

# **CORPORATE SOCIAL RESPONSIBILITY (CSR)**



**Dr. Smita Nayak**

**Associate professor**

**P.G.Department of Political Science**

**Utkal University, BHUBANESWAR, ODISHA**

- Introduction
- Definition
- Concepts, key issues, context
- Key CSR drivers
- Implications for enterprise
- Implications for development




# INTRODUCTION

- Good corporate governance & corporate responsibility towards society are so inextricably interlinked that we cannot separate one from the other.
- If providing good governance to its stakeholders & the society at large is what is expected of a corporate, it is because it receives so much from the society that it is only appropriate that the corporate **gives back/ pay off** to it at least something in return in the form of good governance.
- It is thus understood that good corporate governance itself is part & parcel of corporate responsibility to society.




# CONFLICTING PERSPECTIVES ON THE ISSUE

- The issue of social responsibility of business evokes varying & often extreme- responses from both the intelligentsia & businessmen.
  - Economists like Adam Smith & Milton Friedman were of the opinion that the only responsibility of business was to perform its economic functions efficiently & provide goods & services to society & earn for itself maximum profit & it was better to leave social functions to other institutions of the society like the government.
  - To Adam Smith, “ it is the profit-driven market system ,also called price mechanism that drives business firms to promote social welfare, though they work for private gain”.
- 


- He observed further: “every individual endeavours to employ his capital so that its produce may be of greatest value.
- He generally neither intends to promote the public interest, nor knows how much he is it.
- He intends only his own security, only his own gain.
- And he in this led by an invisible hand to promote an end, which was no part of his intention.
- By pursuing his own interest, he frequently promotes that of society more effectively than when he really, he frequently promotes that of society more effectively than when he really intends to promote it.”



- Likewise, Prof. Milton Friedman does not give much credit to the concept of social responsibility.
  - To him, the advocacy of social responsibility of business is the green signal to pure socialism.
  - He argued: “business has one & only one social responsibility, to make profits (as long as it stays within legal & moral rules of the game established by society).
  - In contrast to this Prof. Paul Samuelson, for instance, advocates a spirit of social responsibility as an inherent features of a modern business firm.
  - This view is based on the argument that business organizations, corporate or otherwise, are part of the society & have to serve primarily its interests rather work for the narrow economic gains such as making profit.
- 

- According to T. F. Bradsha, an ex-President of the Atlantic Richfield Company in the US, “business could not ignore social expectations of the community of which it is a part.
- He was of opinion that Friedman has overlooked two things:
  1. First, the businessman does not exist solely in world of cold grey economics; he also exist in a real world where people’s needs go far beyond their economic needs.
  - He is man before he is a businessman, he feels pressures from within to become a part of the whole social pattern & to accomplish more than making a profit.
- 2. Second, Friedman overlooked the fact that the rules have been changing & are going to change at an explosive rate in the future.
- We may yet reach that state where a businessman is judged by the social goals he accomplishes as well as the profit he makes.”



- According to Prof. Robert Dhal, “it is obligatory on part of business organizations to be socially responsible as they primarily exist to be benefit society.
  - He expressed his views thus: “today, it is absurd to regard the corporation simply as an enterprise established for the sole purpose of allowing profit making.
  - We, the citizen, give them special rights, powers & privileges, protections & benefits on the understanding that their activities will fulfill our purposes.
  - Corporations exist because we allow them to do so.
  - And we allow them to exist only as they continue to benefit us.
  - Every corporation should be thought of as a special enterprise whose existence & decisions can be justified only in so far they serve public or social purpose”.
- 



# WHAT IS CSR?

- It is not as simple as it sounds.
- The definitions differed vastly according to the perception & sensitivity of the analyst.
- The World Business Council for Sustainable Development in its publication “Making Good Business Sense” by Lord Holmes & Richard Watts used the following definition:
- “CSR is the continuing commitment by business to behave ethically & contribute to economic development while improving the quality of life of the workforce & their families as well as of the local community & society at large.”
- To some “CSR is about capacity building for sustainable livelihoods.”
- “CSR is about business giving back to society” (Philippines)




# WHAT IS CSR?

- In United States, CSR has been defined traditionally much more in terms of a philanthropic model.
- Companies make profits unhindered except by fulfilling their duty to pay taxes.
- Thus they donate a certain share of the profits to charitable causes.
- It is seen as tainting the act for the company to receive any benefit from the giving.



# WHAT IS CSR?

- The European model is much more focused on operating the core business in a socially responsible way, complemented by investment in communities for solid business case reasons.
  - It is believed that this is more sustainable because of some reasons, they are:
    1. Social responsibility becomes an integral part of the wealth creation process- which, if managed properly, should enhance the competitiveness of business & maximise the value of wealth creation to society.
    2. When times get hard, there is the incentive to practise CSR more & better-if it is a philanthropic exercise which is peripheral to the main business, it will always be the first thing to go when push comes to shove.
- 

# CSR & THE STAKEHOLDERS

- CSR is essentially a concept whereby companies integrate social & environmental concerns in their business operations & in their interaction with their stakeholders on a voluntary basis.
- This means not only fulfilling legal expectations, but also going beyond compliance & investing in human capital, the environment & relations with stakeholders.



# WHO THE STAKEHOLDERS ARE?

- Stakeholders are those organizations & individuals who have an interest or 'stake' in the business or corporation & its success.
- That includes clients, the population of small business people, other business assistance organizations, economic development organization, legislators of the country, central & state levels, executive branches of government, executive depts & agencies, the staff & contracted consultants & trainers, vendors & taxpayers.
- The list very long & inclusive.



- The development of CSR reflects the growing expectations of the community & stakeholders about the evolving role of companies in society & the response of companies to growing environmental, social & economic pressures.
- Through voluntary commitment to CSR, companies are hoping to send a positive signal to their behaviour to their various stakeholders (employees, shareholders, investors, consumers, regulators, NGOs & the government) & in so doing make an investment in their future & help to increase profitability.



# KEY ISSUES IN CSR




Photo: Damien Lewis

- **Labour rights:**
  - child labour
  - forced labour
  - right to organise
  - safety and health
- **Environmental conditions**
  - water & air emissions
  - climate change
- **Human rights**
  - cooperation with paramilitary forces
  - complicity in extra-judicial killings
- **Poverty Alleviation**
  - job creation
  - public revenues
  - skills and technology



# THE SCOPE OF SOCIAL RESPONSIBILITY

- The scope of Social responsibility is wide & could be considered in terms of different viewpoints, they are:
    1. **Protecting & promoting stakeholders' interest:**
      - Some consider social responsibility in terms of services rendered to claimants or stakeholders, who could be both insiders & outsiders.
      - The insiders are employees & shareholders while outsiders include consumers, suppliers, creditors, competitors, government & the general public.
      - Consumers expect quality goods & services at fair prices, workers expect fair wages without being exploited, shareholders expect reasonable dividends & fair returns on investments & managers expect challenging jobs with attractive salary.
- 



- Government & the general public expect them to add to the wealth & welfare of the country without polluting the environment.
- In short, business organizations have to consider themselves the “Custodians of public welfare” by rendering such services to the various sections of the society.



## 2. SOCIAL CONCERN & PROMOTION OF COMMON WELFARE PROGRAMMES:

- In promoting common welfare programmes for poor & the impoverished public.
- Corporate joined hands to sponsor advertisements promoting public causes or issues of social concern such as drug addiction & smoking.
- Producers of dental or eye care products organises mass clinics in villages & semi-urban areas where surgeons attend to the medical needs of the poor & needy.



### 3. AS AN ACT OF PHILANTHROPY

- During natural calamities, disaster, organise sports & games, model villages etc corporate houses come forward & do many charity.
- Govt & NGOs



## 4. GOOD CORPORATE GOVERNANCE ITSELF IS A SOCIAL RESPONSIBILITY

- Corporate governance has acquired a new urgency in India due to the changing profile of corporate ownership, increasing flow of foreign investments, preferential allotments of share to promoters, gradual unwinding of the control mechanism by the state.
- 5. Corporates in the vanguard of rendering social service:
- 6. Sponsoring social & charitable causes
- 7. Corporate should supplement state efforts
- 8. Social responsibility of corporate also lies in abiding by rules & regulations
- 9. Ensuring ecological balance
- 10. By focussing on human elements



# MAIN CONCEPTS OF CSR

## **CSR** (Carrol, 1979)

Firms have responsibilities to societies including economic, legal, ethical and discretionary (or philanthropic).

- See also DeGeorge (1999) on the “Myth of the Amoral Firm”

**Social Contract** (Donaldson, 1982; Donaldson and Dunfee, 1999) – There is a tacit social contract between the firm and society; the contract bestows certain rights in exchange for certain responsibilities.

**Stakeholder Theory** (Freeman, 1984) – A stakeholder is “any group or individual who can affect or is affected by the achievement of an organisation’s purpose.” Argues that it is in the company’s strategic interest to respect the interests of all its stakeholders.



# MAIN CONCEPTS OF CSR

**CSR = political economy**

The rights and responsibilities assigned to private industry.



# CONTEXT GLOBALLY

- Liberalisation of markets – reduction of the regulatory approach
- Emergence of global giants, consolidation of market share
- Development of the ‘embedded firm’ and the **global value chain**
  - Development of supplier networks in developing countries



# KEY DRIVERS OF CSR

## Around the world

- NGO Activism
- Responsible investment
- Litigation
- Gov & IGO initiatives

## Developing Countries

- Foreign customers
- Domestic consumers
- FDI
- Government & IGO





# KEY DRIVERS: NGO ACTIVISM

- Facilitators: IT (esp Internet), media, low cost travel
- Boycotts, brand damage, influence legislation, domino effect
- e.g. Shell in Nigeria, Exxon in Cameroon, Sinopec in Sudan, Apparel Industry (Nike, Gap), GMO, Wood Products, etc.

