

Corporate Social Responsibility—Issues and Challenges in India

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Abstract

The Sanskrit saying 'Atithi Devo Bhav', means—the one who comes to you for being served, should be taken to be as God', is considered as the highest order of responsibility, be it to individuals or the society. Thus, the phrase Social Responsibility has its roots in Indian context.

Corporate Social Responsibility (CSR) is a term describing a company's obligation to be accountable to all of its stakeholders in all its operations and activities.

CSR has several strategic implications. The first is that CSR can be an integral element of a firm's business and corporate-level differentiation strategies. Therefore, it should be considered as a form of strategic investment. Even when it is not directly tied to a product feature or production process, CSR can be viewed as a form of reputation building or maintenance. A second strategic implication of the firm's perspective is that one can generate a set of predictions regarding patterns of investments in CSR across firms and industries. In particular, the focus is on issues relating to industry evolution, market structure, firm dynamics, and the role of asymmetric information in the context of CSR.

Thus, the exploratory research focuses the Corporate Social Responsibility as a determinant of market strategic issues, with the various dimensions of CSR and its relevance for emerging markets, it also throw light on redesigning marketing paradigms for the global competition.

Key words: Corporate social responsibility, differentiation strategies, emerging markets, redesigning marketing paradigms, global competition.

Introduction:

“Let us walk together
Let us talk together
Let our heart vibrate together”
(Rig Veda)

The Sanskrit saying 'Atithi Devo Bhav', means—the one who comes to you for being served, should be taken to be as God', is considered as the highest order of responsibility, be it to individuals or the society. Thus, the phrase Social Responsibility has its roots in Indian context. This phrase has long been in use with growth of industries and corporate.

It not only reflects the 'passage of time' in its impact and transformation, but its meaning and understanding has been affected by the growth of society, nations and changes in their appreciation of cultural heritage and background. Corporate social responsibility is a term describing a company's obligation to be accountable to all of its stakeholders in all its operations and activities. Socially responsible companies consider the full scope of their impact on communities and the environment when making decisions, balancing the needs of stakeholders with their need to make a profit.

Business is facing challenging times world-wide. Management of business has progressed rapidly in last 50 years. It has now thoroughly matured to higher levels of performance. The present age is a money-dominated age. Every one is running after money. Business enterprises are coming up with new strategies to earn more and more profits. Economists are bringing new philosophies to enhance prosperity. Today the efforts and energy of the world is being spent on increasing the organizational wealth. Increased competition and commercial pressure are combining with rising regulatory standards and consumer demand to create a whole new playing field for business.

Traditional expectations of business are also changing. It is no longer enough to simply employ people, make a profit and pay taxes. The entities with maximum wealth are the most powerful in the present era and capable of safe guarding their economic interests leading to the gap between rich and poor widening. It is leading to a complex situation, where some people try to find out unfair means to quickly fill this gap. It gives rise to unrest in the human mind and quickly erodes the feeling of satisfaction and happiness. Quality expert Kaoru Ishikawa emphasizes on the role of company to keep its employees happy by stating, "the first concern of a company is the happiness of the people connected to it. If the people do not feel happy . . . that company does not deserve to exist" (Ishikawa, 1985).

Companies no more consider human capital as commodity but as an asset. In the age of globalization, corporations and business enterprises are no longer confined to the traditional boundaries of the nation-state. One of the key characteristics of globalization is the spread of the market and the change in the mode of production. The centralized mode of production has given way to a highly decentralized mode of production spread across the world. In the last 20 years, multinational corporations have played a key role in defining markets and influencing the behavior of a large number of consumers. The rules of corporate governance have changed too. And there has been a range of reactions to this change. On the one hand globalization and liberalization have provided a great opportunity for corporations to be globally competitive by expanding their production-base and market share. On the other hand, the same situation poses a great challenge to the sustainability and viability of such mega-businesses, particularly in the context of the emerging discontent against multinational corporations in different parts of the world. Laborers, marginalized consumers, environmental activists and social activists have protested against the unprecedented predominance of multinational corporations. The ongoing revolution in communication technology and the effectiveness of knowledge-based economies has created a new model of business and corporate governance. A growing awareness about the need for ecological sustainability and the New Economy framework, with an unprecedented stress on communication and image merchandising, have paved the way for a new generation of business leaders concerned about the responses of the community and the sustainability of the environment. It is in this context that we need to understand the new trends in corporate social responsibility. So, the picture of human resource in front of the corporate leaders is clear that without human resource nothing is possible in this ever changing world and the nation.

Today, business organizations increasingly concern themselves with a host public issue that are international in nature including trade legislation, regulations against corruption and growing concern about global issues based on industries.

Future Directions

The drive of improvement never ends. The best culture, system and plans do not remain so far long. Economic conditions, competitor's behavior, market dynamics, technological advances and the political environment demand change.

The global companies of tomorrow will have to actively work today to integrate social accountability issues into their key business processes in order to meet-and in some cases exceed-customer expectations. The 'neighbor-of choice strategy' must become an integral part of a company's culture. Companies will know that they have succeeded in organizing corporate social responsibility activities when they automatically include corporate social responsibility considerations in their decisions. In fact, the international nature of the business environment means that these responsibilities exist in those areas where business operates or

seeks to operate. This is a global responsibility which lies at the heart of the business contract. The economic function of the business and its wider responsibilities are integral features of this contract. By crossing the boundary between business and the community, the community will become a key shareholder in business and business will be encouraged to give up the traditional mode of resource utilization and adopt a suitable mode for resource enrichment of the planet.

The Emerging Challenges:

Clearly society expects many things from the corporate sector. Enterprise is being asked to move beyond the commercial sphere. Different stake holders place varying demands on organizations. Such demand varies over time and in different contexts. The primary expectation centers on wealth creation or profit function of the enterprise. But this is not the only expectation. Beyond, this ,consumers continue to demand products that are safe, reliable and useful, services that are responsive to the changing needs, and advertising that is honest and informative. The public at large expects business to help project the physical environment and the health and safety of all those who are exposed to dangerous technologies or substances. Issue such as corporate power and corporate compliance, corporate activities and corporate disclosures of information will continue to concern an increasing number of people in the community.

Clearly, the emerging multipurpose corporations will demand multipurpose goals and synergistic policies that accomplish more than a single goal at time. This compels organizations to develop new measures of performance. Instead of focusing on the single bottom line of profits as in the past, organizations are expected to focus attention on multiple bottom lines-social, environmental, political and ethical-which are all interconnected.

Through Corporate Scrutiny:

The concept of corporate social responsibility (CSR) is not new to Indian companies. However, what is new is the way it has caught on with Indian corporate and the direct involvement of employees in implementation of these projects. Dedicated departments in most organizations are looking into much more than just funding or getting involved in one-time projects. CSR activities have their advantages. The benefits are in terms of building a positive image and encouraging social involvement of employees, which in turn develops a sense of loyalty for the organization. CSR activities help bond employees as a team, and with the organization, which in turn helps in creating a dedicated workforce that is proud of its employer.

According to Associate Cement Company (ACC), they define Corporate Social Responsibility as the way a company balances it's economic, social and environmental objectives while addressing stakeholder expectations and enhancing shareholder value. ACC has undertaken social volunteering practices almost from its inception, a long before the term corporate social responsibility was coined. The company's earliest initiatives in community development date back to the 1940's in a village on the outskirts of Mumbai while the first formal Village Welfare Scheme was launched in 1952. The community living around many of our factories comprises the weakest sections of rural and tribal India with no access to basic amenities. The range of Community & Rural Welfare activities in ACC begins with educational and medical facilities and goes on to cover vocational guidance and supporting employment-oriented and income-generation projects like agriculture, animal husbandry, cottage industries by developing local skills, using local raw materials and helping create marketing outlets. In close consultation with the Confederation of Indian Industry (CII), the management of ACC decided to step forward to participate in the national effort to eradicate the HIV/AIDS virus. ACC consider people as their real work force to keep them alive in the real competitive age.

The trend is especially strong in IT companies with a young workforce that increasingly feels that they would like to contribute to the cause of creating a better society. Most of these companies are working on issues related to children and education. Voluntarism to them means taking technology to the grassroots levels and to bridge the digital divide. Whether it is TCS's Web-based solution for their adult literacy programme or Kale Consultants' (an airlines and banking verticals software maker) effort in creating a centralized data system on children for adoption.

With serious money and human resources involved, how does it benefit the organization? It is not uncommon to hear of rumors that in many cases no actual work was done and projects were shown on paper to gain tax exemptions. Most companies however strongly deny such allegations as funds are strictly dedicated to such projects and monitored by company boards. CSR is increasingly becoming a part of corporate governance. However, one of the biggest advantages of such activities is the development of internal branding among employees. In almost all organizations these activities have major employee involvement. In fact, all organizations feel that the success of such initiatives always depends on employee participation. Besides, it makes leaders out of employees and helps them realize the concept of teamwork. With a growing feeling that corporates should also contribute to social activities, globally, and with a desire to improve the immediate environment where they work, many companies are taking keen interest in such activities. In reality, most companies have special departments to document the best practices of corporate social responsibility and integrate them into the organizational fabric. They are investing huge amounts in creating special foundations for the implementation of these practices with a view to making a huge difference to the people around them. They are also drafting special policies to ensure better working conditions and promote the family welfare of their workforce. Companies argue that getting associated with people related activities with a cause might create an apparent impact but that does not generate any tangible profits. While it does help develop their brand and convey to the public that it is a socially conscientious company, it is natural fallout and not a deliberate attempt. One of the biggest advantages of such activities is the development of internal branding among employees. "Employees feel a sense of pride when they are involved in such activities which in turn help in retaining them. Similarly, such activities also in a small way contribute towards image building,"

Involvement Corporate in a Community:

The involvement of corporate in a community generates trust in front of people which in a positive manner creates the identity in the nation. Corporate Community Involvement is about the impact your company has on the wider community. Companies can support the community through a number of activities that use both its staff and resources. People, who are the part of the community, always observe the community based activities done by the target industry of their locality. This could include making charitable donations, allowing staff to volunteer their skills to help community groups, or donating PCs and office equipment to organizations that need them involvement.

Exemplary Companies:

The following companies were listed as models by the survey Conducted by Centre for Social Markets. Of note, Infosys, Tata and Wipro were mentioned multiple times as models. The other companies were listed once each.

Indian Companies

- Birla Group of companies
- BSES (Bombay Suburban Electric Supply)
- DSP Merrill Lynch
- Hindustan Lever
- Infosys
- ITC (Indian Tobacco Corporation)
- Larsen & Toubro
- MahindraBT
- Mitsui
- NTTF
- PriceWaterhouseCoopers
- Reliance
- Tata

- Tata Consultancy Services
- TISCO (Tata Steel)
- WBPDCCL
- Wipro

International Companies

- IBM
- ED
- Goodyear
- Conagra Inc. in USA.
- Siemens training institute, Germany
- R&S, Germany
- Cisco Systems
- Motorola
- Microsoft

Conclusion:

“Business is recognised and challenged as a new player in social development, setting standards and protecting human rights”

**Kofi Annan

67 years of independent India, but we still haven't experienced a real economic growth and development. The government plans take a long time to get implemented and the policies are highly skewed. If the corporate houses choose to intervene, perhaps, the day won't be far when, India can boast of a real economic boom. The world map of happiness survey 2006, gave India 180 points. The only one reason, where it lagged behind other countries, was its inability to provide its people with basic education, healthcare, and reduce poverty. Every country should embrace the remarkable concept of individuals and businesses forming a partnership to support social causes. A successful modern Indian company also needs to be well managed, with a corporate culture that promotes integrity. This message was conveyed by half of those respondents who answered this question. Respondents referred to practicing ethical business values, values based management, participative leadership, and conduct[ing] business with integrity and honor as important conditions for business success. Professional management was mentioned as a criterion by several respondents. It is important for [management to be] agile and informed [and to] recognize the bottleneck in infrastructure and find methods to solve them. As one respondent summarizes, the role of a successful company is to contribute to national wealth, to generate employment opportunities, E-business and E-commerce, accountable employees, transparency of Managements policy, open communication, safe working environment, concern for society. In the context of India, such a partnership has enormous potential for strengthening society. The state broadly speaking was referred to by over a quarter of respondents as an obstacle to successful business. Problems included unclear, unpractical and poorly monitored regulations, poor infrastructure, a complicated tax system, and too much bureaucracy. The main obstacles, we think, are lenient attitude of the Government in enforcing Quality control measures. Interestingly, however, the state is also criticized for too much interference. Irresponsible & unpractical government regulations in sector that are best left to private hands, keeps the government too busy to understand the difficulties of an average small businessperson whose capabilities & spirit is being choked due to the lack of infrastructure. There were also references made to cleaning up the corporate governance structure and clamping down on corruption in India. Broad frameworks on corporate governance should be developed and followed. And, penalties for non-compliance should be strictly implemented. Benefit from corruption should be reduced. This is to be done by flattening the tax structure and reducing exclusive authority on Govt. agencies. In an era of increasing global competition, the need to create an image that shows that corporate are part of the community and care about it is growing. People as the part of community and a strong part of the workforce for the production in organizations plays important role and benefits acquired from them cannot be ignored as far as possible for growth.

Suggested Readings:

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