability exposure:

Sustainable development is a broad concept that balances the need for economic growth with environmental protection and social equity. Corporate Sustainability encompasses strategies and practices that aim to meet the needs of stakeholders today while seeking to protect, support to enhance the human and natural resources that will be needed in future. Corporate Sustainability is a business approach that creates long –term shareholder values by embracing opportunities and managing risks deriving from economic, environmental and social developments. Corporate Sustainability describes business practices built around social and environmental considerations. Corporate Sustainability encompasses strategies and practices that aim to meet the needs of stakeholders today while seeking to protect, support and enhance the human and natural resources that will be needed in the future.

The concept of sustainability reporting is of recent origin. In the recent years with emphasis being placed on the ways in which the companies match their resources to the needs of the marketplace. It has given rise to the concept of corporate performance management and measurement. The new approach is an integrated one seeking to link strategic management, management accounting and reporting. The reporting contemplated here covers the whole information communication process comprising internal and external stakeholders. Sustainability reporting is a part of the new approach.

Organizations of all sizes are rapidly discovering that Corporate Social Responsibility (CSR) and sustainable business practices can foster improved green programs and overall environmental stewardship. Today, we are seeing increased awareness and active participation by business professionals in the development of CSR policies. Organizations are increasingly more involved in green initiatives by adopting sustainable processes and practices, adapting products and services to the low-carbon economy and innovating in all areas their business. The net positive on reducing waste, designing green buildings, implementing green operations and maintenance plans — all have continually proven to yield a positive return on investment (ROI). CSR has come to rely on a more complex set of factors than corporate governance alone, and likewise also depends on sustainable development, environmental impact and supply chain management.

The development of the new carbon trading markets,verified emission reductions (VERs), also known as carbon offsets, and renewable energy credits (REC's), it has become easier for organizations to create and measure direct ROI from CSR. Likewise, CSR efforts have shown to yield measurable returns in waste reduction, improved efficiency, diminished liabilities, improved community relations, and brand recognition.

Through communicating clear and measurable sustainability objectives and the implementation of practical and equally functional corporate governance mechanisms, organizations are realizing that they can have a achieve ROI through their sustainability efforts.

Integral strategies in ensuring substantive long-term results include:

- Define path of progress in CSR and strategically manage expected organizational outcomes
- Ensure basic CSR values are culturally integrated across the organization
- Adopt an effective engagement strategy with stakeholders to create buyer awareness and loyalty
- Properly map organizational objectives and critical success indicators with CSR performance metrics

Innovative organizations that understand the value of CSR work to create a corporate culture in which each employee is committed to doing his or her part to improve the environment. According to Forrester Research , effective CSR and sustainability practices within large companies have been shown to contribute to a profit increase up to 35 percent.

WHAT'S YOUR ROI?

There are proven methodologies that demonstrate ROI benefits to CSR. A partial summary of such strategies has been outlined below and reflect best practices in the implementation of successful CSR programs designed to drive improved operational performance and net positive ROI.

BUSINESS BENEFIT: IMPROVING OPERATIONAL EFFICIENCY

Perhaps the strongest — and best documented — argument for engaging employees in environmental practices is the connection between CSR involvement and increased operational efficiency. Front-line employees are often in the best position to identify inefficiencies and propose improvements. Educating employees on CSR can improve profitability by supporting greater efficiency through less waste, water and energy usage.

BUSINESS BENEFIT: Innovation

Employee E&S education is also a source of innovation and savings resulting from the development of new product and service lines as well as new technologies, materials or processes that reduce water, energy usage or harmful materials.

BUSINESS BENEFIT: Supply Chain Management

Educating employees on sustainability practices throughout the supply chain can lead to greater efficiencies and help build collaboration to meet sustainability, quality and other goals. It can also strengthen relationships between a company and its suppliers by aligning values and objectives.

BUSINESS BENEFIT: Financial Responsibility

We are seeing an unprecedented level of government programs and initiatives designed to drive corporate decision-making within markets that include manufacturing, construction, etc., to invest in implementing practical and measurable green building design, construction, operations, and maintenance solutions.

In many cases, the good news is that implementation of sustainable operations can drive increased efficiency through reductions in energy consumption, implementation of building maintenance methodologies that are often cost neutral, and decreasing the cost of workspaces through use of recycled furniture while changing too low–use lighting (which provides ecofriendly work environments), to name a few. Government subsidies and incentives often further complement and reward efforts to develop and implement successful sustainable operations and maintenance programs. Nearly all of the points needed for LEED Certification (40 points) can be achieved through the energy and atmosphere category (35 points). It is by far the largest category within the rating system, and emphasizes the combination of energy performance and renewable energy, which has shown can lower costs by up to 50percent in the first year alone.

It is widely accepted that green building occupants are healthier and much more productive in their work. With an average of 90 percent of Americans spending more of their time indoors, green buildings often have better indoor air quality and lighting, among other key advantages Measuring the impact of CSR in achieving social and environmental goals can bedifficult, but is becoming more common if not expected within corporations, often as a factor of CSR. Typically in business, what gets measured gets managed, and as long as the right metrics system is created and data is tracked accurately, almost any environmental CSR initiative can yield positive results. There seems to be a direct correlation between the implementation of effective green programs and design of green buildings to improved office worker productivity and employee morale, while driving efficiencies and reduced consumption.

"Profit" is the economic value created by the organisation after deducting the cost of all inputs, including the cost of the capital tied up. It therefore differs from traditional accounting definitions of profit. In the original concept, within a sustainability framework, the "profit" aspect needs to be seen as the real economic benefit enjoyed by the host society. It is the real economic impact the organization has on its economic environment. This is often confused to be limited to the internal profit made by a company or organization (which nevertheless remains an essential starting point for the computation). Therefore, an original TBL approach cannot be interpreted as simply traditional corporate accounting profit *plus* social and environmental impacts unless the "profits" of other entities are included as a social benefits. To conclude, since many business opportunities are developing in the realm of social entrepreneurialism, businesses hoping to reach this expanding market must design themselves to be financially profitable, socially beneficial and ecologically sustainable or fail to compete with those companies who do design themselves as such. For example, Fair Trade and Ethical Trade companies require ethical and sustainable practices from all of their suppliers and service providers.

ORGANIZATIONAL TRANSFORMATION

Organizational transformation can be defined as a change, which is fundamental, complex and radical. These changes go far beyond making the organization better or improving the status quo. Transformational change entails the significant shifts in corporate philosophy, values and in the numerous structures and organizational arrangements that shape the members' behaviour. It also involves reshaping the organization's culture and design elements.

Organizational transformation is particularly pertinent to changing the different features of the organization such as structures, processes, information system, human resource practices and work design. These features need to be changed together and that too in coordinated fashion so that they can mutually support each other and also the new cultural views and assumptions. It is characterized as the transition from a control based to a commitment-based organization. It could easily be distinguished from other types of strategic changes by its attention to the people side of the organization. To label it as transformational, a majority of individuals in an organization must change their behaviours.

CONCLUSION

Thus it can be concluded that the corporate today need to inculcate the best ethical practices at the same time efforts need to be directed for encouraging employees towards individual morality. Corporations today need to fulfil their social responsibility of business not only to sustain the growth and win customers confidence but also to include it at all the strategical levels of decision making.

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