CHAPTER 1

INTRODUCTION
1.1 Introduction

Corporate social responsibility is more than a business policy or a response to issues raised by society. Corporate Social Responsibility can be defined as the set of policies, activities, or behavior undertaken by an organization that goes beyond the traditional economic and legal obligations that the firm has towards its internal and external stakeholders. It is a governing business philosophy argued by (Votaw and Sethi 1973). Studies looking at CSR have concluded that what “goes beyond” the traditional responsibilities is influenced and therefore, ultimately demanded by the norms, values, and expectations of stakeholders of the organization and those are classified as being ethical or moral obligations discussed by (Carroll 1979; Sethi 1975). Ethical obligations must be voluntary in nature and if undertaken effectively benefit and improve the overall welfare of the community in which the firm operates mentioned by (Anderson 1989) in order to achieve these benefits both the organization and its stakeholders have a responsibility to work together. It is assumed that an organization being proactive and meeting the needs of its stakeholders before it is required is deemed to be engaging in philanthropic or discretionary type behavior suggested by (Carroll 1979). Therefore, it is important for an organization to develop an ethical organizational culture and define its role within the society and implement the necessary ethical, responsible, legal, and social standards to their firm focused by (Lichtenstein 2004 Lindgreen et al. 2008). Studies have shown that Corporate Social Responsibility is directly related to the development of society. However, researchers have rarely tested the underlying mechanisms and practices of Corporate Social Responsibility among the different types of companies belonging to the Information Technology sector. The present study has made an attempt to explain how Corporates in IT sector might be resolve social problems through CSR practice. History of CSR from the 1950’s to the present day the concept of CSR has gained considerable acceptance and its meaning has been broadened to include business houses. Though the business houses have been instrumental in creating employment, wealth, products and services, yet the pressure on business to play a role in social issues involving employees, stakeholders, society, environment, government etc. is continuously increasing. The society is questioning the existence of business houses, especially in the wake of the scandals and scams. In response to it, the organizations around the globe are forced to wake up to the need for being committed towards Corporate Social Responsibility. Over the years this concept of Corporate Social Responsibility has gained unprecedented momentum in business and public debate and
has become a strategic issue crossing the departmental boundaries, and affecting the way in which a company does business. It has become so important that many organizations have rebranded their core values to include social responsibility. Almost all corporate websites, policies, reports talk about their CSR which ensure the fulfillment of all the obligations towards society. These activities of CSR ranging from small donations to bigger projects for social welfare the sustainable practices differ from organization to organization depending on the resources available to them. Business practices of big and successful companies, with plenty of resources at their end, have set the trend for being committed to sustainable practices. Such business houses around the globe show their commitment to social responsibility. In India, the initiatives of Dabur India Limited, for example, which commenced ‘Sundesh’ in 1993, a non-profit organization, with an aim to promote research and welfare activities in rural areas are appreciable. Similarly Bharat Petroleum Corporation Limited has adopted 37 villages as their responsibility to develop their quality of life. It has made efforts to make them self reliant, provided them fresh drinking water, sanitation facilities, medical facilities, vocational training and literacy camps. Around its industrial facilities, Tata Group has created towns and cities like Jamshedpur, Mithapur, Babrala for the benefit of its employees. Cadbury India, Glaxo and Richardson Hindustan are some of the companies which are helping farmers to grow crops which in turn shall serve as raw materials for them. Although the implementation of such activities involves time, effort and resources, yet the business houses have realized that the Corporate Social Responsibility is one of the important ways in which an organization can distinguish itself from its competitors. The tangible and intangible benefits associated with it for the organization are immense. A powerful tool like CSR not only enhances the brand image and reputation of the business but also leads to improvement in sales and customer loyalty, and an increased ability to attract and retain employees. Through CSR, the organizations can improve their financial performance and attract more investment with immense economic value. The word CSR has, as a result, occupied a very important place in the plans and strategies of the organizations in the present era. But still there are numerous organizations which understand CSR as undertaking some donations or philanthropic activities. Rather, in its true sense, CSR constitutes a strong commitment to social obligations and internalization throughout the organizational culture which lays emphasis on the execution of the obligations towards the employees and involving them in the responsibilities. However, from the very beginning the key player in undertaking such
activities in the organizations has been the top management and it has been the driving force in the area of social responsibility. Employees have been rarely covered under the ambit of CSR. The non-management workforce has to be involved in the process to enhance the quality of CSR.

1.2 Statement of the Problem

The problem selected for the study is stated as follows “Corporate social responsibility of a company for the development of society, a study of selected IT companies in Mumbai.”

In the competitive and global environment, CSR has been considered as one of the most important aspects, but the question is how does a corporate perform CSR effectively or not?

1. To what extent Corporate Social Responsibility policies are successful in protecting human values.

2 Most of the corporate use Corporate Social Responsibility as a tool of marketing.

3 A few corporate houses have a clearly defined Corporate Social Responsibility policy. Most of the corporate implement CSR in inappropriate manner where share of CSR expenditure is very less in terms of profit is received to corporates.
1.3 Aims and Objectives of the Study

The present research aims to study the Corporate Social Responsibility practices of small, large and multinational companies of Information Technology sector in relation to the development of society.

1. To study the relationship between Corporate Social Responsibility and the development of society.

2. To analyze the role of Corporate Social Responsibility in development of society.

3. To understand the practices undertaken by the Corporate Social Responsibility in terms of transparency, accountability and fair business.

4. To understand the Corporate Social Responsibility pattern of the Information Technology sector in India in general and Mumbai in particular.

5. How far the I T companies doing its job by sharing the social responsibility and improving standard of living of the people in the society.

6. To study the gap between execution and actual performance of CSR in selected I T companies in Mumbai.
1.4 Statement of Hypothesis

H₁ 1. There is a less awareness of Corporate Social Responsibility among IT companies

H₁ 2. There is a co-relationship between Corporate Social Responsibility and development of society

H₁ 3. Corporate Social Responsibility does lead to increase the brand image of the company.


1.5 Rationale for the Study

Corporate Social Responsibility is an emerging concept as it is now becoming one of the important criteria to become a respectable and leading corporate which not only carries out business activities, but also dedicates itself to the nation by implementing CSR. The research focuses on the concept of CSR of IT companies in India, and specifically in Mumbai. IT industry is one of the fastest growing industries in India and other developing and developed countries.

1.6 Scope of the Study

1 The study is confined to examine the practice of corporate social responsibility of Information Technology Industry covering small, large and multinational companies having their head office in Mumbai city.

2 The scope of the study is limited to the practice of Corporate Social Responsibility of selected Information Technology companies in Mumbai city.

Corporate are motivated to involve stakeholders in their decision making and to address societal challenges because today's stakeholders are increasingly aware of the importance and impact of corporate decisions upon society and the environment. The stakeholders can reward or punish corporates. Corporates can be motivated to change their corporate behavior in response to the business case which a CSR approach potentially promises. This includes stronger financial performance and profitability, improved accountability and assessments from the investment community, enhanced employee commitment; decreased vulnerability through stronger relationships with communities, and improved reputation and branding. The study will explore more dimensions of CSR in the society. Once the concept of CSR is accepted and understood by an individual and institute, then many local and global problems can be solved, attraction of employee towards corporate will increase in a positive way. CSR could be a self motivated instrument in the corporate value system and good culture will develop and it could enjoy a great environment owing to CSR. The present study covers the different aspects of CSR functions in IT industry. The study is important to the global environment as it ascertains the strategic trend of CSR in IT industry amidst the problems faced by society in and around Mumbai.
1.7 Need of the Study

Corporate Social Responsibility is an appropriate subject to study as it is an emerging issue. Now a day's all the major companies in the world are spending considerable resources in this field, primarily to establish and uphold a proper rapport with their stakeholders, both inside and outside the company. Corporate have moved on from the traditional assumption that the business of business is to make profits (Milton Friedman 1970). Today, business success depends not only on quality, price, convenience alone, but also other variables like ethical business practices, strong organizational culture, community engagement, the environmental concern and so on. Companies must also measure the broader impact of business on society and on the key stakeholders.

As an organization is the part of the society, it cannot function in isolation from the society around it. So there is an obligation and responsibility on the part of the corporate to take such action that protects and improves the welfare of society as a whole, along with its own interest (Keith Davis, 1975; Sethi, 1995; Shrivatsava, 1995). Corporate Social Responsibility is generally considered to be a concept or practice whereby organizations consider the interest of society stakeholders, customers, employees, shareholders, communities and the environment. This obligation is seen to extend beyond the statutory obligation to comply with legislation and sees organizations voluntarily taking additional steps to improve the quality of life for the local community and society at large. The concept of Corporate Social Responsibility has long been established in academic literature as both, a business philosophy and practice (Anderson Jr. 1989). The concept is timely and important in this new millennium, as firms attempt to be seen as being “sustainable” or “socially responsible” in nature due to the demands of target stakeholders (Cornelius et al. 2007; Moir 2001; Wilson 2000). Internal and external stakeholders are requesting firms to act responsibly and behave ethically. Moreover, firms are expected to respond to the changing beliefs and values of the society (Anderson Jr. 1989; Committee for Economic Development 1971; Steiner 1972). Whilst being socially responsible is often considered doing the “right thing” or being ethical, (Carroll 1979) identifies that the organization also has economic, legal, and discretionary obligations to its target stakeholders. The society plays a pivotal role in the success of any organization. Hence no organization can achieve long-term success without fulfilling the responsibility towards the society. It is thus with the intention of understanding the practices and performance of corporate social responsibility in
IT industry, the study has been undertaken. The review of literature reveals that though a large number of studies have been carried out across the globe analyzing the practices of Corporate Social Responsibility and its impact, there is a dearth of literature in this subject in the Indian context. The Review of literature reflected a growing trend of business towards social responsibility practices and its relation to the development of society. Information Technology has revolutionized life and brought prosperity to many. As the Information Technology industry has grown in size and revenues, it has concerns in the development process. While the development potential of Information Technology is undeniable, it has actually extended the gap between the information elites and impoverished majority. While the Indian Information Technology industry has been justifiably appreciated for its achievement on the economic front, several issues on the social and environmental fronts still remain unresolved. Here is where the role of the corporate social responsibility of Information Technology sector arises. The purpose of this research is to study how effectively Corporate Social Responsibility is practiced by small, large and multinational companies of Information Technology industry in Mumbai. Furthermore, is there any correlation between the Corporate Social Responsibility practices and the development of society? This study will endeavor to answer these questions by understanding more about the present state of Corporate Social Responsibility in Information Technology companies in Mumbai.

Most of the empirical studies on Corporate Social Responsibility practices in an organization and their relationships were done in United States as per the study conducted by (Porter 2006). In India, there are a few studies that have investigated the role of Corporate Social Responsibility for the development of society. So far there has been no Corporate Social Responsibility for the development of society in a particular industry especially in IT Industry. Moreover, one of the most important gaps in Corporate Social Responsibility literature is the possible absence of empirical work that links Corporate Social Responsibility. There is a challenge in establishing the relationship between Corporate Social Responsibility. The present study has been undertaken to survey and analyze the social responsibility practices of small, large and multinational IT companies operating in Mumbai. This study highlights the CSR activities for the development of society. The growth rate of the Indian software industry has been substantially higher than the global software industry (Kumar, 2008). This study regards the issue of social responsibility and aims to examine the effectiveness of corporate social responsibility practices, and then analyzes
the relationships of organizational policy through primary data. Hence a study of CSR practices in IT companies in India is quite appropriate, relevant and contextual.

1.8 Research Design “Pilot Study”

After modification of the original scale on corporate social responsibility, a pilot study was carried out on a random sample of 50 employees among the sample of 50 companies of Information Technology industry in Mumbai.

1.9 Background of the Study

The modern corporation is an institution of enormous economic power and social impact. Corporations have grown in size and numbers all over the world because of their ability to mobilize productive resources and create new wealth. The evolution of the corporation has given rise to new opportunities and challenges that require a redefinition of the corporation and its objectives. The legitimacy of the corporation as an institution or its ‘license to operate’ within society depends not only on its success in wealth creation, but also on its ability to meet the expectations of diverse constituents which contribute to its existence and success. These constituents and interests are the corporation’s stakeholder’s resource providers, customers, suppliers, alliance partners and political factors. Consequently, the organization must be seen as an institution engaged in mobilizing resources to create wealth for the benefits of stakeholders describe by (Post. Lee, Preston 2002). There has been an explosion in the Corporate Social Responsibility in relation to social, environmental, cultural and ethical practices. Corporate Social Responsibility can be described as the continuous commitment by corporate towards the economy and for the development of society in which they operate.
1.10 Sampling
It refers to the technique or the procedure the researcher would adopt in selecting samples. Research always starts with a question or a problem. Its purpose is to question through a scientific approach. It is a systematic and intensive study to acquire complete knowledge about the relevant subject.

1.10.1 Population and Sample of the Study
The population of the study was IT companies in Mumbai. It was selected because it has been recognized that Mumbai has a considerable number of IT companies, which is convenient for data collection. The questionnaire was administered to only those employees who had a minimum of one year work experience in the company. Using NASSCOM membership as a measure, the number of IT companies were 2000 in India and 378 in Mumbai. Out of these 150 companies responded, a sample of 49 companies in Mumbai has been selected for the study which contributes about 36% of the sample companies selected. In many of the previous studies as suggested by (Budhwar and Sparrow)\(^9\). This parameter appears to be quite logical in the case of IT industry.

IT companies were generally classified as small scale, large scale and multinational companies in India as per discuses by (Paul, 2002)\(^10\).

A study has been done based on the secondary information available from NASSOM website and publications like Dataquest, Computers Today, etc. Sackett and Larson (1998) argue that a convenience sample can be said to be relevant for a research to the extent that it possesses the essential person and setting characteristics that define membership in the intended target population or universe. It was decided to resort to convenience sampling because it was the feasible alternative to get adequate responses given in the stringent criteria for enlisting companies and individual respondents for the study. Further the assistance of internal coordinators in each company was taken to ensure that the questionnaires were distributed to CSR or HR employees and a few Non CSR employees who fulfilled the criteria defined above for respondents.
1.11 Limitations of the study

The study is conducted on the topic of “Corporate Social Responsibility” in IT industry. As the IT companies are spread across the country, to approach each and every entity and their respective officers was difficult.

Moreover, as the data on Corporate Social Responsibility is a confidential part of each organization, the staff of the various companies was reluctant to disclose it. In fact, many of the Information Technology companies have not appointed any CSR officers who can be contacted for the required information and details.

In such situation, the researcher contacted Human Resource (HR) Managers of some companies for the information. Here, one more limitation came into light the HR personnel look after the activities whereas the finances are being mobilized from finance departments and to get their appointment was most tough as these finance related matters are kept highly confidential.

The research is limited to the geographical region of Mumbai only. The research is carried out within the distinctive characteristics of the IT industry only. Companies may not show their accurate records and data, while the staff and the person concerned may not be ready to share full details due to the internal policy of the company. It was very difficult to ascertain the feeling of other departments of the organization towards the CSR activities conducted by the company. The sample size was not quite large owing to the nature of the study as well as difficulty in collecting data from the respondents. The present study concentrates on one industry only i.e. Information Technology. Therefore the conclusions derived from this research are purely based on the opinion of the employees belonging to the Information Technology industry and may not hold good for the other industries.

The Forty-nine companies chosen were not representative of the wide variety of firms that practice Corporate Social Responsibility, but were chosen because they were recognized for their Corporate Social Responsibility.
1.12 Chapter scheme


Chapter 3: Post-Independent India, India’s Fundamental advantage, IT Industry in India, Role of IT company in Economic Development, NASSCOM - Dept of IT, Ministry of Corporate Affairs, Newspaper Article, ISO 26000, IT Act, CSR of leading IT companies, Views on CSR, Critique of CSR.

Chapter 4: Description of the research design for the study. Elaboration of the methodology proposed to be followed in order to arrive at answers to the research questions identified, and finally, the techniques to analyze the data, in order to verify the proposed hypothesis.

Chapter 5: Statistical Analysis of CSR in IT Companies Statistical Analysis Testing of Hypotheses

Chapter 6: Findings Conclusions, Scope for the Further Research

Bibliography

Appendix
References


