CHAPTER – I

INTRODUCTION

The main issues presented in this chapter are definitions of CSR, Common denominators of CSR, Historical Perspective of CSR, Misconceptions about CSR, International standards for CSR, Rationale behind CSR, Conceptualisation and Implementation, Challenges, Good Programmes Build Company's Reputation, CSR & Globalisation, Bussiness Ethics and CSR, Significance of CSR, The path to Corporate Responsibility, CSR Models, Drivers of CSR in developing countries, CSR for Rural Market Development, CSR and Environmental Protection, CSR and strategy, Social responsibility disclosure practices in public enterprises, CSR in India, Competitive Advantage and CSR, CSR – The Balancing Act, CSR – The role of leadership, Measuring CSR, More about CSR, Objectives of the Present Study, Methodology of the Study and Organization of the Study etc.

Corporate Social Responsibility (CSR) is a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations. This obligation is seen to extend beyond the statutory rules to comply with legislation and sees organizations voluntarily taking further steps to improve the quality of life for employees and their families in particular and society at large, in general.

Different organisations have framed different definitions, although there is considerable common ground between them. According to Mallen Bekar¹, CSR is about how companies manage the business processes to produce an overall positive impact on society. The general perception can be diamatrically represented as shown in figure 1.1. It can be seen that there are two circles one inside the other outer.

The inner circle represents the quality of management and the outer circle represents the impact of the company on society. Companies need to think about the quality of their management, both in terms of people and processes and the nature of, and quantity of their impact on society in the various areas.

¹ http://www.mallenbaker.net/csr/CSRfiles/definition.html
At the advent of globalization and the increasing use of communication technology and the Internet, the outside stakeholders are taking an increasing interest in the activity of the company. They look at the outer circle about the company’s contribution either good or bad, in terms of its products and services and the impact on the environment and on local communities, or in how it treats and develops its workforce. Out of the various stakeholders, it is financial analysts who are predominantly focused and on quality of management as an indicator of likely future performance.

FIGURE – 1.1: DIAGRAM REPRESENTING THE PERCEPTION OF CSR

Definitions of CSR:

Many people have given many definitions about CSR and some of them are discussed here. According to The World Business Council for Sustainable Development (WBCSD)², Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. The same report gave some evidence of the different perceptions of what this should mean from a

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number of different societies across the world. Traditionally in the United States, CSR has been defined more as a philanthropic model. Companies make profits, unhindered except by fulfilling their duty to pay taxes and then 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. 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. This model is more sustainable because social responsibility becomes an integral part of the wealth creation process and it must enhance the competitiveness of business and maximise the value of wealth creation to society.

According to CSR Asia\(^3\), it is a company’s commitment to operating in an economically, socially and environmentally sustainable manner whilst balancing the interests of diverse stakeholders while the international financial corporation terms it as the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development. In the words of the European Commission, it 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. According to Milton Friedman\(^4\), it is the one and only one social responsibility of business-to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud. The Institute of Chartered Accountants in England & Wales describes the Corporate Responsibility as about ensuring that organisations manage their businesses to make a positive impact on society and the environment whilst maximising value for their shareholders. The Australian Centre for Corporate Social Responsibility\(^5\) defines CSR as the actions taken by an organization to minimize negative social and environmental impacts and leverage core competencies, products or services to create positive social and environmental impacts while Carlton\(^6\) defines it as Wealth creation without jeopardising the environment and society today, or at any time in the future. Michael

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\(^3\) [http://en.wikipedia.org/wiki/Corporate_social_responsibility](http://en.wikipedia.org/wiki/Corporate_social_responsibility)


Hopkins\textsuperscript{7} says that CSR is concerned with treating the stakeholders of the firm ethically or in a socially responsible manner. Stakeholders exist both within a firm and outside. Consequently, behaving socially responsibly will increase the human development of stakeholders both within and outside the corporation while Philip Kotler and Nancy Lee\textsuperscript{8} feel that it is a commitment to improve community well being through discretionary business practices and contributions of corporate resources. Finally according to Archie Carroll\textsuperscript{9}, CSR as a multilayered concept that can be differentiated into four interrelated aspects-economic, legal, ethical and philanthropic responsibilities. Carroll presents these different responsibilities as consecutive layers within a pyramid, such that the true social responsibility requires the meeting of all four levels consecutively. The model probably is the most accepted and established.

While the definitions of CSR may differ, there is an emerging consensus on some common principles that underline CSR which can be called the common denominators and they are discussed here:

1) **CSR is a business imperative:** Whether pursued as a voluntary corporate initiative or for legal compliance reasons, CSR will achieve its intended objectives only if businesses truly believe that CSR is beneficial to them.

2) **CSR is a link to sustainable development:** Businesses feel that there is a need to integrate social, economic and environmental impact in their operation; and

3) **CSR is a way to manage business:** CSR is not an optional add on to business, but it is about the way in which businesses are managed

**Historical Perspective of CSR:**

The concept of CSR in India\textsuperscript{10} is not new, term may be. The process through acclaimed recently, has been followed since ancient times albeit informally. Philosophers like Kautilya from India and pre-Christian era philosophers in the west preached and prompted ethical principles while doing business. The concept of helping the poor and disadvantaged

\textsuperscript{7} Michael Hopkins(2005), "Corporate Social Responsibility and International Development: Is Business the Solution?"

\textsuperscript{8} Philip Kotler and Nancy Lee (2008), " Corporate Social Responsibility: Doing The Most Good For Your Company And Your Cause"

\textsuperscript{9} Archie B. Carroll (1991), "The pyramid of corporate social responsibility: toward the moral management of organizational stakeholders", Business horizons

was cited in much of the ancient literature. The idea was also supported by several religious where it has been intertwined with religious laws. "Zakaat", followed by Muslims, is donation from one’s earnings which is specifically given to the poor and disadvantaged. Similarly Hindus follow the principle of "Dhramada" and sikhs the "Daashaant".

In the global context, the recent history goes back to the seventeenth century where in 1790s, England witnessed the first large scale consumer boycott over the issue of slave harvested sugar which finally forced importer to have free-labor sourcing. In India, in the pre independence era, the businesses which pioneered industrialisation along with fighting for independence also followed the era. They put the idea into action by setting up charitable foundations, educational and healthcare institutions and trusts for community development.

The term CSR itself came in to common use in the early 1970s although it was seldom abbreviated. By late 1990s, the concept was fully recognised; people and institutions across all sections of society started supporting it. This can be corroborated by the fact that while in 1977 less than half of the Fortune 500 firms even mentioned in their annual reports, by the end of 1990, approximately 90 percent Fortune 500 firms embraced CSR as an essential element in their organizational goals, and actively promoted their CSR activities in annual reports (Boli and Hartsuiker, 2001)11.

According to a survey conducted by TERI, the revolution of CSR in India has followed a chronological evolution of 4 thinking approaches:

1) **Ethical Model (1930-1950)**: Promotion of "trusteeship" that was revived and reinterpreted by Gandhiji. Under this notion the businesses were motivated to manage their business entity as a trust held in the interest of the community.

2) **Statist Model (1950-1970s)**: Post independence era model under the aegis of Jawahar Lal Nehru. The important feature of this model was that the state ownership and legal requirements decided the corporate responsibilities.

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3) **Liberal Model (1970-1990s):** It was encapsulated by Milton Friedman. As per this model, corporate responsibility is confined to its economic bottom line. This implies that it is sufficient for business to obey the law and generate wealth, which through taxation and private charitable choices can be directed to social ends.

4) **Stakeholder Model (1990s-Present):** The model came into existence during 1990s as a consequence of realisation that with growing economic profits, businesses also have certain societal roles to fulfill. The model expects companies to perform according to Triple bottom line approach.

**Misconceptions about CSR:**

In the absence of a universally accepted definition for CSR, there are some misconceptions about CSR among the stakeholders in particular and the society in general. The basic misconceptions and their general remedies are presented here.

1) Businesses mean investing money and making money and this means that only the business houses decide the modus operandi of the CSR initiative to enhance their profits.

There is a notion that since businesses invest money in society, they are the one who will be deciding upon the modus operandi of the CSR initiative. Although companies aim at profits it is not totally true to think like that. CSR driven by the mandate of an enterprise alone may not generate desired results. Stakeholders must be involved from the onset in defining an initiative to make it successful. Corporates must not assume that they understand the needs of a community by taking them at face value; stakeholder’s needs must be considered within the local context and culture.

2) Financial resources alone can meet CSR needs of an enterprise. In fact, financial resources are only part of the equation. Besides financial resources, it is equally or even more important for the CSR programmes to be well defined and well accompanied by adequate human resources if they are to meet the intended objectives.

3) CSR is interchangeable with corporate sponsorship, donation or other philanthropic activities.

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The focus of responsible business practices in the profit sector is hitherto largely confined to community charity-based projects. While this may have been relevant for the historical context in the mid-90s when Carroll’s definition was coined, the current thinking of CSR has moved beyond philanthropy to encompass all internal and external segments of business operations, namely, employees, market environment and community.

**International standards for CSR:**

New initiatives, codes of conduct and management standards offer some guidance for companies on how to proceed. Malcolm McIntosh, Ruth Thomas, Deborah Leipziger, and Gill Coleman provide a guide to the eight principal initiatives and their uses among the myriad corporate citizenship (the new synonym for CSR) initiatives around the world in recent years, eight have attained a high degree of recognition and a significant following. These are voluntary initiatives with a global constituency that can also be defined as multi-sectoral, in that they can be applied in a wide range of industries. They have all evolved through social partnerships involving some elements of business, governments, labour organisations and non-government organisations. They all take a multi-stakeholder approach to corporate citizenship issues.

Each initiative is described below and compared with the others. Many of the initiatives have a common starting point: either conventions of the International Labour Organisation (ILO) and/or The UN Declaration on the Rights of the Child and/or the Universal Declaration on Human Rights. Most of the ‘Global Eight’ reflect a northern perspective. This is balanced only partially by the inclusion of ILO conventions, which are developed in a multilateral setting.

**The Global Eight** are:

- The UN Global Compact
- ILO conventions
- The OECD Guidelines for Multinational Enterprises

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13 Archie B. Carroll (1991), ”The pyramid of corporate social responsibility: toward the moral management of organizational stakeholders”, Business horizons
15 http://www.ethicalcorp.com/content.asp?ContentID=354
ISO 14000 Series

AccountAbility 1000

The Global Reporting Initiative

The Global Sullivan Principles

Social Accountability 8000

Principles and standards

The Global Eight may be divided into principles and standards. Principles are a set of overarching values that underpin behaviour, and so by their very nature are non-specific in behavioural terms. Standards, on the other hand, are specific and advocate a set of benchmarks to be attained. There are several different types: process, performance, certification, and foundation. It is possible for standards to have several of these characteristics:

- Principles (Global Compact and Global Sullivan Principles)
- Standards (GRI, OECD Guidelines, SA8000, AA1000S, ILO Conventions)
- Foundation (ILO Conventions, AA1000S)
- Process (SA8000, AA1000S, ISO 14000S)
- Performance (SA8000, OECD Guidelines, ILO Conventions)
- Certification (SA8000 and ISO 14000 Series)

ISO 14000 Series

The International Standards Organisation has developed an extensive range of standards. Among those that are directly related to corporate citizenship are those that refer to quality, health and safety and the environment through the ISO 9000 and ISO 14000 series. These standards are used at several hundred thousand facilities around the world. Of all of the Global Eight initiatives, ISO standards have attained the greatest dissemination and adoption by companies.

Global Reporting Initiative (GRI)

The Global Reporting Initiative (GRI) was conceived in 1997 by the Boston-based Coalition on Environmentally Responsible Economies (CERES) in collaboration with the Tellus Institute. In common with other corporate citizenship initiatives, this development has taken place through a new social partnership between non-state actors that include
businesses, NGOs and accountancy organisations. The GRI has been adopted by the UN Environment Programme and is becoming an independent organisation. The GRI is built on a simple premise. The Guidelines provide assistance on the format and content of reports, as well as information on how to normalise and verify data. In addition, work is being undertaken by accountants to adapt traditional principles to this new form of accounting. The Global Reporting Initiative (GRI) has the ambitious mission “to elevate sustainability reporting to a level equivalent to financial reporting through the development of a generally accepted reporting framework.” The GRI Guidelines address economic, environmental and social reporting. The GRI is valuable as it serves as an “internal tool for evaluating the consistency between corporate sustainability policy and strategy on the one hand, and actual performance on the other.”

Social Accountability 8000 (SA8000)

In the year 2000, a universal code of practice\(^\text{16}\) for labour conditions in manufacturing industry was formulated under Social Accountability International (SAI) whose purpose was to develop voluntary standards for corporate social responsibility covering employees’ working conditions to give a standard for socially responsible employment practices. Accordingly, the SA 8000 code of practice has been developed with nine key requirement areas, i.e. (i) Child Labour, (ii) Forced Labour (iii) health and Safety (iv) Freedom of association (v) Discrimination (vi)Disciplinary practices (vii) Working hours (viii) Compensation and (ix) Management. All these have become statutes for the Indian Industries.

AccountAbility 1000S (AA1000)

AA1000S was launched in 1999 by the Institute of Social and Ethical Accountability (AccountAbility). The Institute is a not-for-profit professional membership organisation, built through a coalition of businesses, non-governmental organisations (NGOs), business schools and service providers. The focus of AA1000S and its forthcoming revision is on the social dimensions of an organisation’s accountability. The standard comprises both the principles of a quality standard and a set of process standards that cover five stages:

- Planning

\(^{16}\) http://209.85.175.104/search?q=cache:lv47l7nmXTIJ:steel.nic.in/Annual%2520Report%2520(2003-04)/English/chapter20.PDF+corporat+social+responsibility+at+bhilai+steel+plant&hl=en&ct=clnk&cd=1&gl=in
The Global Compact

The Global Compact’s operational phase was launched at UN Headquarters in New York on July 26, 2000. An international initiative – the Global Compact – that would bring companies together with UN agencies, labour and civil society to support nine principles in areas of human rights, labour and the environment. Thus Global Compact was a voluntary corporate citizenship initiative with two objectives: Mainstream the nine principles in business activities around the world; and Catalyse actions in support of UN goals. The nine principles are:

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour Standards

- Principles 3: Businesses should uphold the freedom of association and the effective recognition of the rights to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: eliminate discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Transparency and Anti-corruption:

On 24 June 2004, during the UN Global Compact Leaders Summit it was announced that the UN Global Compact henceforth includes a tenth principle against corruption. This was adopted after extensive consultations and all participants yielded overwhelming expressions of support, sending a strong worldwide signal that the private sector shares responsibility for the challenges of eliminating corruption.

- Principle 10: "Businesses should work against corruption in all its forms, including extortion and bribery."

Rationale behind CSR:

The rationale for CSR has been articulated in a number of ways. In essence, it is about building sustainable businesses, which need healthy economies, markets and communities. The major reasons for CSR can be outlined as the following.

Globalization:

As a result of e-commerce, e-bussiness, multinational enterprises and global supply chains, there is an increased awareness on CSR concerns related to human resource management practices, environmental protection, and health and safety, among other things. Reporting on the CSR activities by corporates is therefore increasingly becoming mandatory. In an increasingly fast-paced global economy, CSR initiatives enable corporates to engage in more meaningful and regular stakeholder dialogue and thus be in a better position to anticipate and respond to regulatory, economic, social and environmental changes that may occur. There is a drive to create a sustainable global economy where markets, labour and communities are able to function well together and companies have better access to capital and new markets. Financial investors are increasingly incorporating social and environmental criteria when making decisions about where to place their money, and are looking to maximise the social impact of the investment at local or regional levels.

International Legal Instruments and Guidelines:

In the recent past, certain indicators and regulations such as the SA8000, a social performance standard based on International Labour Organization Conventions have been developed. International agencies such as United Nations and the Organization for Economic Co-operation and Development(OECD) have developed compacts, declarations, guidelines,
principles and other instruments that set the tone for social norms for organisations, though these are advisory for organisations and not mandatory. One of the United Nation’s Millennium Development Goals (MDG) calls for increased contribution of assistance from country states to help alleviate poverty and hunger, and states in turn are advising corporates to be more aware of their impact on society. In order to catalyze actions in support of the MDGs, initiatives such as Global Compact are being put in place to instrumentalise CSR across all countries.

As the world’s largest, global corporate citizenship initiated by the UN, the Global Compact, a voluntary initiative is concerned with building the social legitimacy of business. The Global Compact is a framework for businesses that are committed to aligning their business operations and strategies with ten universally accepted principles that postulate that companies should embrace, support and enact, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption.

**Changing Public Expectations of Business:**

Globally companies are expected to do more than merely provide jobs and contribute to the economy through taxes and employment. Consumers and society in general expect more from the companies whose products they buy. This is coherent with believing the idea that whatever profit is generated is because of society, and hence mandates contributing a part of business to the less privileged. Further, separately in the light of recent corporate scandals, which reduced public trust on corporations and reduced public confidence in the ability of regulatory bodies and organisations, increasing expectation that companies will be more open, more accountable and be prepared to report publicly on their performance in social and environmental arenas.

**Corporate Brand:**

In an economy where corporates strive for a unique selling proposition to differentiate themselves from their competitors, CSR initiatives enable corporates to build a stronger brand that resonates with key external stakeholders – customers, general public and the government. Businesses are recognising that adopting an effective approach to CSR can open up new opportunities, and increasingly contribute to the corporates’ ability to attract passionate and committed workforces. Corporates in India are also realising that their reputation is intrinsically connected with how well they consider the effects of their activities
on those with whom they interact. Wherever the corporates fail to involve parties, affected by their activities, it may put at risk their ability to create wealth for themselves and society. Therefore, in terms of business, CSR is essentially a strategic approach for firms to anticipate and address issues associated with their interactions with others and, through those interactions, to succeed in their business endeavors. The idea that CSR is important to profitability and can prevent the loss of customers, shareholders, and even employees is gaining increasing acceptance. Further, CSR can help to boost the employee morale in the organisation and create a positive brand-centric corporate culture in the organisation. By developing and implementing CSR initiatives, corporates feel contented and proud, and this pride trickles down to their employees.

**Charity to Responsibility**

An insight into the history of CSR reveals that till 1990s it was solely dominated by the idea of philanthropy. Considering CSR as an act of philanthropy, businesses often restricted themselves to one time financial grant and did not commit their resources for such projects. Moreover, businesses never kept the stakeholder in mind while planning for such initiatives, thereby reducing the efficacy and efficiency of CSR initiatives. However, over the last few years, the concept of CSR has been changing. There has been an apparent transition from giving as an obligation or charity to giving as a strategy or responsibility. Review of the case studies and work done on CSR by companies in India suggests that the CSR is slowly moving away from charity and dependence and starting to build on empowerment and partnership.

**Conceptualisation and Implementation:**

Now a days corporates are treating CSR as a separate entity and devote attention to it. Most of the corporates have a vision and mission statements often at the corporate level or sometimes at the CSR level that drive their CSR initiative. Deliberations are made to choose specific issues and initiatives. It has been observed that the areas they choose somewhere relate to their core values. Companies today are increasingly sensitive about their social role. The companies not only concentrate on how they will position their product or how they will sell it but also they have a social strategy because they have started feeling that brands are built not only around good quality of the product; but also around emotions and values that people ascribe to those products. Today, CSR has been understood in terms of accountability where corporates are feeling that they are responsible for the impact their actions have on
several stakeholders. They feel that the basic motive of CSR today is to increase the company’s overall impact on the society and stakeholders. Moving away from the traditional approach, corporates rather than following top to bottom mechanism are increasingly bearing stakeholders’ perspectives in mind, thereby considering CSR as a comprehensive set of policies, practices and programmes that are integrated throughout the business operations. It can thus be deduced that radical transformation is happening with CSR practices across India. The changes happened at conceptual level where charity oriented approach is now being seen as a stakeholder oriented and at implementation level where other important resources except finance are being dedicated.

Several innovative programmes in thematic areas of public health, education, environment, microfinance and related areas are being developed. These programmes are developed bearing in mind the local cultural context and the needs of people. Apart from developing funds, expertise in terms of knowledge and human resources is also allocated for successful implementation of these programmes. In a growing number of companies these processes are encouraged and rewarded by top management. The implementation of programmes through a trained resource makes a real difference in the community that has been chosen for implementation. The following are key focus areas being incorporated into business practices:

1) **Partnership with NGOs and Government**: There has been an increase in the number of corporates partnering with NGOs and the Government to ensure successful execution of initiatives.

2) **Community development**: Most large companies either have their own foundations or contribute to other initiatives that directly support the community upliftment, notably in health, education, and agriculture.

3) **Environmental Management**: Environmental policies and programmes are now standard, and many companies have implemented the ISO 14001 system throughout their businesses.

4) **Workplace**: Growing out of a long-standing commitment to training and safety is a more recent emphasis on knowledge and employee well-being.

5) **Evaluation**: Along with innovation at conceptualisation and implementation, corporates are now undertaking greater evaluation and stricter accountability and transparency norms. Evaluating the programme essentially answers the question “What good did we do?” Evaluating programmes, based on internationally
accepted formats provide feedback for correction and based on that public disclosure is done.

6) **Reporting:** A very important aspect of CSR is the reporting practices that corporates adhere to inform their key internal and external stakeholders of social responsibility practices. In the recent past, several indicators such as the Global Reporting Initiatives(GRI) and sustainability reporting have been developed. Sustainability Reporting (SR) frameworks help the companies conform to the global standards of disclosures for maintaining transparency with regard to its operations and value chain and ensuring accountability towards its internal and external stakeholders.

Today, there are many references to CSR\(^\text{18}\), sometimes referred to as corporate citizenship, in our workplaces, in the media, in the government, in our communities. Despite what the phrase corporate social responsibility suggests, the concept is not restricted to corporations but rather is intended for most types of organizations such as associations, labor unions, organizations that serve the community for scientific, educational, artistic, public health or charitable purposes, and governmental agencies. In the late 1990s, CSR began to gain momentum as pressure from consumers, the media, activists and various public organizations demanded that companies contribute to society. In large part, the increasing focus on CSR has been fueled by a number of events in recent years, such as the highly publicized financial scandals of Enron and WorldCom, alleged sweatshop labor by retail clothing and sports shoe manufacturers and the alleged "under-the-table" deals that companies such as Halliburton have received. Now, reputation, brand, integrity and trust are increasingly considered important measures of corporate social responsibility. In recent years, intangible assets like company values, human and intellectual capital, reputation and brand equity have become increasingly important to organizations. Companies that exhibit good corporate citizenship are likely to gain a competitive edge.

7) **Corporate Citizenship:** In recent years corporate citizenship has become an increasingly important issue for chief executives, chairpersons, boards of directors and executive management teams, not as a nice to have, charitable “add-on”, but as a fundamental element of good business practices, corporate governance and

\(^{18}\) [http://findarticles.com/p/articles/mi_m3495/is_12_49/ai_n8583189](http://findarticles.com/p/articles/mi_m3495/is_12_49/ai_n8583189)
effective leadership. According to World Economic Forum CEO\(^1^9\), it can be defined as the contribution that a company makes in society through its core business activities, its social investment and philanthropy programmes, and its engagement in public policy. That contribution is determined by the manner in which a company manages its economic, social and environmental impacts and manage its relationship with different stakeholders, in particular shareholders, employees, customers, business partners, governments, communities and future generations.

Good Citizenship Programs Build the Reputation of the Companies\(^2^0\), developing a Corporate Citizenship Program and implements them. For some time now, CSR has become a must. Public institutions, the business world, employers, civil society organizations – at least some of them – seem to be at one in the conviction that “CSR” is an essential element of present and future social policies\(^2^1\), in all the continents and all the sectors. According to TJSGA (The Jus Semper Global Alliance) the aim of CSR is also supported, paradoxically, by the national and international public authorities. Paradoxically indeed, for this strategy challenges the regulating and arbitral role of the State, the public authorities. CSR\(^2^2\) is currently one of the most discussed topics by business people and scholars alike. The concept has been enthusiastically supported by three very disparate groups – by government, by non-government organizations (NGOs) ranging from charities to national and international industry groups, and by business itself, in particular large corporations - Helen L. Anderson (2006). CSR\(^2^3\) is becoming an increasingly important initiative of businesses both nationally and internationally. There exists no universally accepted definition of CSR and therefore it is used interchangeably with corporate responsibility, corporate citizenship or social action programme.

Challenges:

Though acclaimed internationally, the concept of CSR is besotted with several significant issues / problems and challenges such as:

- Lack of Corporate strategic philosophy and vision

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\(^{1^9}\) http://www.weforum.org/pdf/GCCI/GCCI_CEO_Questionnaire.pdf
\(^{2^0}\) http://www.pdpservices.com/articles/reputation.htm
\(^{2^1}\) http://209.85.175.104/search?q=cache:gpzV-uaEGI8J:www.jussemper.org/Resources/CSRsocialimplications.pdf+corporate+social+responsibility+at+private+steel+industry&hl=en&ct=clnk&cd=17&gl=in
\(^{2^2}\) Vikas Vasal (2008), ” Brouchere of KPMG in India
• Lack of understanding about Community Engagement Frameworks
• Not enough sharing of best practices
• Insufficient database of good NGO partners
• Branding issues

CSR has emerged as a frontrunner on the agenda of various corporate houses today\textsuperscript{24}. This was clear from the experiences shared by the representatives from big corporates at the CSR Best Practices Meet organised by the CII, Northern Region at Chandigarh. Businesses need to go beyond philanthropy\textsuperscript{25}, not because philanthropy is not relevant or because we need to ape the West, but simply because practices that come under the umbrella of CSR are becoming relevant in India in the era of globalisation. Good business practices also make good business sense. Globalisation has brought this truth closer home. Globalisation brings with it greater stakeholder awareness, increased empowerment of civil society organisations, intensity of competition and environmental challenges. The imperatives of globalisation have, in part, impelled business houses to enforce emission standards in automotive products, labelling requirements in pharmaceutical and food products, and processes in the paints, dyeing and other industries. CSR is about companies operating in a manner that positively impacts all its stakeholders, within the company and outside. It is about acting with commitment to the community, not merely following legal requirements. And it is about not just what companies do with their profits but also about how profits are made. Businesses are beginning to see that, with globalisation, underdeveloped and developing nations are more vulnerable economically and, therefore, politically than ever before. CSR\textsuperscript{26} is the process by which a corporation participates in the welfare activities of both internal as well as external community by assisting in the improvement of quality of life of the people in the communities in which it operates. It also aims at building relationships with all types of public and enhancing the reputation of the company. Perhaps the most important feature of the business world today is that we live in it with others. In this, each organization faces the challenges of doing well, realizing its own social responsibility.


**Good Programmes Build Company's Reputation:**

Four out of the five top reasons employees\(^{27}\) gave for staying with an employer had nothing to do with salary, according to a recent survey conducted by Development Dimensions, International (DDI). These findings are completely consistent with an earlier survey by the HR consulting firm Drake Beam Morin (DBM). According to DBM, only forty-eight percent of employees perceive that pay dissatisfaction is a reason to quit. The reasons they don’t quit often have to do with corporate citizenship and how it translates into the company’s culture. The following are some more suggestions to develop in the company:

- Work / Life Balance
- Developing a Corporate Citizenship Program
- Caring Culture
- No hidden costs
- Doing what your employees expect
- Impacting the bottom line and the ripple effect for HR

**CSR & Globalisation:**

Every corporation is talking about CSR, but the question is how many of them are taking them seriously?\(^{28}\). The EU-MORI reported that between 2002-2003, purchasing from companies with CSR programmes decreased because of the uncertainty among people and the community about the good will of such companies.

Some international corporations are aware of the importance of CSR as well as governments of developed countries. Such corporations encourage, facilitate and enforce their employees to perform environmentally and socially as they do financially. This is not the case in the Middle East and particularly in Egypt. Some corporations do not take CSR seriously. Very few are designed correctly or even designed to be a real added value to the community. Do such corporations have implementation tools, do they measure their success, do they report the actual figures?

There should be some local measures or scale to report the performance of different corporations equally. Moreover, implementation tools are essential for the 'real' success of

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\(^{27}\) [http://www.pdpervices.com/articles/reputation.htm](http://www.pdpervices.com/articles/reputation.htm)

\(^{28}\) Amr M El Kamhassh, [http://www.ameinfo.com/62092.html](http://www.ameinfo.com/62092.html)
CSR projects as well as measuring tools. The above are to be designed to guarantee the sustainability of such projects. Only then, corporations will have integrity, respect and honest social responsibility. Another issue is that corporations need to communicate the benefits of CSR with their internal and external stakeholders first, before they start to invest in establishing programmes, measurements and implementation tools. Local people have to know also that CSR is their right that has emerged from globalisation, and should encourage and enforce corporations to play their role in the social and environmental field.

Governments should be efficient in economic integration, transparent, democratic etc to secure the social benefit to their communities that are disadvantaged by globalisation. In other words, social dimension in globalisation needs democratic and effective countries to manage the integration into global economy and to provide social and economic opportunity and security. If countries are not able to make corporations share responsibility, communities and countries themselves will be excluded from globalisation. Finally 'we' as developing nations should make sure to harass globalisation to serve social as well as economic goals.

Business Ethics and CSR:

CSR is an aspect of business ethics that has assumed significant importance in the age of globalization and expanding markets. The morally-influenced attitudes of consumers in markets have forced many multinational corporations to redefine their definitions of social values and rules of their business. Corporations that shrink responsibilities towards the society, the environment, and other stakeholders that have contributed to the growth and prosperity of the business, are viewed as ‘not ethically-driven’ by the society at large and also by the international business community. CSR creates benefits for a corporation in the areas of marketing, shareholder value, human resources, innovation, and many more. In this context, it is essential for Indian corporations to be seen as more responsible by integrating social issues with business practices. Global customers, companies, and investors are demanding increasing SR and community involvement from corporations they deal with. Ignoring CSR would mean endangering business success in the global marketplace. It is unlikely that a company can be ethical while not manifesting a high degree of social and environmental responsibility. CSR and responsibility to the environment are themselves large and important issues for any company today.

1) **Enables for effective implementation of an ethics policy:** There are three vital enablers are there to effective implementation of an ethics policy in a company. The first relates to the organizational culture necessary implement business ethics. The second deals with central role of the leadership in the organization, comprimising the top management. The third relates to the role of individual employees that is essential to more in the ethical journey of the company a success.

2) **The 3 R’s Concept:** The 3 R’s, which are the prerequisites for a company to embark on business Ethics journey are Respect, Responsibility, and Results. Building the three factors into the organization’s culture would to align the behaviour of its employees in the ethics direction. Conversely, it is unlikely that an organization can manifest extensive ethical behaviour in the absolutly of these three R’s. The most important thing to remember about ethics is that ethical behaviour has to be practised by employees throughout the company. The need to make ethically sound decisions on a day-to-day basis. Ethical awareness and thinking must become part of the organization’s work culture.

3) **CSR as Value creator and Competitive Strategic Management tool:** Organizations today are driven by factors other than profit/wealth maximization. Large companies use up large societal resources. CSR is about how companies manage their internal and external business processes in order to produce an overall positive societal impact. It is a misconception that CSR is generally considered to be a non-revenue generating area. Companies can use CSR as a core competence to differentiate their firms, which can have a positive impact on their bottom line.

CSR has its critics as well. ‘Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible.(Milton Friedman, 1962) Even among the industry captains, CSR initially draws a lackadaisical response. To most of them, CSR is only a publicity

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gimmick. Prof. David Vogel\textsuperscript{32} in his book Market for Virtue Claims that CSR is not sustainable. In his words, “CSR is sustainable only if virtue pays off. The supply of corporate virtue is both made possible and constrained by the market… while there is a place in the business system for responsible firms, the market for virtue is not sufficiently important to make it in the interest of all firms to behave more responsibly.” When consumers exercise their preference for the products and services of socially-responsible companies, the very context and dimensions of CSR undergoes a powerful change thereby, creating strong economic multipliers, in turn enhancing the stakeholder value. Such a consumer preference or franchise will trigger a complete rethinking of corporate strategy, where CSR will be a strategic tool in every decision-making process.

4) **Framework for unleashing the market forces:** Given the power of market forces and consumer franchise, a broad institutional framework has to be created to facilitate the process of making informed choices by various market participants. While delivering the keynote address at the annual summit of the confederation of Indian Industry, Prime Minister Dr. Manmohan Singh called for a new partnership for inclusive growth, based on what he called the Ten Point social Charter. All the points that he had enlisted requires proactive action by the industry and also by the government.

**Significance of CSR**

CSR has become an increasingly significant phenomenon in today’s business environment. It is an inevitable and inescapable reality. The rationale for CSR is that business cannot succeed if there is no healthy society. The concept of CSR\textsuperscript{33}, in various dimensions and evaluate the reasons for the fundamental shift from the ethical model of CSR to new paradigms. It also focuses on the emerging paradigm of CSR. It is the law which made even the harshest critics of CSR, who always emphasized that “Business of Business is Business”, (Milton Friedman, M 1962)\textsuperscript{34} to accept social responsibility. Ethics in business gained momentum after globalization.

\[32\text{ David Vogel (2006), The Market for Virtue: The Potential And Limits of Corporate Social Responsibility}

\[33\text{ Dr. Sailaja (2008),"Emerging Models of Corporate Social Responsibility"," HRM Review, Jan,Vol. VIII. Issue-I, pp: 10 – 13}

Theoretical Framework of CSR:

CSR is the responsibility of business organizations towards the society. According to The WBCSD, CSR is the continuing commitment by the business to behave ethical and contribute to the economic development while improving the quality of life of workforce and their families as well as of the local community and society at large. Till the 1990s CSR was understood purely in terms of philanthropy or charity. Welfare programs or initiatives were introduced not as a duty or a responsibility, but as a form of charity that was supposed to indicate the virtues of the company or the organization. For example, Tatas and Birlas have set up many charitable trusts and granted financial assistance for various worthy causes. The philanthropy-based model has various problems such as:

- Lack of complete and long-term commitment towards such activities from the business organization.
- Less involvement of community in such activities.
- Low levels of transparency and accountability at the implementation level.

In the new environment, the vast majority of society does not need charitable hospitals or free schools or free mid-day meals or free energy or water. But they aspire for continuous measures which can raise their standards of living. Thus, a fundamental shift from this ethical model of CSR to new paradigms has emerged. Changing expectations of business environment paved the way for new paradigms of CSR.

The path to Corporate Responsibility

Companies don’t become model citizens overnight. Nike’s metamorphosis\(^{35}\) from the poster child for irresponsibility to a leader in progressive practices reveals the five stages of organizational growth. Nike’s Tagline, “Just Do It”, is an inspirational call to action for the millions who wear the company’s athletic gear. But the terms of Corporate Responsibility, the company hasn’t always followed its own advice. Nike’s business model – to market high-end consumer products manufactured in cost-efficient supply chains-is no different from that of thousands of other companies.

1) **Organizational Learning:** Organizations’ learning pathways are complex and iterative. Companies can make great strides in one area only to take a few steps

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backward when a new demand is made of them. There are five stages for the Organizational Learning.

2) **Societal Learning:** A generation ago, most people didn’t think tobacco was a dangerous health threat. Today, ageism is rarely seen as a CSR issue beyond compliance with the law - but in an era of dramatic demographic shifts, it soon will be. As one senior business manager explains, when he deals with non-governmental organizations, “I see the future of our markets, our products, and this business”. As issues mature, they become absorbed into main stream professional debate and eventually into practice. Once leading companies adopt unconventional commitments and practices around certain societal issues, laggards must either follow suit or risk the consequences. In 1991, when Levi Strauss publicly launched its “terms of engagement” – which defines the labor standards for Levi’s business partners and was one of the world’s first corporate-conduct policies – every other company people’s factories weren’t their responsibility. There are Issue Maturity is Four Stages.

**CSR through NGOs:**

CSR has to move beyond being a mere buzzword. While many large corporations run their own not-for-profit foundations, they need to partner with NGOs\(^{36}\) for implementation of their programs. The government, with its primary motive being public welfare, makes an attempt to fuel the development process. The voluntary sector, therefore, bridges the gap between the government and the market. Given the significant contribution of the voluntary sector to development process, it becomes vital for not-for-profit sector organizations to measure their performance.

1) **Types of Voluntary Organizations:** The voluntary organizations are classified according to Orientation (Charitable, Service, Participatory, Empowering orientation organizations), Thematic scope, Geographic coverage, Size, Financial and Management Structure wise voluntary organizations are there.

2) **Accountability of NGOs:** The trait of the voluntary sector is multiple accountability towards various stakeholder groups, who can be classified as: Internal and External Stakeholder groups are there. In external stakeholder

organization is subdivided into three subgroups depending upon dimension wise: Vertically, Horizontally and Downward accountability.

**CSR Models:**

Now we discuss the existing models of CSR for performance measurement of NGOs.

**Strategic Level Performance Measurement Model:**

Judging from the perspective of the previously mentioned stakeholder the broad parameters that would define the performance of the voluntary organizations may be grouped as: Social Impact, Program Design, Organizational Systems, Financial systems/Management and Governance.

NGOs form an essential component in the development process of every country and therefore performance measurement becomes vital for these organizations. The model as summarized provides a basis on which the strategic management systems, functions and processes of an organization to ensure credibility and transparency to their stakeholders. Corporate seeking to partner with an NGO can use the model to assess the performance of the NGO for effective implementation of their CSR programs.

According to Jonathan Dob\(^\text{37}\), the long-term success of any corporation is based on how it manages business risks and builds on opportunities. NGOs present both risks and opportunities.

**CSR and the Tobacco Companies**

Major Tobacco Companies are trying hard swim against the tide of anti-tobacco activists. Governments and other NGOs are convinced about the killer effects of tobacco and are aggressively campaigning for a tobacco free environment. Companies are trying to face this aggression in many ways and Corporate Social responsibility is one of the important ways are adopted\(^\text{38}\).

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Most tobacco companies attract constant attention for their line of business. Tobacco is a health hazard. It is also one of the cheapest and most easily available forms of addiction. Advertising is another issue where most tobacco companies are under constant supervision. With a surge in regulations to ban direct advertising in any form, the attempt is to move towards surrogate advertising and more of sponsorships. As an increasing number of countries are banning various forms of direct advertising of tobacco products, then the tobacco companies divert their funds to the sponsorships to social causes, sports and arts events.

1) **Major initiatives:** Most tobacco companies are heavily into sponsoring of cultural, social and sports events. Social causes like education, medical grants and help to victims of sexual, drug abuse generally top their list.

2) **Child development:** Child labor has become one of the most important emerging issues presently. It is generally described as the exploitation of children in the workplace. Around 250 million children worldwide under age of 17 are engaged in some form of exploitative child labor. The British-American Tobacco Company Ltd does not employ children in their operations. In 2001, it helped establish the eliminating Child Labor in Tobacco growing foundation, following an awareness-raising campaign, which they had begun a year previously, together with the International Tobacco Growers’ Association and the trade unions in their sector, the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers’ Associations.

3) **Youth Smoking Prevention:** This is a common initiative among all the big tobacco companies. Philip Morris practices imposition of legal age limits and insists on retailer compliance with those age limits, whether or not national legal sanctions exist. In Greece, Switzerland, Australia and New Zealand support is given to the school-based program “I’ve Got the Power”, which has been running since 1999. In Russia the support the “My Choice” program, which is aimed at educating young people about issues such as alcohol, drugs and smoking.

**Other causes:**

For Philip Morris, an International company, CSR begins with their products. They believe in telling people about the dangers of smoking, doing their best in keeping children

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39 http://www.pmi.com
away from this product, and at the same time developing potentially less harmful products. During 1890s and early 1900s, Reynolds continued giving private donations to such causes as hospitals, orphanages, new churches, agricultural contests and higher education. Today, RJ Reynolds employees are given the chance to help direct funds to nonprofit organizations through plan sponsored by the R.J. Reynolds Foundation. Philip Morris Italy has supported CADM since 2001, and the last three years has donated funds to the organization’s “Getting out of the desert” project, which is geared to provide shelter, education, therapy, career advice and support to young women who suffered abuse as children”.

Tobacco majors are trying hard to swim against the tide of anti tobacco activists. NGOs and governments across the world have been convinced about the killer effects of tobacco. Almost all of them, albeit in a varied pace, are moving towards a tobacco-free environment. Corporates are trying to survive in multiple ways – CSR being one of them. BAT sponsored International Centre in Corporate social Responsibility (ICCSR), located in the Nottingham Business School drew flak from all quarters but the university persisted in its decision to set it up. CSR can provide the tobacco companies with a brief respite till they decide on their final course of action.

**Drivers of CSR in developing countries**

CSR in developing countries\(^{40}\) is a rich and fascinating area of enquiry, which is becoming even more important in CSR theory and practice. And since it is profoundly under-researched, it also represents a tremendous opportunity for improving our knowledge and understanding CSR. The challenge for corporate social responsibility in developing countries is frames by a vision that was distilled in 2000 into the Millennium Development Goals “a world with less poverty, hunger and disease, greater survival prospects for mothers and their infants, better educated children, equal opportunities for women, and a healthier environment”. Unfortunately, these global aspirations remain far from being met in many developing countries today. The rationale for focusing on CSR in developing countries as distinct from CSR in the developed world is four-fold:

1. Developing countries represent the most rapidly expanding economies, and hence the most lucrative growth markets for business;

(2) Developing countries are where the social and environmental crises are usually most acutely felt in the world;

(3) Developing countries are where globalization, economic growth, investment and business activity are likely to have the most dramatic social and environmental impacts (both positive and negative); and

(4) Developing countries present a distinctive set of CSR agenda challenges, which are collectively quite different to those faced in the developed world.

**CSR in a Global Context:**

Although the debate about CSR is often framed in a global context, there is very little empirical research on the nature and extent of CSR in developing countries. One notable exception is a survey by Jeremy Baskin! which analyzed reported corporate responsibility behavior of 127 leading companies from 21 emerging markets across Asia, Africa, Latin America and Central and Eastern Europe, which he compares with over 1,700 leading companies in high-income Organization for Economic Co-operation and Development (OECD) countries.

**CSR for Rural Market Development**

There are many areas in India where economic empowerment, education, health etc., are major problems. To tap the rural potential, it is essential to develop these areas.

**The Rural India Scene:**

Our country is endowed with a good degree of ethnic and regional diversity. About three-fourth of the total population resides in the rural areas and majority of them are dependent upon agriculture for their subsistence. Agriculture contributes about 24.7% to the Gross Domestic Product (GDP) of the country. It also contributes about 13.1% to the total Indian exports. This sector provides employment to 58.4% of the country's workforce and livelihood to more than 650 million people. Despite this fact, the condition of these people has not shown any significant improvement. The development of the nation largely depends upon the development of the rural population. Mahatma Gandhi (1926) had once said: "India's way is not Europe's. India is not Calcutta and Bombay. India lives in her several hundreds of villages". Shastrji's slogan of "Jai Jawan, Jai Kisan" had a clear message that the

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development of the nation will be incomplete without the development of the farmers and the rural sector.

**Rural Market Potential:**

India is an agri-based economy and the growth of most of the other sectors of economy is driven by rural demand. Urban market is reaching towards the saturation point, thus bringing in an urgent need to focus on rural development. Moreover, more than 70% of India's population lives in villages and constitutes a big market for industry because of increasing disposal incomes and awareness level.

**Scope of CSR In The Rural Sector:**

The human resource development in the rural sector has to have a holistic approach. This is necessary to trigger real rural development and empowerment, which will definitely be crucial in deciding the progress of consumerism and strengthening of rural market potential. The model shown in the Exhibit n reveals the possible areas or scope of CSR in rural areas. Through this "Ten Commandments Model of CSR in Rural Sector", an attempt has been made to highlight upon the major components of such a program that the companies can undertake. The main components are:

1. **Education and Literacy:** Literacy in real terms and not just neo-literacy will be necessary for development in the truest sense. Although we have a National Literacy Mission in place, the effectiveness of such programs is yet to be realized. Along with primary education there is urgency for having an effective National Adult Literacy Program.

2. **Improvement of Basic Amenities:** More than half a century has passed since our independence, but we have still not been able to manage good roads, clean and safe drinking water, electricity, telephone connection, etc., for our village folks to a satisfactory level. Betterment of basic amenities is a prerequisite for rural development.

3. **Health and Sanitation:** Great minds reside in great environments". Ensuring a clean and hygienic environment and providing quality medical facilities are least expected to develop the rural health as a whole.

4. **Living Conditions:** India is a country with diverse geo-climatic conditions. Often people involved in agriculture reside in difficult and inhospitable conditions.
Improvement of social security and quality of life are important. The living conditions must definitely improve.

5. **Skill Development**: The skills of the people involved in agriculture and its allied sectors have to be multifarious to enable sustainability. The self-efficacy level of such people can be improved by organizing workshops and training programs.

6. **Promotion of Allied Sectors**: The agricultural sector is commonly perceived to be only growing wheat and paddy. In reality it's much more than that. Along with growing crops, engagement in allied areas like bee-keeping, sericulture, fisheries, mushroom cultivation, etc., will not only spread the risk of farmers across different areas, it will also lead to their economic empowerment.

7. **Awareness**: Even after tremendous development in the communication field, the awareness level of rural people on variety of issues is not satisfactory. There is a need to make communication more effective and direct. Creation of a knowledge society will help improve agricultural productivity.

8. **Marketing Facilitation**: Marketing of agro-products is still a major problem. Middlemen and brokers, who are mostly engaged in exploitation of the farmers, dominate the marketing scene. Creation of better marketing standards, infrastructure, qualitative support and facilitation are required for developing the rural market. The existing structures need to both modernize and regularized.

9. **Entrepreneurial Growth**: We as Indians are thought to be excellent workers but poor entrepreneurs. It's time that people involved in agriculture and its allied areas stopped working for others and started working for themselves. Development of the common rural folk into distributors and retailers Can have a cascading effect in development of the rural market. But for this to happen the mindset of the people need to change; attitudinal reorientation along with micro-credit facilitation and risk minimization (through insurance schemes) can mobilize the people towards entrepreneurship. In a country of one billion people, such efforts will definitely have a transcending impact on the market development process.

10. **Women Empowerment**: Women power, especially in rural areas, has been grossly under-rated. The rural women may not be highly qualified but their wisdom cannot be doubted; they may not be physically very strong but their mental strength and readiness to work hard speak volumes about their character; finally, they may not be professionally trained managers but their extraordinary management skills and interpersonal abilities cannot be doubted. Women
represent a major force, a dormant volcano, a repository of immense potential and abilities. Empowerment of women through education, economic freedom and entrepreneurship can lead to the revolutionary era of development of human resource.

**CSR and Environmental Protection:**

Some industries have adopted a different philosophy\(^{42}\), which we might call cost-oriented environmental management. Firms with this orientation accept governmental regulation as a cost of doing business, but they often do so without enthusiasm or commitment. Now it has become a universally accepted principle that the financial cost in preventing and remedying damaged caused by pollution should lie with the undertaking, which causes the pollution. The SC constituted an expert committee, and based on its recommendations, the evidence adduced by the petitioner and elaborate arguments, gave orders which are today binding on all the hazardous industries. Some of the important principles laid down by the Supreme Court are as under:

1) **Principle of Absolute Liability:** Since the activities of a hazardous or dangerous industry pose potential threat to the health and safety of the persons working therein and the persons residing in its surroundings such an establishment has absolute and non-delegable duty towards the community. If any harm happens, the enterprise would absolutely be held responsible to compensate for such harm and in no way would it be allowed to say that it had taken all reasonable care and the harm occurred without any negligence on its part.

2) **Principle of Polluter Pay:** The rule not only prescribes compensation in case of damage to the environment by the industries, but also mandates the payment of cost towards its restoration. Now it has become a universally accepted principle that the financial cost in preventing and remedying damage caused by pollution should lie with the undertaking, which causes the pollution. Such liability of remedial measures of the establishment is also being fixed under different provisions of environmental legislations.

**CSR and strategy:**

As the company grows in scale and scope, it starts drawing attention, but on the other hand, risk to its reputation also increases. This makes regulatory bodies sit up and watch for alarm bells. It is risky to use CSR\textsuperscript{43} as a window dressing at this stage. SSR is not just an oxymoron—it is also the strategic use of CSR, ensuring mutual gains for the company as well as the society. Companies which actively look at the emerging concerns in the market, environment, community, and workplace, and try to address them through new products, processes, policies or services, have a greater chance of emerging as winners in the long run.

**FIGURE – 1.2: CORPORATE SOCIAL RESPONSIBILITY**

![Diagram showing MARKET, ENVIRONMENT, BUSINESS, WORK PLACE, COMMUNITY connected by arrows]

Social responsibility disclosure practices in public enterprises

Public enterprises in India\textsuperscript{44} employ huge public funds and are expected to be responsible to the needs and expectations of the society. This article examines the existing state of Corporate Social Responsibility Disclosure Practices in the Public Enterprises. It further examines the impact of Key Company features on the level of social disclosures.

Social responsibility is the recognition of the fact that organizations have significant influence on the social system and that this influence must be properly considered and balanced in all the organizational actions. Corporate social responsibility implies that the companies have an important social role in the various segments of the society who are


directly or indirectly affected by the company. It implies that the corporate entities must not exist only for the sole motive of profits but also to devote some of their precious resources and time for the well being of the society. Corporate social responsibility is a business capacity to respond to the social pressures. The subject of corporate social responsibility has gained momentum and prominence in the Indian society due to overall growth of the company form of organization. India follows a mixed form of economy, whereby private sector exists in conjunction with the public sector and is supposed to play a supporting role in development of the nation. The public sector in India, occupies a very important role in providing social goods and services to the masses at a very reasonable cost. A large sum of public money is invested in these enterprises and they assume control over vast and key areas of the economy. Hence the PE’s are subjected to immense social pressures.

The social disclosure made by public sector companies appears to be fairly satisfactory. The disclosures are affected by the size of the companies and the maximum disclosures found to be were of statutory in nature. However other social disclosures were also present in almost all the annual reports of the sample PSUs. The philosophy of the public sector that it is meant for the welfare of the society is truly exhibited in the pattern of social responsibility disclosures made by these companies.

**CSR in India**

The Prime Minister of India, in his address at the CII Annual General Meeting in May 2007 said that “This CSR is not an imported western notion. It is a part of our cultural heritage”. He couldn’t have been more true. Tatiana Chahoud and et al in their report on CSR on India trace four distinct phases:

The first phase was motivated by charity and philanthropy. In the period up to the 1850s merchants committed themselves to society for religious reasons sharing their wealth in building temples. The business community (Vaishyas) occupied a special place in ancient Indian society. They also provided relief in times of famine and other calamities. With the colonial rule, western type of industrialization reached India and changed the nature of CSR. The pioneers of industrialization in those times were families like Tata, Birla, Bajaj, Godrej, Mahindra … all who were strongly in favour of philanthropy. But their interests were not necessarily motivated by religious sentiments. The underlying pattern of charity included sporadic donations (to schools and hospitals) without any long-term engagements.
The second phase was dominated by India’s struggle for independence. Gandhiji’s idea of a trusteeship aimed to consolidate and amplify social development. During this period, Indian businesses actively engaged in the social reform processes. Their involvement was stimulated by the vision of free and modern India. The notion of trusteeship encouraged businesses to setup trusts for schools, colleges and other institutes of higher learning.

In the third phase we see more of a mixed economy. With the emergence of the public sector undertakings, there was a shift from corporate self-regulation to strict legal and public regulation of business activities. The 1960s is usually described as an ‘era of strict control’, as there were very strict regulations that determined the activities of the private sector. The PSUs were established with the intention of guaranteeing appropriate distribution of wealth to the needy. However, this had its own limitations. Consequently, the private sector grew, and the need for its socio-economic development became indispensable.

**Competitive Advantage and CSR**

The link between competitive advantage and CSR, is that Governments, activists, and the media have become adept at holding companies to account for the social consequences of their activities. Myriad organizations rank companies on the performance of their corporate social responsibility (CSR), and, despite sometimes questionable methodologies, these rankings attract considerable publicity. As a result, CSR has emerged as an inescapable priority for business leaders in every country. Many companies have already done much to improve the social and environmental consequences of their activities, yet these efforts have not been nearly as productive as they could be - for two reasons. First, they pit business against society, when clearly the two are interdependent. Second, they pressure companies to think of corporate social responsibility in generic ways instead of in the way most appropriate to each firm's strategy.

**CSR – The Balancing Act**

If well balanced, economic growth and social responsibility could enhance the prospect of eliminating extreme poverty from the world, enabling all children to go to school,

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giving all people access to basic health care, providing everyone with enough for a decent life. But if badly managed, it is entirely plausible that globalization will mean that the poorest people and countries will become more marginalized in the face of growing abundance elsewhere.

**FIGURE – 1.3: LIBERALIZATION: GROWTH ACCELERATOR**

**CSR – The role of leadership**

CSR is an important consideration for the effective executive especially in the global arena of today. At the onset, one must consider several factors associated with the construct of CSR\(^{47}\) such as an operational definition of social responsibility; and to whom corporations are responsible to. Other considerations such as integrity, human relations and profitability will also be looked into. In addition, the question is asked "why" one should be socially responsible as well as how CSR benefits the corporation as well as the stakeholders. CSR is seen much more prevalent these days with corporations having devoted programs, media campaigns, annual corporate social responsibility reports, information on corporate websites, and even brochures to tout their concerns and activities. Today’s consumers are looking to do business with corporations who care about their local, national, and global responsibility to do “good business” and “give back” in a positive way.

**Measuring CSR**

\(^{47}\) Dr. Kathleen Patterson, Dr. Paul Carr & Dr. Myra Dingman (2007), CSR: The Role of Leadership, Effective Executive, Sep, Vol. X, No. 9, pp: 35 – 40.
The CSR network and accountability evaluate and rank global corporations on six issues: public disclosure, governance, strategic intent, performance management, assurance, and stakeholder engagement. Together, they form a total social accountability rating on the top 50 largest corporations in the world based on the fortune Global 500. Here is how the measurement breaks down according to the “Accountability Rating Report” published on October 23, 2006:

1. **Stakeholder Engagement**: Engaging in dialogue with people who have an interest in, may be affected by, or may affect its business.

2. **Governance**: Executives and the advisory board properly consider stakeholder issues when setting strategy and formulating.

3. **Strategy**: Core business strategy integrates social and environmental targets with financial ones.

4. **Performance Management**: Management processes, business standards, incentives, and targets seek to achieve social and environmental goals.

5. **Public Disclosure**: Provide a detailed report of social and environmental performance.

6. **Assurance**: Secure appropriate independent assurance.

Corporate responsibility has matured,” said Simon Zadek48, the chief executive of Accountability. "In the early phase, companies looked at the impact of what they did, and then the focus changed to openness and transparency. We're now in the third generation where we measure the degree to which companies have embedded social and environmental strategies into their practices:

**More about CSR:**

Dr R.C.Panda, Secretary (HI&PE) said that include a charter on CSR in the Organization’s Annual Reports49 in the inaugural address of “3rd Conclave on Corporate Governance” held at SCOPE Convention Centre, New Delhi on 1st Feb’2008 organised by SCOPE. Dr.R.C.Panda, Secretary (HI&PE) at the inaugural address of “Roundtable on

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49 K.N.Dhawan (2008), “PSEs Urged to include input on Corporate Governance and CSR in Annual Reports”, Kaleidoscope, Feb, Vol. 27, No. 9, pp: 06
Guidelines on CSR for CPSEs\textsuperscript{50} organised by DPE at SCOPE Convention Centre, New Delhi on 12\textsuperscript{th} Dec-2007 to discuss draft guidelines on CSR for CPSEs said that it is need to compile and highlight the guidelines on CSR for CPSEs and released them at the conference of Chief Executives of CPSEs. The presentation was followed by discussion and suggestions by participants. Directors/senior executives from PSEs briefly mentioned their CSR activities and also gave suggestions while the participants from various Ministeries gave details of CSR activities being undertaken by various PSEs under their Ministries. The participants expressed that leadership plays a crucial role in implementation and sustainability of CSR activities. There is, therefore, need to choose a leader with passion and a dedicated team. CSR should be imbibed as the basic business principle and an integral part of the vision and mission of PSEs.Prof Ranjan Mohapatra in his presentation refered to the address of Hon’ble Prime Minisnister at CII Annual General Meeting held in May 2007 regarding challenges for Corporate India for inclusive growth. He mentioned about objectives, approches, national and international trends and status of CSR in CPSEs in India. He also delt with planning and implementation of guidelines and their monitoring and reporting.

Dr. S.M. Dewan, DG, SCOPE was invited to the two-day 8\textsuperscript{th} International Conference on Corporate Governance held in London from 20\textsuperscript{th} Sep-2007 on the theme “Creating better world through Corporate Governance”. Dr. S.M. Dewan\textsuperscript{51} made a presentation in plenary-3 on the topic “How Boards can Drive Social, Environmental and Ethical Agenda?”. In his presentation he said that the need to stratezise ethical, environmental and social agenda to derive maximum advantage and to harmonize the interests of various stakeholders is well felt and recognized. However, it is generally argued that business can either make profit or can alleviate poverty. It cannot do both. If CSR becomes another species of phlanthropy, very few companies can sustain it on long-term basis. It is more so in the business without having clear dimention of CSR. It must, therefore, remain a voluntary effort of business not caged in regulatory mechanism, emphasized Dr Dewan adding that ethics, in any case, in long term, is good business practice.

\textsuperscript{50} Dr S.M. Dawan (2008), “Roundatable on Guidelines on CSR for CPSEs”, Kaleidoscope, Jan, Vol. 27, No. 8, pp: 15
Baba Hardev Singh Ji Maharaj\textsuperscript{52}, Head of the Sant Nirankari Mission, London said “It seems materialism and spiritualism have little in common but the common factor in both the fields is human beings. Whatever man works, whether as a part of an organization or corporation, man is human being first and that is important; he is neither a machine nor a dead and still item. He is a human being who has a soul, feelings, desires, aims and many other social obligations which he has to fulfill. A better world cannot be created only by materialistic achievements. A better world can be made when human beings become better; when the thoughts, feelings, intentions, the integrity and the legacy left by man become better. All have to make an active participation in the right earnest to fulfil their responsibility towards the society, nation, the corporation or company they belong to.

At the same time Corporate agendas and time constraints do not allow companies to physically feed the sick and hungry. But through philanthropy they can make a difference by providing much needed financial support to the organizations who are carrying out these and many other activities. It must, therefore, Corporates must fulfill responsibilities towards the Mankind”.

SCOPE and ILO jointly organized an Interactive programme on\textsuperscript{53} “Making CSR and Global Compact our Business for Enhancing Competitiveness of Enterprises” Dr.S.M.Dewan in his address said that business corporates should strategically integrate CSR issues into their business processes. This will have positive impact on their growth. Corporates can not be successful in business if they do not harmonize the interest of all the stakeholders as the business have huge impact on the social aspects in human beings, environment, profitability, customers, employees, vendors etc. and he has also informed that “Make CSR integral part of Business processes”.

Inagurating the National Conference and Annual Session 2007 of CII\textsuperscript{54} on 24\textsuperscript{th} May 2007 at New Delhi Hon’ble Prime Minister Dr.Mannmohan singh outlined a 10 point social charter for Indian industry make our country’s growth process both efficient and inclusive of

CSR. In an address that was dramatically opposite in sentiments, the PM wanted the corporate India, essentially the private sector not to show off its riches through ostentatious parties saying it was as good as insulting the less privileged and stoking social unrest. In a strong message, he told the captains of Industry “Corporate social responsibilities must not be defined by tax planning strategies alone. Rather it should be defined within the framework of a corporate philosophy which factors the need of the community and the regions in which the corporate entity functions.”

At the 96th Session of the ILO conference, Geneva in 2007, Dr. S.M. Dewan said that sustainable enterprises should adopt responsible business practices and standards. They should be firmly committed to abide by the laws that affect their operations and those governing their relationship with the rest of the society. He said that CSR cannot substitute for legal regulation, law enforcement and collective bargaining. However, where CSR is transparent and credible and based on genuine partnership, it can provide workers and other stakeholders further opportunities to engage enterprises on the social and environmental impact of their activities.

The following are the some of the Views on CSR by different dignitaries in the First International summit on CSR in India jointly organized by the Corporate Affairs Ministry and ASSOCHAM at New Delhi from 29th – 30th January 2008.

While inaugurating the summit, the former President of India Dr. A.P.J. Abdul Kalam has suggested the corporate India to consider participating the eight identified missions of the world knowledge platform as a business opportunity and simultaneously fulfill their CSR and these missions are of utmost urgency to all of us to make our world a safe sustainable, peaceful and prosperous place to live.

He underlined the need for evolving national ethics for sustained economic prosperity and peace. If nation is to have ethics; society has to promote ethics and value system. If society is to have ethics; society has to promote ethics and value system. If society is to have ethics and value system, families should adhere to ethics and value system; if families have to

56 The Times of India, New Delhi, Wed, Jan 30, 2008.
get evolved with ethics and value system, parenthood should have inbuilt ethics and the parental ethics come from great learning, value based education and creation of clean environment that leads to righteousness in the heat.

Corporate houses can make an important contribution by adopting the schools particularly in rural areas in their region providing infrastructure for the schools in the form of clean drinking water, toilet facilities, transportation facilities for children coming from far away distances, equipping the sport complexes and providing computing facilities for technology assisted learning.

Dr. Kalam said the industrial houses can take up urgent action for conservation of energy, promoting use of renewable energy to the maximum extent in their plants and facilities. They can also work in the development of solar energy systems and wind energy systems either on standalone mode or partnership with multinationals for providing cost effective energy sources to the community.

Mr. RakeshBakshi, Chairman of this Summit said, corporate citizenship, similarly to its CSR concept, is focusing on the membership of the corporation in the political, social and cultural community, with a focus on enhancing social capital. Notwithstanding the different terminologies and nomenclature used, the focus for companies today should be to focus on delivering to the basic essence and promise of the message that embodies these key concepts - CSR and corporate citizenship.

Several corporate today have specific departments to operational CSR. There are either foundations or trusts or a separate department within an organization that looks into implementation of practices. Being treated as a separate entity, there is always a flexibility and independence to carry out the tasks. But often these entities work in isolation without creating a synergy with the other departments of the corporate. There is a need to understand that CSR is not only a pure management directive but it is something of the corporate. There is a need to understand that CSR is not only a pure management directive but it is something that is central to the company and has to be embedded in the core values and principles of the corporate. Whatever corporates do within the purview of CSR, it has to be related to the core business. It has to utilize things at which corporate are good; it has to be something that takes advantage of the core skills and competencies of the companies. It has to be a mandate of the
entire organization and its scope does not simply begin and end with one department in the organization.

President-elect of ASSOCHAM Mr. Sajjan Jindal has suggested that the Corporates to adopt a long term approach rather than sticking to short term interventions, involving the companies and employees in the long-term process of positive social transition. Mr. Jindal was the sharing of best practices by corporates. A plausible framework for this could be bench-marking. While bench-marking will help corporate evaluate their initiatives and rank them, it will also provide an impetus to others to develop similar kind of practices. Credibility Alliance, a consortium of voluntary organizations follows a mechanism of accreditation for voluntary sector. Efforts have to be directed towards building a similar kind of mechanisms for CSR as well.

Though there have been evidences that record a paradigm shift from charity to a long-term strategy, yet the concept still is believed to be strongly linked to philanthropy. There is a need to bring about an attitudinal change in people about the concept. By having more coherent and ethically drain discourses on CSR, it has to be understood that CSR is about how corporate place their business ethics and behaviours to balance business growth and commercial success with a positive change in the stakeholder community.

Mr. Jindal said, while conceptualization and implementation seem firmly underway, evaluation is still taking a back seat. There is a need to incorporate an evaluation plan, which along with presenting a scope of improvement in terms of fund utilization and methodology adopted for the project, measures the short and long term impact of the practices.

A study jointly brought out by the associated Chambers of commerce & Industry of India (ASSOCHAM) and KPMG on CSR: The why, What and How – an Indian perspective has concluded that the journey has begun on this front but the real challenges are to apply fundamental business principles to make CSR sharper and focused. The five-point strategy suggested by the study includes focusing on priorities: allocating finance for treating CSR as an investment from which returns are expected, optimizing available resources by ensuring that efforts are not duplicated and existing services are strengthened and supplemented; monitoring activities and liaising closely with implementation partners such as NGOs to ensure that initiatives really deliver outputs and reporting performance in an open and transparency way so that all can celebrate progress and identify for further action.
P. C. Gupta, Minister for Corporate affairs has stated that the time has come when the corporate sector has to discharge a larger responsibility towards the society. To appreciate the importance of CSR, we need to deviate from the traditional mindset that a company is responsible only to its shareholders. In the present context, it is not correct to say that the Corporate Governance which, seeks to protect shareholders and investors, is the first priority of a company and CSR, which is about responsibility of a company to the society, is only a secondary consideration. Therefore, the time has come when the corporate sector has to discharge its social responsibility of creating an environment of included growth in the country.

CSR involves a commitment by a company to manage its role in society – as producer, employer, customer and citizen-in a responsible and sustainable manner. That commitment can include a set of voluntary principles-over and above applicable legal requirements – that seek to ensure that the company has a positive impact on the society in which it operates. Strategies related to production and marketing of goods and services, business ethics, environmental practices, treatment of employees, approach to human rights and community engagement are inherent to a comprehensive corporate responsibility approach.

“We now have to take this concept to the entire business community and the trade and industry bodies and chambers should take the lead in this direction. We need to appreciate the fact that the business can survive and grow only if they ensure that the society in which they operate develops capacity for long-term sustenance” he said.

**Objectives of the Present Study**

The objectives of the present study are

1. To review research and literature on corporate social responsibilities.
2. To present the corporate social responsibilities in different companies.
3. To examine the models of corporate social responsibilities and corporate social responsibilities in selected companies.
4. To analyze the perceptions of employees and beneficiaries on corporate social responsibilities.
Methodology of the present study

The study is based on both primary and secondary sources of data. Primary data is collected through a questionnaire. About 40 employees and beneficiaries are selected from each organization. Thus, 160 responses are collected from four different organizations chosen for the study. The four organizations selected for the study are: Visakhapatnam Steel Plant, Hindustan Petroleum Company Limited, National Thermal Power Corporation Limited and Steel Authority of India Limited. The responses have been tabulated and analyzed. The corporate social responsibilities of these companies have been measured through the fuzzy Analytic Hierarchy Process (AHP) method. The performance assessment has become one of the most important aspects for the industries all over the world. Developing an evaluation model to facilitate the understanding of the contribution of CSR by the industries. Analytic Hierarchy Process (AHP) is applied to formulate and prioritize the parameters of CSR for constructing the evaluation model under which the development and productive use of investments in intangible assets can be made. Here, a fuzzy approach is integrated with AHP method to make up the vagueness about the degree of importance of decision-makers on judgment. It is further enhanced with the least square fuzzy analytic hierarchy process model. The least square method is used for finding the best company among those companies which have contributed for CSR.

Secondary data have been collected through books, journals, periodicals, daily newspaper, websites and other available literature. The studies of different experts have been presented as Review of Literature.

Organization of the thesis

The thesis is organized into six Chapters. The first Chapter deals with the concepts of Corporate Social Responsibility (CSR). The perceptions of various people about the Corporate Social Responsibility and various models have been presented. The second Chapter is devoted to review of literature survey, in which the work related to CSR is briefly presented. While in the third Chapter contain the profile of selected organizations and the CSR activities of companies. In the fourth Chapter, the Fuzzy Analytical Process is applied to CSR and the corresponding algorithms along with a case study are presented. In fifth Chapter, a new and novel least square fuzzy analytical process based algorithm is proposed to measure the amount of work done towards the CSR by various companies, is presented. The
main observations were discussed, tabulated and analyzed also presented in this Chapter. Summary, suggestions, conclusion and future directions are presented in sixth Chapter.