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# CSR IN THE LIGHT OF GLOBAL COMPETETION

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## ABSTRACT

With India being placed at the 4oth spot among 137 countries around the world, at the World Economic Forum's Global Competitiveness Index (GCI) 2017-18, it has put focus on our drivers of productivity and prosperity. Even though we have slipped to one position down since 2016, we still are the most competitive among the South Asian countries.

We have progressed in the areas of infrastructure, higher education, and technology. All these sectors come under the gambit of Corporate Social Responsibility, which really makes it important that the corporate houses pay their part of attention in arenas so that we are able to climb up the ladder fast and firmly.

Therefore with the fast changing, competitive and global environment, every corporate sector has to function for thesociety because they are, in fact, a part and parcel of that society. In this respect, every business has anobligation to the society that extends beyond its narrow obligation to its owner or shareholders. Such anobligation throws light on the concept of Corporate Social Responsibility (CSR).

In this paper, by takingvarious corporate aspects, it has been examined how and in what manner every corporate sector has respondedto the emerging concept of "Corporate Social Responsibility (CSR)" in the light of the global competitiveness.

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## INTRODUCTION

In this age of turbulent and tumultuous environment, of fast changing and competitive global environment, the corporate sector is poised to become the main engine of growth for the economy. It contributes to the economy in the form of generating employment opportunities; public revenues by paying taxes and foreign trade which represents a significant share of Gross Domestic Product. The responsibility it carries is, therefore, truly enormous.[1]

Businesses, by their very definition, need to be profitable. But the manner in which they use natural resources and the extent to which they are sensitive to the needs and aspirations of the common man is also critical to their own long-term survival and growth.

Sustainability of business includes not merely economic sustainability in the narrow sense of the term but social and environmental sustainability as well.[2] Indeed, financial capital needs human, social and ecological capital to be viable in the long term sense of the term. It is, therefore, necessary that businesses must not act under the light of perceived ethical deficit. Ethical and responsible behavior needs to become the cornerstone of corporate behavior. Ethics encompass a wide sphere of actions, economic, social and human, involving the consumer, labor, society at large and the government.[3] Mahatma Gandhi repeatedly used to emphasize the importance of not only good ends but also of the use of fair means to attain them.[4]

Businesses must function as part of the society because they are, in fact, a part and parcel of that society. In this context, every business has an obligation to the society that extends beyond its narrow obligation to its owner or shareholders. Such an obligation throws light on the concept of Corporate Social Responsibility (CSR).

Corporate Social Responsibility (CSR), also known as corporate responsibility, corporate citizenship, responsible business, sustainable responsible business (SRB), or corporate social performance, is a form of corporate self-regulation to be integrated into a business model. Ideally, CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure its adherence to law, ethical standards, and international norms. Business would embrace responsibility for the impacts of their activities on the environment, consumers, employees, committees, stakeholders and all other members of the public sphere. Essentially, CSR is the deliberate inclusion of public interests into corporate decision-making and the honoring of a triple bottom line: People, Planet & Profit.

## CSR, THE DRIVING FORCE

Companies engaged in making profits also contribute to some, although obviously not all, aspects of social development. Every company should not be expected to be involved in every aspect of social development.[5] There will be increased costs to implement CSR, but the benefits are likely to far outweigh the costs. Global concerns have been given an additional edge by the awful events of the collapse of Enron and WorldCom, and their auditor Arthur Andersen, due to uncertain accounting practices, has raised the level of scrutiny of large companies, as well as their auditors.[6]

Enterprises operate around seven areas: 1. shareholders and potential investors; 2. managers; 3. employees; 4. customers; 5. business partners and contractors or suppliers; 6. the natural environment; 7. the communities, within which they operate, including national governments. Over $US1 trillion in assets are under management in the United States in socially and environmentally responsible portfolios. In the United Kingdom, pension fund trustees are required to incorporate their policy on Socially Responsible Investment (SRI)in their statement of investment principles.[7]

The Global Reporting Initiative (GRI)is currently the industry leader in providing a set of voluntary principles for companies in the area of CSR. The Global Reporting Initiative was initially convened by the Coalition for Environmentally Responsible Economies (CERES), a non-profit coalition of over 50 investor, environmental, religious, labor and social justice groups.[8] The GRI was established in 1997 with a mission to elevate sustainability reporting to equivalency with financial reporting. It has recently been established as an organization in its own right. Impetus was given to its set of 'voluntary' principles when GRI formally launched its report at the World Summit on and indicators proposed by the GRI is very weighty, so that companies may start to ask themselves *"why bother?"* CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

**THE RISING CONCEPT OF CSR**

In the longer term, richer consumers and improved worldwide income distribution is obviously good for business. But should business be directly involved in these issues, or simply pay taxes and rely on governments and public organizations to use these taxes wisely? In other words, is it simply enough for business to maximize profits in anticipation that this is in the best interests of human development?

There are at least six main issues that are helpful to rise the concept of CSR [9] :-

- Reputation Management is built around intangibles such as trust, reliability, quality, consistency, credibility, relationships and transparency, and tangibles such as investment in people, diversity and the environment.
- Risk profile and risk management Access to financing is an issue since, the market for socially responsible investment (SRI), though still relatively small, is growing.
- Employee recruitment, motivation and retention CSR is an important factor for employee motivation and in attracting and retaining top quality employees.
- Learning and innovationInnovation, creativity, intellectual capital and

learning are helped by a positive CSR strategy.

- Competitiveness and market positioning; operational efficiency Factors such as new technologies and changing societal, regulatory and market expectations are driving companies to adopt a broader perspective when analyzing the range of risks that they may encounter. CSR also helps in compliance with regulation and the avoidance of legal sanctions, while the building of relationships with host governments, communities and other stakeholders can enhance a company's reputation and credibility and be of vital importance should it encounter difficulties in the future with regard to its investment decisions.
- Investor relations and access to capitalThere is a wider impact as investor and public expectations grow of greater CSR as a result of the heightened public debate on the benefits and shortcomings of globalization and the perceived role of business in this process.

## CORPORATE SUSTAINABILITY Vs CORPORATE SOCIAL RESPONSIBILITY (CSR)

Corporate sustainability is another parallel concept to CSR that has led to a lot of useful work on quantifying the issue of sustainability. United Nations Environment Program (UNEP) has produced an original piece of work that matches the traditional indicators of business performance against sustainable development performance. Ten measures of business performance are used, namely: [10] (1) shareholder value; (2) revenue; (3) operational efficiency; (4) access to capital; (5) customer attraction; (6) brand value and reputation; (7) human and intellectual capital, (8) risk profile; (9) innovation; and (10) license to operate. These are then related, in a matrix, to ten driver dimensions (exogenous variables), namely: (a) ethics, values and principles; (b) accountability and transparency; (c) triple bottom line commitment; (d) environmental process focus; (e) environmental product focus; (f) socio-economic development; (g) human rights; (h) workplace conditions; (i) engaging business partners; and (j) engaging non-business partners. The results are presented, imaginatively, in matrix format using color-coding which, nevertheless, may be somewhat confusing.[11]

## BENCHMARKS USED BY COMPANIES

The need is to:

- Protect and enhance a company's reputation.
- Establish the management's commitment to sound ethical behavior.
- Raise stakeholder confidence.
- Demonstrate corporate prevention rather than response to crises.
- Acknowledge corporate peer pressure for higher standards of accountability and transparency.[12]

## MEASUREMENT OF CSR ON THE BASIS OF TRIPLE-P APPROACH

CSR is therefore measured on the basis of the configuration of the business organization into three levels, or the Triple-P approach to CSR:[13]

- ***Principles*** of social responsibility;
- ***Processes*** of social responsiveness;
- ***Products** (or outcomes)* as they relate to the firm's societal relationships.

**PRINCIPLES OF SOCIAL RESPONSIBILITY**

The level of application of these principles is institutional and is based on a firm's basic obligations as a business organization. The value of this level is that it defines the institutional relationship between business and society at large, and specifies what is expected of any business. It has three major elements:[14]

- Legitimacy concerns business as a social institution, and frames the analytical view of the inter-relationship between business and society;
- Public responsibility concerns the individual firm and its processes and outcomes within the framework of its own principles in terms of what it actually does;
- Managerial discretion whereby managers and other organizational members are moral actors. Within every domain of corporate social responsibility, they are obliged to exercise such discretion as is available to them towards socially responsible outcomes.

**PROCESSES OF SOCIAL RESPONSIBILITY**

Corporate social responsiveness consists of the capacity of a business to respond to social pressures. This suggests the ability of a business organization to survive through adaptation to its business environment. To do so, it must know as much as possible about the business environment. But the environment of a business is not static; it is a complex and ever changing set of circumstances. Three elements are identified as being basic to this level of the CSR model:[15]

- **Business environment scanning**: indicates the informational gathering arm of the business and the transmission of the information gathered throughout the organization.
- **Stakeholder management**: A stakeholder is defined as any group or individual which can affect or is affected by the achievement of the firm's objectives, such as owners, suppliers, employees, customers, competitors, domestic and foreign governments, non-profit organizations and environmental and consumer protection groups. Stakeholder management refers to mapping the relationships of stakeholders to the firm (and among each other) whilst finding, listening and meeting their expectations that legitimate concerns should be balanced and met as a prerequisite for any measurement process.
- **Issues management**: Having identified the motivating principles of a firm and determined the identities, relationships and power of stakeholders, the researcher now turns to the main issues which concern stakeholders.

## THE OUTCOMES

The main focus of measurement is the third level of the CSR model. To determine whether CSR makes a difference". There are, again, three main categories:[16]

- Internal stakeholder effects are those that affect stakeholders within the firm. It may also be concerned with human resource policies, such as the positive or negative effects of corporate hiring and employee benefits practices.
- External stakeholder effects concern the impact of corporate actions on persons or groups outside the firm. They may involve, for example, the negative effects of a product recall, the positive effects of community-related corporate philanthropy or, assuming that the natural environment is a stakeholder, the effects of toxic waste disposal.
- External institutional effects refer to the effects upon the larger institution of business, rather than on any particular stakeholder group. For example, several environmental disasters have made the public aware of the effect of business decisions on the general public. This new awareness has brought about pressure for environmental regulation, which has then affected the entire institution of business, rather than one specific firm.

## OBSTACLES TO TRIPLE BOTTOM LINE APPROACH

The Triple bottom line approach (TBL) appears to introduce concerns relating to the environment and society neatly alongside the usual business notions of profitability (the economic bottom line). However, the TBL concept suffers from at least four main difficulties:[17]

- Companies cannot simply put profitability on the same level as social and environmental considerations, as a company cannot survive by behaving in a socially or environmentally responsible manner while making losses.
- Social and environmental benefits tend to be long-term before impacting on stakeholder value.
- TBL equates social with environmental, whereas social clearly encompasses environmental as one among many other concerns.
- Therefore, let corporations focus on creating stakeholder value as measured by profits, but in a socially responsible manner. Let us not add on a "surplus fewer deficits" approach based on environmental or social considerations.

## COMPETITIVENESS AND CSR

We need to understand what the relationship between competitiveness and CSR is and what is the new meaning of competitiveness in the light of CSR?

Zadek and his colleagues state "some of the measures demanded of companies in the name of corporate responsibility are incompatible with current business models and markets. Pharmaceutical companies cannot alone provide affordable drugs to the poor, and the footwear companies cannot just decide to pay workers in Mexico or Vietnam a wage comparable to that earned by workers in London or New York."[18]

Opportunistic CSR is always counter-productive.The Green Paper published in 2001 defines CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis."

**Major Global Issues that attract Social Responsibility**[19]

- Eradication of Poverty and Hunger
- Universal Primary education
- Promote equality and empower women
- Reduce Child Mortality
- Improve Maternal Health
- Combat HIV/AIDS/Malaria and other critical diseases
- Ensure Environmental sustainability
- Develop a Global Partnership for development

**Areas where Enterprises are engaged in CSR initiatives in India**[20]

- ➢ Water conservation
- ➢ Revival of traditional arts and crafts
- ➢ Culture and Heritage
- ➢ Environmental protection
- ➢ Greening the Environment
- ➢ Transforming, managing wastes and garbage handling
- ➢ Health for all
- ➢ Providing means for better livelihood
- ➢ Rural Welfare
- ➢ Primary Education
- ➢ Disaster Management and Relief
- ➢ Sports
- ➢ HIV/AIDS
- ➢ Child Labour
- ➢ Women health and education

**CONCLUSION**

To carry forward this mammoth task the Enterprises will have to evolve an innovative process or system that would perhaps provide it an edge over its competition. It has to be evolved and cannot be replicated. Thus it is necessary to research:-

- ➢ *Why some enterprises are able to create more value than others!*
- ➢ *How do some sectors create more wealth than others?*
- ➢ *Why confident nations do better than others? and*
- ➢ *What is the underlying cause for such successes in creation of wealth?*

'**Strategic Innovation**' is the answer. It is termed as strategic because such innovations have everlasting impact on the survival of the enterprise. '*Innovativeness*' is thus an indescribable asset that drives such new combinations. Corporate Social Responsibility with an innovative approach as its '*lethal weapon*' will create an everlasting brand for the enterprise's presence and overall growth.

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