Chapter-3

Motives and Determinants of Corporate Social Responsibility Orientation of Business Organisations
3. Introduction.

CSR is defined as how a corporation manages their business practices and processes underneath the umbrella of recognizing their impact both directly and indirectly upon society. Further, CSR is described as executives making decisions to do more than they are required to do, such as by law or regulations, by going beyond the obligatory into the ethical, this includes actions that benefit communities and society at large. It is about voluntarily serving the society at the community level as well as at the global level. Executives commit to improving the community through practical steps that include changing business practices and supporting efforts through corporate resources.

To understand the current status of CSR in India, it is important first to map out the landscape and identify the main families of corporate responsibility. For long-established industrial dynasties, such as the Birlas and the Tatas, concepts of nation building and trusteeship have been alive in their operations decades long before CSR become a popular cause. Alongside these are the leading Indian companies with strong international shareholdings, such as Hero Honda, HLL (Hindustan Lever Ltd), ITC, and Maruti Udyog, where local dynamics fuse with the business standards of the parent or partner. Another tradition emerges from the public sector enterprises, such as BHEL (Bharat Heavy Electricals Ltd), HDFC (Housing Development Finance Corporation), NTPC (National Thermal Power Corporation), and ONGC (Oil and Natural Gas Corporation), where social obligations remain an integral part of their business despite the march of privatization. And then there is the new generation of enterprises that has surged on the back of knowledge-based globalization, such as Dr Reddy’s, Infosys, Ranbaxy, and Wipro, where less emphasis is on minimizing negative impacts and more on maximizing the positive spill-over effects of corporate development.

3.1 Legal Framework Governing Corporate Social Responsibility

Corporate social responsibility has flourished as a major corporate trend since the 1990s. A number of factors have over the years shaped and developed the idea of CSR, such as globalization, trade liberalization and stronger expectations of citizens around the world, especially the growing use of global supply chains and supplier codes of
conduct in multinational enterprises (MNEs), which have brought out proliferation of CSR standard. At the same time, CSR standards promoted by inter-governmental bodies concerning activities of MNEs on labour and environment, as well as those stipulated by industrial associations, non-governmental organizations (NGOs) and other civil social organizations, have helped to embed these social norms to their activities of MNEs in global supply chain.

An increasing number of MNEs and large domestic companies, throughout the global value chain, are adopting a variety of voluntary initiatives that aim to improve their social, environmental, labour and human rights. Such initiatives include eg: voluntary code of conduct, guidelines, principles, voluntary agreements, participation in certification and labeling schemes, dialogue with stakeholders and partnerships with NGOs and public agencies, increased support for community development programmes and corporate philanthropy etc. The purpose of this study is to identify and examine the drivers that account for the growth of voluntary codes of conduct and the ways in which MNEs adopt, implement, monitor and evaluate policies regarding codes of conduct in their global business operations, and to explore the effectiveness of voluntary self-regulation to promote labour-related CSR. This study also tries an attempt to analyze the impact of the MNEs led codes of conduct movement on worker rights and labour standards to developing countries.

The term voluntary refers to the mechanisms used by companies, both individually and in conjunction with other companies and organizations, to design and enforce the rules themselves. The rules that govern their behaviour are adopted voluntarily, either going beyond current regulatory requirements or establishing new standards in areas in which government rules or standards are lacking. Voluntary generally includes two broad categories:

**Self-regulation:** Corporations or business associations set their own regulations - code of conduct, corporate guidelines or mission statements, etc. and pledge to abide by themselves.

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Co-regulation: Co-regulation denotes regulatory arrangements between business and one or more other parties, which can include governments, trade unions, NGOs and other civil social organizations. Co-regulatory arrangements initiated by government authorities are likely to differ significantly from those initiated by civil society organization or by business associations.

Self-regulatory mechanisms in corporations are based on voluntary standards, usually embodied in codes of conduct, which specify norms and rules by which to evaluate factory performance. The term “codes of conduct” refers to a written policy or statement of principles, and intended to serve as the basis for a commitment to particular corporation conduct. These standards are sometimes quite specific, detailing precise rules of action, while in other cases presenting only general principles of good practices.  

Based on different form of content, ILO has outlined three types of codes of conduct i.e. Compliance codes directive statements giving guidance and prohibiting certain kinds of conduct; Corporate codes broad general statements of corporate commitments to constituencies, values and objectives, Management philosophy statements formal enunciations of he company or CEO’s way of doing business.  

According to World Bank estimates, there are 1000 codes of conduct in existence today, developed by individual companies on a voluntary basis.

Voluntary self-regulation is an emerging trend in the governance of social and economic activity both at the national and international levels. Such self-regulatory mechanisms are likely to be more effective than statutory regulation in addressing specific social issues because they are flexible enough to adopt to changing circumstances.

Self-regulatory policies include: voluntary agreements, programmes, standards, codes of conduct, guidelines, principles etc., adopted by a company, industry,

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2 Dauglas W. (2001), Who’s in codes of conduct, New Economy Information Services, 


4 World Bank (2003), Company codes of conduct and international standards: an analytical comparison, Washington.

government or civil social organizations. Voluntary self-regulatory movements involve three forms of market oriented activity in MNEs and their global supply chain. Firstly, some publicize human and workers' rights violations or environmental pollutions in subcontracting plants in order to encourage consumers to boycott specific companies, generate pressure on market share and embarrass company executives. Secondly, some movement seeks to develop certification programs whereby produced under acceptable conditions may be labeled to this effect. Thirdly, corporations are being urged to adopt and implement "corporate code of conduct", which stipulate a set of minimum working conditions and labour standards that must be met in their own and their subcontractors factories. Key elements of voluntary self-regulatory initiatives include:

Commitment: The political will to achieve effective implementation;
Content: meaningful goal or scope;
Cooperation: full involvement of stakeholders in preparation of the initiatives;
Checking: monitoring of implementation and of results;
Communication: reporting to the public on results, as well as listening to feedback.

3.1.1 Factors influencing voluntary codes of conduct:-

A number of factor have been influenced the current voluntary codes of conduct and will continue to shape its future development. Parties that are seen as stimulating business to adopt CSR practices include consumers, supply chain partners, investor and workers, NGOs, governments and inter-governmental bodies.

It explains voluntary self-regulation as a response to two connected trends: the shrinking role of national government (due to globalization, non-liberal movements to shrink the state, or simply the failure of state bureaucracies) and the strengthening of multinational enterprises. Trade liberalization and deregulation have created more space for business to pursue their economic objectives. The increased trade in goods and

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6 O’Rourke Dara (2000), ‘Monitoring the monitors: a critique of price water house coopers labour monitoring’


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services across borders, including outsourcing, has been accompanied by the rising importance of MNEs and prevalence of global supply chains.

**Ethical Consumption Campaign**

Customers are changing their ways of consuming: from mass consumerism attitude in the 1960s, they evolved in the late 1970s by requiring that purchased products comply with the stated quality in the 1980s by asking for environmental friendly products and in the late 1990s by demanding that producers become socially responsible. Major consumer campaigns are gaining ground across Europe and North America by joining forces with NGOs and trade unions to demand respect for worker’s basic rights.

**Growing Investor Pressure**

Investors are changing the way they assess companies performance and making decisions based on criteria that include ethical concerns. Companies addressing ethical and social responsibility are growing rapidly because of their ability to attract social responsible funds.

**3.2 Role of government / inter-government bodies**

Legislation, regulation and trade agreements are examples of roles governments plays that influencing CSR activities. The forms of interventions range from setting standards, to providing technical assistance, to strengthening corporate transparency through mandatory reporting requirements. With regard to trade agreements, governments are finding innovative to encourage improvements in labour standards through capacity building programmes and traditional form of trade-labour linkages. Outside that the legislation, and trade agreements, there are many roles governments do play to encourage and support CSR activities. Targeting corporate behaviour directly, these inter-governmental instruments include the UN global compact, the ILO Tripartite Declaration of Principles concerning multinational enterprises and social policy, and the OECD guidelines for MNEs. ILO’s tripartite declaration is reckoned to be by far the most important inter-governmental CSR instrument. The UN global compact, which consists of universal principles covering human rights, labour and environment, is recognized to
be a serious act in defining substantive social expectations globally, while providing a flexible structure of corporate oriented initiatives.

3.2.1 The rising of NGOs influence

Since the early 1990s there has been a rapid growth in the NGO sector worldwide. Currently, there are approximately 40,000 internationally operating NGOs, 90% of which have been formed in the past 30 years. The significance of NGOs for the codes of conduct issue is that they can act as agents shaping the environment in which corporates operate. They are potentially important actors in changing the cost/benefit analysis of corporates, individual managers and people in their supply chains when they make their various calculations about how to fulfill their share of the co-production of labour regulation.

3.2.2 The rising of CSR standards as a corporate managerial idea

A code of conduct can do more than just safeguard a company’s public image. Improved labour standards result in long-term financial benefits, particularly in the industrial sector. Employers who have invested substantial capital are invested in promoting health and safety standards, since these tend to increase the productivity of workers and an increase in the level of workforce commitment. Treating the workers well is expected to make them more efficient, in turn leading to higher efficiency, profitability and competitive edge...... a win-win strategy.

3.3 Types of Voluntary Codes of Conduct

Based on different initiator, it is used to distinguish from the following types of codes: company codes, business association codes, intergovernmental codes and multi stakeholder codes.

According to OECD investigation on 246 codes in the world in 2001, 48% were issued by individual companies, 37% by industry and associations 13% by multi stakeholder codes.

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stakeholders including unions and non-governmental organization (NGOs) and 2% by international governmental organizations.

Figure 3.1 Composition of codes by type of issuer

Source: OECD, 2001

3.3.1 Company Codes Company codes refer to those voluntary initiatives adopted unilaterally by individual corporations themselves. Company codes are concentrated on sectors where brand reputation and export orientation are important. Available information suggests that the world’s larger MNEs, especially those in the textile, clothing, footwear and leather industry (TCF) and related commerce retailing, have led the trend toward the usage of codes as a means of responsible sourcing.

3.3.2 Business Association Codes Business association codes may be developed by business associations, industry groups or employers organizations. In contrast to single enterprise codes, these codes reflect a negotiated consensus among associations members. Industry associations, both sectors and multi-sectors, have developed a notable member of initiative relating to codes but few contain references to international labour standards. However, at the global level, associations in the toy, tea, sporting goods, retail and chemical sectors, among others, have developed codes with labour provisions eg. Athletic

Footwear Association, Tea Sourcing Partnership, Responsible Care (chemical industry), International Council of Toy Industries and World Federation of the Sporting Goods Industry, Worldwide Responsible Apparel Production (WRAP, developed by American Apparel and Footwear Association). Some of these associations have been criticized for inadequate provisions for implementation and insufficient incentives to encourage retailers to invest in, and work with suppliers.

3.3.3 Intergovernmental Codes These codes generally fall with the purview of public international law as negotiated instruments developed and adopted by national governments. These codes originated during the 1970s with the OECD’s guidelines for MNEs and the ILOs Tripartite Declaration of principles concerning MNEs. Other intergovernmental codes are the EU codes of conduct, the UN norms of responsibilities of transnational corporations and other business enterprises with regard to human rights. With no binding effect on the domestic or global behaviour of MNEs, intergovernmental codes exist as a body of documentation founded on internationally recognized and accepted principles applicable to, among other things, labour and workforce activities.

Multi-stakeholder codes

Most multi-stakeholder codes are initiated by NGOs and operate through the subscription method. Typically, the “stakeholders” involved in such code initiatives are companies, trade union organizations, other workers’ organizations, labour and human rights NGOs, relevant government departments, and academics. The participation of NGOs in codes of conduct involving labour practices has shifted the traditional behaviour balance between worker and employer at the negotiating table. In recent times, trade unions have increasingly been accepted by enterprise management and NGOs as important contributors to the initiatives.\textsuperscript{11} The FLA code, the ETI base code, and the SA 8000 standards are examples of multi-stakeholder codes.

3.3.4 The Content of Codes of Conduct with Labour Provisions

Codes of conduct which address labour practices have become a key element in the debate over improving worker rights and working conditions worldwide. Codes

\textsuperscript{11} Urminsky Michael (2001), \textit{Self-regulation in the workplace: codes of conduct, social labeling and socially responsible investment} (Geneva: ILO).
related to labour standards were originally quite diverse\textsuperscript{12}, but now it appears to be converging around the ILO core standards and the basic principles.\textsuperscript{*} These standards and principles include: ILO conventions 100 and 111 (Equal remuneration for male and female workers for work of equal value: Discrimination); regarding forced labour, child labour, discrimination; the protection of health and safety, wages and hours, etc. Although the general range of issues addressed in these systems is fairly similar, the details of codes can vary considerably.\textsuperscript{13}

3.4 Monitoring system of global supply chain practices

For a code of conduct to be effective, it should contain a clear method of implementation and means to ensure compliance. Monitoring typically involves four types of activities: (a) visually inspecting workplaces primarily for health and safety and visually obvious violations; (b) interviewing management to understand workplace policies and practices; (c) reviewing wage, hour, age and other records for integrality and accuracy; and (d) interviewing workers to verify workplace policies and practices.

Companies have experimented with three types of monitoring of codes: internal, external and independent.

3.4.1 Internal monitoring It is conducted by a company itself to ensure its subsidiaries, suppliers and sub-contractors to comply with standards of code. To ensure that their business partners engage in humane labour practices, increasing number of companies are monitoring their suppliers’ practices on labour rights and working conditions. In addition businesses are designating and training their staff to monitor adherence with their standards on human rights and labour practices, which are often referred to as “codes of conduct”, as well as with local legal requirements. The monitoring system developed by

\textsuperscript{12}OECD (2000), Codes of conduct, an expanded review of their contents, working paper of the committee.

\textsuperscript{*} These standards and principles include: ILO conventions 29 and 105 (forced and bonded labour); ILO convention 87 (freedom of association); ILO convention 98 (Right to Collective Bargaining); ILO conventions 100 and 111 (Equal remuneration for male and female workers for work of equal value: discrimination); ILO convention 135 (workers representatives convention); ILO convention 138 and recommendation 146 (minimum age and recommendation); ILO convention 155 and recommendation 164 (occupational safety and health); ILO convention 159 (vocational rehabilitation and employment / disabled persons); ILO convention 177 (homework); ILO convention 182 (worst forms of child labour), etc. In addition, also include some UN conventions and declarations such as universal declaration of human rights; the United Nations convention on the rights of the child; the United Nations convention to eliminate all forms of discrimination against women, etc.

companies to promote sustainability typically contain the following elements i.e a set of formal policy documents, usually including a code of conduct and a set of policies addressing labour standards and working conditions, designated organizational units and specialist positions responsible for helping to drive change in these areas and for providing support to operations, a process for assessing social performance, as well as economic and technical risks when developing these activities, an auditing regime for monitoring compliance with corporate policies at the level, regular public reporting on corporate performance in labour rights and working conditions, including remediation advice.

In practice, most internal monitoring is done by a company's quality control staff, personnel staff or others with the same responsibilities. Some companies are now establishing new CSR department in change of internal monitoring.

3.4.2 External monitoring

It is conducted by a third party that is contracted with the company to verify workplace compliance with codes of conduct. The third party may be industry associations or employers’ organizations. It can also be professional inspections or auditing corporates. External monitoring carries an information flow problem similar to that of internal monitoring. Since the external monitor is on contract with the company, the monitor is not free to disseminate information of inspection to the public. A major critique of external monitoring is that the “third party”, a “monitor for hire”, is under contract to the company on a for profit basis. This potential conflict of interest raises concerns that external monitoring is not “independent” and thus may miss or cover up problems in factories.

3.4.3 Independent monitoring / verification

Independent monitoring is that company enters into agreements with NGO-led coalitions to monitor and produce reports. It may also use local organizations, such as labour, religious, human rights or other community-based groups, to conduct labour investigations where such groups are located. Independent monitoring model with NGOs and trade unions pursue accreditation system with certification fees. Many stakeholders believe that independent monitoring reviews are more credible than reviews conducted
by the companies themselves or even external monitoring. Independent monitoring relies upon local organizations that have the capacity, resources and interest to inspect and report suppliers' labour standards and their working conditions.

Voluntary of labour codes and associated management and reporting systems are private initiatives designed to help corporates achieve a variety goals – protecting corporate reputation, improving employee morale, enhancing consumer loyalty, avoiding costly sanction etc. These voluntary initiatives are widely acknowledged to be one of the most important developments in international business. The key of the difficult problems in the compliance of voluntary codes of conduct is corporate trade-off with more commercial interests. The effects of global civil society campaigns are both controversial and uncertain. Some critics argue that social regulatory standards are a “cultural” feature of specific societies and should not be subject to global harmonization. Some economists point out that labour regulation would reduce their comparative advantage in low-labour, and increase unemployment. Developing countries are also suspicious about the effectiveness of the voluntary codes of conduct. They worried about the developed countries act the linkages of trading to labour standards as new non-tariff technical barriers to trade. Nevertheless, the voluntary codes of labour conduct campaigns are in general a positive development.

3.5 Levels of Corporate Social Responsibility

Multi-levels theoretical model explains why business organizations are increasingly engaging in corporate social responsibility initiatives and thereby exhibiting potential to exert positive social change. Using a theoretical framework presented in the justice literature, study argues that organizations are pressured to engage in CSR by many different actors, each driven by instrumental, relational and moral motive. These actors are situated within four levels of analysis: individual, organizational, national and transnational. These levels drawing on theories psychology, sociology and legal studies, as well as other disciplines such as ethics and international business. Specifically, study


present a framework which identifies a) The multiple actors which push organizations to act in a socially responsible manner, and the b) instrumental, relational and moral motives which lead each actor to push for positive social change. It explains how actor's motives within and actors levels combine to courage (discourage) CSR.

3.5.1 Corporate Social Responsibility at the Individual Level

One premise in analysis is that in either case (reactive or proactive CSR initiatives), corporations are being pressured by internal and external actors to engage in CSR actions to meet rapidly changing expectations about business and its social responsibilities. Another premise is that organizational practices such as CSR are exposed to decoupling effects, so that some companies introduce CSR practices at a superficial level for window dressing purpose while other companies embed CSR into their core company strategy. Study argue that at each level of analysis (individual employer, organizational, national, transnational), actors and interest group have three main motives for pressuring corporates to engage in CSR: instrumental (self-interest driven), relational (concerned with relationship among group members), and moral (concerned with ethical standards and moral principles). Research also indicates that employee's perception the firm's social policies will impact their willingness to participate, contribute to and initial social change initiatives study examine how to instrumental, relational and morality-based motives will push employees to influence CSR, and how these three types of concerns map onto individuals basic psychological needs for control, belongingness and meaningful existence.

**Instrumental motives**, if an organization has a general concern for fairness (e.g: respect and care for the environment, for working conditions) it satisfying one's need for control. **Relational motives** show that justice conveys information about the quality of employee's relationship social exchange relationship with management has a strong

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impact on employee's sense of identity and self-worth. The relational need for justice inextricably linked to the psychological need of belongingness. When employee's feel they are treated fairly by the organization, they are more likely to trust the organization, feel supported by it and perceive high quality social exchange relationships with the organization. In conceptualization of CSR, CSR fosters positive social relationships, and therefore, relational needs become highly relevant. Employee's desire that organization act in a socially responsible manner, not only because CSR gives employee's a general sense of the organization's concern for treating all people fairly, but also because CSR initiatives require employee's and management to work together towards a greater good, providing employee's with additional experiences with which to judge both management's social concerns and relational quality. Morality motives shows the need for meaningful existence. The multiple needs model argues that to strive for what is morally or ethically "right", rather than simply what is instrumental a transcendent principle of human behaviour and a fundamental reason must exit. Moral motives will also have the potential to influence employee's participation in various CSR initiatives, means not only desire to be involved with, but also with causes they feel are fundamentally just and relevant to the establishment of a moral community.

3.5.2 Corporate Social Responsibility at the Organizational Level.

Corporates main goal is to survive by means of achieving competitive advantage in the economic market, there exists different mechanism to sustain firm survival and efficiency. Actors at the organization level posses different mechanism to influence social change depending on whether they are insider (shareholder, employees) or outsider (consumers, suppliers, govt., competitors). Insider group such as TMT (Top Management Team), have the most direct power to influence the corporates engagement in CSR by developing corporates strategy and allocating resources to different firm programs and practices. This suggest that managers wants the firm to become involved in CSR activities, will need to have the power to put CSR on the agenda and to align the activities with the corporates strategic goals. Marketing empirical research has demonstrated that most companies are very sensitive to their CSR image, and are becoming increasingly aware of the strong positive relationship between the corporates CSR actions and
consumers reaction to the firm's products, as well as the negative effects when CSR efforts are deleterious or not perceived as legitimate.

Outsider organizational actors such as consumers might have some instrumental motives for pushing corporates to engage in CSR, for instance when environmental stewardship creates products that are perceived as healthier. Trentmann (2001) shows that (moderate) socially responsible consumers seek changes in business practices in order to protect “healthy and employed consumers.” the intensity of consumer's instrumental motives is likely to vary across countries contingent on how consumer's perceive the role of the firm and CSR (Maignan, 2001).

**Relational motives** Organizational-level actors' relational motives to pressure corporates to engage in CSR efforts can be observed by adopting a stakeholder theory of the firm. Generally speaking, stakeholder theory accounts for the diversity of stakeholders interests, and their competition for firm resources. When the owners have *stakeholder-maximizing interests*, they will act to ensure the well-being of the different groups engaged in a relationship with the firm.

Even in a shareholder wealth-maximizing framework, corporates seek social legitimacy in order to survive. Legitimation is seen as a relational motive as it refers to a concern for how the firm's action are perceived by others. Corporates within a given industry are confined by the specific norms, values and beliefs of that industry, some of which are enacted into law. Corporates have relational motives to engage in the CSR practices of their industry in order to seen as legitimate by complying with industry norms and regulations, as well as instrumental motives to pre-empt bad publicity, institutional investor disinvestment, and penalties due to non-compliance, organizational actors are likely to engage in CSR to emulate their peers in order to preserve their social legitimacy by preventing negative perceptions, and to ensure the organizational's long-term survival and social license to operate.

Study construe these motives as significantly relational, being aimed at promoting the interests of suppliers (e.g. Usage of non-toxic materials), customers (e.g. Offer environmental products), employees (e.g. adequate labour conditions), and other stakeholders in the firm and not merely seeking short-term shareholders returns. In this regard, consumer groups and “market campaign” activists in CSR tend to share certain
understanding of the world and of themselves that legitimate and motivate their collective identity of consumers is a relational motive that will lead them to pressure companies to engage in CSR practices. Collective identity in social movements refers to “the interactive, shared definition produced by several individuals (or groups at more complex level)....that must be conceived as a process because it is constructed and negotiated by repeated activation of the relationships that link individuals (or groups) to the movement”.

Moral motives Stewardship theory suggests that organizational actors bring their personal morality-based values into the firm, which might go beyond economic interests or self-fulfillment. Hence, moral motives to pressure companies to engage in social change via CSR initiatives may come from organizational actors whose denotic motives are particularly salient. Organizational actors within corporates, such as TMTs, make decision based on their cognitive biases and personal values which will diffuse to the overall organizational values and business ethical addition. Hartman argues that what is desirable and valuable, and what constitutes a good life in an organization is contingent on the conditions of the community and the autonomy of the decision makers.

This study have posited that organizational actors operating in a global business context may have moral motives to engage in “small experiments” to try to bring about a fairer world, and to correct the imbalances of wealth, class, gender, race, culture, and religion. "When organizational actors act according to stewardship interests by instigating social and moral actions towards a better society, then they likely to inject CSR initiatives in their firm strategies, leading to social change. E.g. The majority owners at Ford share a sense of commitment to the world's scarce resources and consequently they have articulated a formal commitment to becoming the world's largest recycler of automobile parts, in part to preempt future regulation (instrumental motives) but also to actuate their concern for the social good (moral motives).

Consumers, as an outsider stakeholder group, also push for CSR out of morality-based motives, or higher-order values. Donaldson discuss that the macro social contract includes mechanism by which stakeholders can demand ethical obligations on corporates via voice, consent and exit. Existing case studies on consumer activism indicate that there exists an increasingly mobilized social group of consumers, often referred to as
the "ethical shopping movement", with the capacity to impact and corporate reputation for the sake of the greater good (or universal morality) and long-term sustainability. When consumers share a common meaning frame, are organized in networks, and have the capacity to damage corporations—mostly by boycotting products—in the name of society's collective good, they are likely to influence the company to engage in CSR initiatives.

3.5.3 Corporate Social Responsibility at the National Level

Government action, both enacting laws and enforcing them, is an important factor influencing corporates to implement CSR initiatives and so become agents of social change as shown in figure. The laws governments pass to encourage CSR are uniquely powerful because they are mandatory, and so can achieve broader coverage than voluntary initiatives such as the U.N. global Compact (substantive human rights standards) or the Global Reporting Initiative (social, economic and environmental disclosure format). Moreover, laws set social expectations about responsible corporate behaviour that are then reinforced by other actors such as consumers, NGOs, and institutional investors (Kagan et al., 2003).

A cross-national comparison suggests that government actions through promulgating and enforcing laws help to create unique CSR climates that vary across countries (Campbell, 2005).

Governments’ motivations to establish high standards for CSR can be identified as instrumental, relational or moral. Defining and categorizing these motives leads to a greater understanding of when governments might push companies to engage in CSR initiatives.

Instrumental motives In developed countries, creating a competitive business climate domestically and encouraging economic development internationally, in which one’s country’s flagship companies participate, are major functions of governments’ economic policies. Thus, governments have instrumental reasons to promote CSR policies to the extent those policies are understood to promote international competitiveness. CSR is seen to increase competitive advantage by fueling innovation, enhancing customer reputation, creating high performance workplaces, and maintaining important intangible assets, such as community trust or employee goodwill. CSR is also
recognized as a useful risk management strategy, as it requires managers to communicate with a range of stakeholders to identify longer-term social, economic and environmental risks, and incorporate thinking about those risks into strategic development. To varying degrees, developed country governments also acknowledge that their flagship companies represent the country internationally: Coca-Cola and McDonalds are the face of the United States internationally, just as British Petroleum (BP) is the face of the U.K. internationally. Thus, home country governments have an economic interest in their flagship companies exhibiting high standards of CSR abroad, and thereby reducing the chance of the company becoming a target for reprisal, negative publicity or boycotts based on a poor record of CSR.

Relational motives The governments that have been the most active in promoting CSR explicitly articulate a number of relational motives, clustering around the idea that companies have responsibilities to promote social cohesion and to address problems of social exclusion. These governments recognize a partnership between companies and the societies in which they are embedded, with a particular focus on incorporating the economically marginalized and socially disfavored into the mainstream (e.g. promoting “social inclusion” (December 2000 Nice European Council Social Agenga; Goebel, 1993). Creating conditions for socially excluded people to belong to society at large, and to participate in its goals and material well-being, is an important part of the social benefits envisioned by the governments identified above as promoting CSR.

Moral motives Inherent in the social partnership idea is an understanding that companies have a collective responsibility to contribute to a better society. In Europe, the UK, and Canada, where governments have been particularly active in encouraging or requiring CSR efforts, there is a strong sense of collective responsibility for social conditions, and an identification of corporations as members of society with a responsibility to make positive contributions to better social conditions.

3.5.4 Corporate Social Responsibility at the Transnational Level

Many legal scholars have argued that the essence of the CSR concern is the global reach of multinational corporations in contrast with the domestic reach of structuring
regulation, as well as the concern that mobile capital and production will flee
d jurisdictions with onerous regulation. Global CSR discourses provide a good example of
both the multiplicity of voices in the transactional public sphere, and the potential
transformative impact of “simple” articulations of norms. There are several mechanisms
by which transactional actors pressure corporates to engage in CSR, such as campaigns,
boycotts or multi-party dialogues. Among the transactional actors that push corporates to
enact CSR policies are non-governmental advocacy organizations (NGOs).

Another category of actors at the transactional level are inter-governmental
organizations (IGOs), such as the European Union (EU), the Organization for Economic
Cooperation and Development (OECD), and the United Nations (UN). IGOs are
simultaneously actors that press companies to consider CSR, and the institutional arena in
which the discourses (and conflicts) between business, civil society and governments take
place. For example, the EU is convening on-going discussions of CSR and developing
norms of responsible business conduct.

These multi-party dialogues either address specific CSR issues, such as food
safety or extractive industry security arrangements, or address general expectations of
corporate accountability, such as the Global Reporting Initiative (GRI) multi-stakeholder
process to develop a common framework for triple-bottom line reporting. From these
diverse quarters, multiple norms of responsible corporate behaviour are being articulated
at the transnational level, some with demonstrated transformative power. The GRI is a
good example, with over 300 global companies using its framework for comprehensive
triple bottom line reporting, including world leading MNCs (e.g. Ford, GM, Shell, and
BP). Again, study seek to identify the instrumental, relational and moral motives of three
sets of important actors that function at this level: NGOs, business interest groups, and
IGOs.

**Instrumental motives** Study assume that NGOs are not acting from primarily
instrumental motives in their CSR engagement, and yet they have survival needs, and
thus compete for limited resources, members, and influence. Study posit that corporate
interest groups’ motives for engagement in the transnational CSR discourse are more
strongly instrumental than are the motivations of other NGOs, and tend to shape
discussion of CSR in ways that are consistent with business interests, to build support for globalization, and to forestall prescriptive government regulation.

IGOs as transnational institutional actors have the same instrumental motives to push for CSR as do national government: promoting business competitiveness. Another locus of intergovernmental CSR activity is the OECD, which revised its 1976 guidelines on Multinational Enterprises in 1998 to include CSR standards, using an explicit government, business, labor and civil society (NGO) framework for the negotiations. These revisions emphasize that good corporate governance and responsibility are "a key part of the contract that underpins economic growth in a market economy and public faith in that system".

**Relational motives** Transnational NGOs act in significant part through multi-party relationships, partnerships with companies, information networks, coalitions that coordinate strategies, and as part of social movements. Thus, the act of aligning interests with others by establishing and maintaining collaborative relationships is at the center of NGOs' modes of action.

In evaluating motives at the IGO level, we recognize that both the EU and the OECD operate in geographic and political contexts where social cohesion is highly valued, and one can see relational motives explicitly identified in their CSR policy initiatives. Maignan and Ferrell (2003) extended this analysis to consumers in France, Germany, and the US, and found significantly higher concerns for companies' social responsibility in France and Germany than in the U.S. Thus, governments operating in IGOs in Europe can be expected to care about establishing policy frameworks that encourage social cohesion between companies, employees, and the communities in which they operate, both as an implication of the political framework in which the governments operate, and as a function of representing the interests and views of their citizens.

**Moral motives** Study suggest that transnational NGOs (but not corporate interest groups) are more likely to be driven by altruism, trying to make the world a better place, than by instrumental and relational motives, although both instrumental and relational motives matter, corporate interest groups as having a more complex mix of motives. For example, the World Business Council for Sustainable Development undoubtedly has business participants who care about the underlying social issues, and
leaders whose personal values push towards social and environmental obligation; yet, they might also be interested in building social capital. It posit that governments participating in the CSR discourse in the transnational public sphere via IGOs also exhibit mixed moral and instrumental motives. Increasingly, they promote universal standards of human rights and ethics, and against arguments that local standards should prevail, even when such local standards allow corruption or exploitation of the people involved in the productive process. At the same time, by inculcating theorems of corporate responsibility for the conditions of society and the world, governments can deflect some of their own responsibility to adopt global policies and financial programs to address issues such as global economic inequality or HIV/AIDS.
CSR Motives at Multiple Levels of Analysis

The Interplay of Motives Across Levels

Distinguishing actors' instrumental, relational and moral motivations, and then theorizing about their relative priorities and the functional relationships between them, allows us to uncover effective mechanisms that encourage corporates to engage in CSR efforts and thus contribute to positive social change. Study argue that not only do the three types of motives interact in different ways within different levels of analysis, but we also posit that different motives interact across levels, which may serve to increase or decrease the pressure on organizations to engage in CSR.
3.6 Areas of Corporate Social Responsibility

A great deal of the discussion related to CSR is related to aspects such as ethical practices, environmental issues for the corporation, cultural and diversity issues, benefits for the global and local community, human rights issues, benefits for human resources of the corporation as well as profits to stakeholders. Other areas of consideration include a look at the basic values of the corporation. Any good discussion on CSR must include the social, environmental, and economic consideration into the structure and decisions that are made, in order to know how an executive and the corporation can give back to society in a way that is favorable to corporate members, stakeholders, and customers, all while building their corporate reputation.

CSR is now a global trend that invites a great deal of attention and asks leaders and corporations to do the right things. And that will give back to the world in which they operate – by actively demonstrating their awareness of engagement in social, human, and even environmental issues and concerns. 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. Understanding this helps one see the common thinking of why people are looking for meaning in their work as well as in the marketplace. Today, it is quite common for employees to search for more meaning as they look for something deeper in their contributions and their individual contribution to the world in which they live and work. CSR helps many employees fulfill this need to “give back”.

In recent years, the ‘business case’ for CSR has been gaining ground, revolving around the idea that what is good for the environment, workers, and the community is also good for the financial performance of the business. A recent global survey by Pricewaterhouse Coopers, in conjunction with the World Economic Forum, found that more than two-thirds of the 1100 CEOs polled believe that proper exercise of corporate social responsibility is important to profitability and can prevent the loss of customers, shareholders, and even employees.

Actively pursuing CSR strategies presents numerous opportunities for increasing competitiveness and profits. In its report, Developing Value: the business case for
sustainability in emerging markets (2002), sustainability presents a business case matrix, which relates sustainability aspects to a set of business factors. The sustainability aspects relate to governance and management, stakeholder engagement, environmental process improvement, environmental products and services, local economic development, community development and human resource management. The business success factors include revenue growth and market access, cost savings and productivity, access to capital, risk management and licence to operate, human capital, brand value and reputation.

Research in several developing countries indicates a strong link between many of the sustainability and business success factors. In particular, eight areas of opportunity are found to be most relevant to the developing countries. These relate to the Cost savings from environmental improvements, eco-efficiency measures using less energy and materials, lower pollution costs and fines, reorganizing production processes, material flows, and supplier relationships. Cost savings from effective human resource management and increased labour productivity. Provision of training, health and education benefits for workers; a clean and safe working environment; and fair wages are all factors that result in an increased productivity and reduced costs. Increasing revenues by innovating and developing new ‘environmental products’ and by-products from waste. Increasing revenue by building linkages with the local economy and employing local residents.

A clear linkage exists between poverty reduction and business growth. Reducing risk through engagement with stakeholders such as employees, customers, NGOs, politicians, and other business partners. Such engagement assists the company in better management of environmental and social expectations, thereby reducing the risk of civil action and improving access to financial capital. Building reputation by increasing environmental efficiency and improving environmental responsibility. An enhanced reputation is often manifested in awards and recognition from governments, rating agencies, and public surveys. Developing human capital through better human resource management. A high quality work force is essential for competitiveness since it improves productivity, product quality, and innovation. A study in India covering 52000 employees in 200 companies found a positive correlation between employment practices and
financial returns. Improving access to capital through high standards of corporate governance that reassure investors on issues relating to shareholder and stakeholder rights, transparency and disclosure, and proper governance structures.

3.6.1 Functional Areas of Corporate Social Responsibility

Production

In the use of materials, a socially responsible management will endeavour to help the national economy by readily using those raw materials which are plentifully available in place of those that are scarce and have to be imported, such as aluminum in India in place of copper for cables. The firm will endeavour to use the minimum amount of energy compatible with its requirements. While deciding upon manufacturing processes, the prime consideration will not be cost reduction, but the safety of the workers. Where some danger is inherent, the company will make sure that workers are provided with adequate protection, given special pay to compensate for the danger and particular care to forestall it. Finally, in disposing of wastes, the firm will ensure that minimum damage is done to the natural environment particularly in regard to water and air. to ensure that the maximum is done in all these lines, a responsible firm will engage in serious research and development, spending whatever is necessary for the purpose.

Marketing

In the area of marketing, there is great scope for the exercise of responsible management which recognizes the rights of the consumer. Such areas are truthful advertising, fixing of reasonable prices, not taking advantage of being an innovator or a monopoly holder to gouge the consumer; passing on savings to the consumer; ensuring that competition is fair, not cut-throat, so as to destroy smaller corporates. Thus the management implicitly recognizes the competitors’ right to exist, and refuses to practice the law of the jungle. A responsible management will also not join price-fixing cartels at the expense of the consumer.

Employment

Socially responsible management will pay a fair, living wage, if possible, even a family wage; even where labour is abundant. In a country like India, it is surely also the responsibility of employers to adopt procedures which will maximize employment, while
not adding unduly to the cost of production. Other areas of social responsibility in employment are the question of providing opportunities to disadvantaged and underprivileged groups such as scheduled castes and tribes, the handicapped and minorities.

**Accountability**

A socially responsible firm would acknowledge its accountability to its shareholders, to the community, and to the government. Hence the need for truthful annual reports and for honest payment of taxes, without even using legal evasion, i.e. profiting from unintentional loopholes in the law. On the other hand, the responsible firm will make sure that its finance managers know the law and make the most of the concessions and rebates permitted by it.

Of course, it is the democratic right of every businessman to seek to alter tax laws when they consider them to be unfair or unwise. However, so long as the laws are on the statute book, management has a duty to pay them.

**Social Audit**

In the last ten years as the concept of social responsibility of business has gained increasing acceptance all over the world, the question has arisen of the means by which top management, the public and the government could be kept informed of the firm’s performance in this field. Different solutions have been proposed to ensure this. In several important corporates, one member of the Board is assigned the special duty of keeping in touch with all the firm’s activity in this field and the results produced. He then keeps the other Board members regularly posted on the subject. Now several authors and businessmen have suggested the institution of what they call “Social Audit”. Just as the company’s finances are scrutinized by qualified auditors, and the Board and the stockholders are given detailed information; so also there should be qualified social auditors, men of outstanding competence and repute, who will present a detailed report on the money spent on social projects of every kind, the results produced, the areas where improvement are called for, etc. Several of the leading Tata companies like TISCO have adopted this procedure.
Table 3.1. Presents a list of India’s selected leading companies doing CSR activities in various areas

<table>
<thead>
<tr>
<th>Area</th>
<th>Company</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community development</td>
<td>Hindalco</td>
<td>Asian CSR Award for its Integrated Rural Poverty Alleviation Programme</td>
</tr>
<tr>
<td>Corporate giving</td>
<td>Indian Oil Corporation</td>
<td>Dedicating 0.75% of net profit to community development initiatives</td>
</tr>
<tr>
<td>Health</td>
<td>L&amp;T</td>
<td>One of first corporates to launch an HIV/AIDS programme</td>
</tr>
<tr>
<td>Gender equality</td>
<td>NTPC</td>
<td>One of the few organizations to have a policy for the grant of paternity leave</td>
</tr>
<tr>
<td>Labour standards</td>
<td>ITC</td>
<td>First company in India to be certified to the SA8000 social accountability standard for its facility</td>
</tr>
<tr>
<td>Human capital</td>
<td>Infosys</td>
<td>Pioneering evaluation of human capital using an education index for its employees</td>
</tr>
<tr>
<td>Environmental management</td>
<td>BHEL</td>
<td>All BHEL units are certified to the ISO 14001 environmental management system</td>
</tr>
<tr>
<td>Energy conservation</td>
<td>Reliance</td>
<td>Energy conservation measures are saving the company 1150 million rupees per annum</td>
</tr>
<tr>
<td>Water conservation</td>
<td>Hindustan Sanitaryware</td>
<td>Reduced flushing WCs is estimated to save 2 billion litres of water</td>
</tr>
<tr>
<td>Disclosure</td>
<td>Tata Iron and Steel</td>
<td>First Indian company to publish a sustainability report in line with Global Reporting Initiative guidelines</td>
</tr>
</tbody>
</table>


3.7 Motives of Corporate Social Responsibility

Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing ‘more’ into human capital, the environment and the relations with stakeholders. The experience with investment in environmentally responsible technologies and business practice suggests that going beyond legal compliance can contribute to a company’s competitiveness. Going beyond basic legal...
obligations in the social area, for example, training, working conditions, management-employee relations, can also have a direct impact on productivity. It opens a way of managing change and of reconciling social development with improved competitiveness.

Corporate social responsibility should nevertheless not be seen as a substitute to regulation or legislation concerning social rights or environmental standards, including the development of new appropriate legislation. In countries where such regulations do not exist, efforts should focus on putting the proper regulatory or legislative framework in place in order to define a level playing field on the basis of which socially responsible practices can be developed. In 1999, at the Davos World Economic Forum in Switzerland, The U.N. Secretary-General, Kofi Anan challenged business leaders to join a ‘global compact’ of shared values and principles and give globalization a human face. He argued that unless the global market was held together by shared values, it would be exposed to backlashes from protectionism, populism, nationalism and even terrorism. The UN Global Compact is based on 9 principles covering topics in human rights, labour and environment. World business was asked to:

**Principle 1**: support and respect the protection of international human rights within their sphere of influence;

**Principle 2**: make sure their own corporations are not complicit in human rights abuses;

**Principle 3**: uphold freedom of association and the effective recognition of the right to collective bargaining;

**Principle 4**: uphold the elimination of all forms of forced and compulsory labour;

**Principle 5**: uphold the effective abolition of child labour;

**Principle 6**: uphold the elimination of discrimination in respect of employment and occupation;

**Principle 7**: support a precautionary approach to environmental challenges;

**Principle 8**: undertake initiatives to promote greater environmental responsibility;

**Principle 9**: encourage the development and diffusion of environmentally friendly technologies.

The Secretary-General asked corporations to uphold and enact these principles in their individual corporate practices and by supporting appropriate public policies.
While so far corporate social responsibility is mainly promoted by a number of large or multinational companies, it is relevant in all types of companies and in all sectors of activity, from small medium enterprises (SMEs) to multinational enterprises (MNCs). Its wider application in SMEs including micro-businesses is of central importance, given that they are the greatest contributors to the economy and employment. Although many SMEs already take up their social responsibility, particularly through community involvement, further awareness-raising and support to disseminate good practice could help promote corporate social responsibility among them. Worker cooperatives and participation schemes, as well as other forms of cooperative, mutual and associative enterprises structurally integrate other stakeholder interests and take up spontaneous social and civil responsibilities.

Being socially responsible can make a difference and has multiple benefits, including creating a positive corporate reputation, building a positive corporate image, increasing profit margins, enhanced corporate efficiency while reducing operating cost and creating a competitive edge.

The first benefit is reputation building; from a practical perspective, being socially responsible is good business as in when a corporation makes the stand to be a corporation that is corporately socially responsible they set themselves apart and begin to build a reputation. This reputation attracts good employees, as well as increases corporate commitment, employee motivation, and overall productivity – all good side benefits. Further, a reputation for being socially responsible attracts attention from the government, national leaders, and community leaders – and who may seek ways to help a corporation continue their service and reward them for such service.

A second benefit of being socially responsible is the increased involvement in the community which also increases the positiveness with which one’s corporations is seen and breeds good relationships with others as well as the potential for a broader impact. Connected with reputation, a positive corporate image builds customer trust and attracts new customers for the business – all of which build the bottom line for the corporation.

The third benefit is about profit. According to the CSR Network, being a socially responsible corporation builds higher profit margins, in fact corporations which report having a socially responsible agenda just do better financially, reporting higher sales and
revenues. In an era where profit margins are stretched thin throughout all industries, this unique idea of serving others ends up serving the corporation at the same time.

A fourth, and interesting benefit, is reduced operating cost in conjunction with higher operational efficiency. According to the csr network, this benefit goes against the grain of common thought as one might tend to think of being socially conscious might be an expensive endeavor, when in actuality it creates operational efficiency improving operational effectiveness. For example, corporations “are increasingly turning their attention to their supply chains to ensure they are sourcing products and services responsibly... [to] make sure their suppliers are providing fair conditions for workers, protecting the environment and generally aiming to achieve an appropriate level of corporate behavior” (csr network). This, in turn, has led to innovative procedures and processes and alternative options which can lead to efficiency.

A fifth benefit is creating a competitive edge in the marketplace. With the advent of doing business in a global world coupled with the increased pool of competitors creating a competitive edge is not always as simplistic as it seems and the more edge one can create to set oneself apart – the better. There are multiple benefits to operating from a socially responsible aware position, least of which ought to be the very fact that corporations that are socially responsible are those corporations that are concerned about the world in which they live and operate in, the bottom line – a good agenda. In marketing, a corporation’s image is a highly competitive tool to gain new customers. Good publicity, connected with the social initiatives of the corporation, opens the channels of marketing to a broader audience in many cases, 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. These lead to new competitive advantages that corporations can use to leverage their own position.

A number of factors are driving the increased adoption of CSR practices in the corporate India. Regulation obviously provides the baseline for corporate action, notably for employment practices and the environment. Beyond this, for many companies, being a good corporate citizen is a vital aspect of their identity, values, and vision. Far-sighted business leaders recognize that it is unsustainable for their companies to exist as ‘islands of prosperity’ in a sea of poverty. ‘Corporate must do something for the community from
whose land we generate our wealth’, says one leading CEO. Market forces are also propelling many corporates to go ‘beyond compliance’, notably for those selling into international supply chains. No longer a legal necessity and a nice thing to do, CSR is emerging as a ‘hard’ commercial factor, linked directly to profits and brand value.

### 3.7.1 Voluntary Guidelines for action on CSR Communication and Reporting

As an increasing number of companies are looking for user-friendly approaches and benchmarking opportunities on how to improve their reporting practices, CSR Europe presented these guidelines, with a specifically business-to-business approach in November 2000 at the European Business Convention. They are based on evidence from current business practices of 45 European companies i.e. The Voluntary Guidelines encourage companies to undertake Voluntary Reporting on their social and environmental performance across all company operations and make their findings available to stakeholders. The Guidelines highlight the use of a variety of communication means to effectively address stakeholders’ needs and expectations. These include standards and labels, codes of conduct, web sites, internal communication, stakeholder consultation, and more. They identify a four-step approach to reporting which comprises an in-depth analysis of processes and performance on CSR. They encourage companies to report on how they are embedding CSR practices into their core management operations and strategies.

The success of the voluntary guidelines will rest in their ability to catalyze bridging between companies’ corporate communication and financial assessment by socially responsible investors. The company performance indicators featured in the Guidelines will be further tested and benchmarked against the indicators used by financial analysts to assess company performance on environmental, economic and social issues.

Thus, CSR is intrinsic to how a company does business and its social responsibility should be essential to all value-based business practice. Values and beliefs become real only when they are lived everyday. No amount of corporate rhetoric or promotion can substitute for direct evidence of a corporation’s sincere and meaningful dedication to a consistent set of values that translate into routine behaviour. A genuine
socially responsible corporation will set and achieve social and environmental standards even more rigid than what is required by law.

Within a market economy, voluntary standards are considered to be more efficient, more flexible, and less discriminatory than state-imposed taxes and quotas in meaningfully integrating social and environmental concerns within economic growth.

Voluntary standards and associated codes and certification schemes are emblematic of globalization, linked as they are with the growth of international supply chains, a reduced role for state organizations, and recasting of regulatory systems. These standards, codes, and benchmarks are proliferating, often as part of CSR or risk management initiatives. Realizing that voluntary standards can have the same impacts on market access as government-led regulations, public policy and multilateral agreements in a highly politicized atmosphere are struggling to keep up. There is now a tremendous amount of interest in standard among civil society, industry, government, and multilateral institutions.

Whether a firm adopts standards relating to sustainable development – around environmental, labour, or ethical issues – depends on the prevailing commercial pressures and on corporate leadership. Some of the drivers are desire to enhance or sustain competitiveness through selling ethical or ‘green’ products (sustainability as embedded quality), or recruiting and retaining high-quality staff, risk to company brand or reputation (and hence shareholder value) as a result of consumer pressure or NGO campaigns, pressure from investors, lenders, and insurers. Support from enlightened corporate leadership, Threat of regulatory action or emerging legislation.

3.7.2 Key potential benefits for corporate implementing CSR include

Better anticipation and management of an ever-expanding spectrum of risk. Effectively managing governance, legal, social, environmental, economic and other risks in an increasingly complex market environment, with greater oversight and stakeholder scrutiny of corporate activities, can improve the security of supply and overall market stability. Considering the interests of parties concerned about a firm’s impact is one way of better anticipating and managing risk.
Improved reputation management. Organizations that perform well with regard to CSR can build their reputation, while those that perform poorly can damage brand and company value when exposed. Reputation, or brand equity, is founded on values such as trust, credibility, reliability, quality and consistency. Even for corporate that do not have direct retail exposure through brands, their reputation for addressing CSR issues, as a supply chain partner—both good and bad—can be crucial commercially.

Enhanced ability to recruit, develop and retain staff. This can be the direct result of pride in the company’s products and practices, or of introducing improved human resources practices, such as “family-friendly” policies. It can also be the indirect result of programs and activities that improve employee morale and loyalty. Employees are not only front-line sources of ideas for improved performance, but are champions of a company for which they are proud to work.

Improved innovation, competitiveness and market positioning. CSR is as much about seizing opportunity as avoiding risk. Drawing feedback from diverse stakeholders can be a rich source of ideas for new products, processes and markets, resulting in competitive advantages. For example, a firm may become certified to environmental and social standards so it can become a supplier to particular retailers. The history of good business has always been one of being alert to trends, innovation, and responding to markets. Increasingly, mainstream advertising features the environmental or social benefits of products (e.g., hybrid cars, unleaded petrol, ethically produced coffee, wind turbines, etc.)

Enhanced operational efficiencies and cost savings. These flow in particular from improved efficiencies identified through a systematic approach to management that includes continuous improvement. For example, assessing the environmental and energy aspects of an operation can reveal opportunities for turning waste streams into revenue streams (wood chips into particle board, for example) and for system-wide reductions in energy use, and costs.

Improved ability to attract and build effective and efficient supply chain relationships. A firm is vulnerable to the weakest link in its supply chain. Like-minded companies can form profitable long-term business relationships by improving standards, and thereby reducing risks. Larger corporate can stimulate smaller corporate with whom
they do business to implement a CSR approach. For example, some large apparel retailers require their suppliers to comply with worker codes and standards.

Enhanced ability to address change. A company with its “ear to the ground” through regular stakeholder dialogue is in a better position to anticipate and respond to regulatory, economic, social and environmental changes that may occur. Increasingly, corporate use CSR as a “radar” to detect evolving trends in the market.

More robust “social license” to operate in the community. Improved citizen and stakeholder understanding of the firm and its objectives and activities translates into improved stakeholder relations. This, in turn, may evolve into more robust and enduring public, private and civil society alliances (all of which relate closely to CSR reputation, discussed above). CSR can help build “social capital.”

Access to capital. Financial institutions are increasingly incorporating social and environmental criteria into their assessment of projects. When making decisions about where to place their money, investors are looking for indicators of effective CSR management. A business plan incorporating a good CSR approach is often seen as a proxy for good management.

Improved relations with regulators. In a number of jurisdictions, governments have expedited approval processes for corporate that have undertaken social and environmental activities beyond those required by regulation. In some countries, governments use (or are considering using) CSR indicators in deciding on procurement or export assistance contracts. This is being done because governments recognize that without an increase in business sector engagement, government sustainability goals cannot be reached (see box below).

A catalyst for responsible consumption. Changing unsustainable patterns of consumption is widely seen as an important driver to achieving sustainable development. Companies have a key role to play in facilitating sustainable consumption patterns and lifestyles through the goods and services they provide and the way they provide them. “Responsible consumerism” is not exclusively about changing consumer preferences. It is also about what goods are supplied in the marketplace, their relationship to consumer rights and sustainability issues, and how regulatory authorities mediate the relationship between producers and consumers.
While trade associations may bemoan increased regulation, large companies may quietly welcome measures, which add a few bricks to the wall around the business that blocks new entrants to their markets. This logic applies to standards for 'sustainability' as much as to quality and safety. Voluntary self-regulation by individual companies or business associations is often initiated in the hope or expectation that best practice will become a legislated condition to market entry. Standards developed and implemented nominally in the name of 'sustainability' but rationalized within corporate strategy as a means to avoid risk, build barriers to competitors, or survive in an era of increased competition and trade liberalization, are perceived to be less benign (subject to accusations of 'greenwashing') than standards arising from a core commitment to sustainable development. But outcomes for the environment, labour, or producers depend not so much on the commercial rationale for adopting a standard than on the sharing of costs and benefits of those standards along a supply chain over time.

3.8 Determinants of Corporate Social Responsibility

A corporation's stakeholders can include: shareholders, non-governmental organizations, business partners, lenders, insurers, communities, regulators, intergovernmental bodies, consumers, employees and investors.
Many determinants and influences have led to increasing attention being devoted to the role of companies and CSR. These include:

**Sustainable development** United Nations’ (UN) studies and many others have underlined the fact that humankind is using natural resources at a faster rate than they are being replaced. If this continues, future generations will not have the resources they need for their development. In this sense, much of current development is unsustainable—it can’t be continued for both practical and moral reasons. Related issues include the need for greater attention to poverty alleviation and respect for human rights. CSR is an entry point for understanding sustainable development issues and responding to them in a firm’s business strategy.

**Globalization** With its attendant focus on cross-border trade, multinational enterprises and global supply chains—economic globalization is increasingly raising CSR concerns related to human resource management practices, environmental protection, and health...
and safety, among other things. CSR can play a vital role in detecting how business impacts labour conditions, local communities and economies, and what steps can be taken to ensure business helps to maintain and build the public good. This can be especially important for export-oriented corporates in emerging economies.

**Governance** Governments and intergovernmental bodies, such as the UN, the Organisation for Economic Co-operation and Development (OECD) and the International Labour Organization (ILO) have developed various compacts, declarations, guidelines, principles and other instruments that outline norms for what they consider to be acceptable business conduct. CSR instruments often reflect internationally-agreed goals and laws regarding human rights, the environment and anti-corruption.

**Corporate sector impact** The sheer size and number of corporations, and their potential to impact political, social and environmental systems relative to governments and civil society, raise questions about influence and accountability. Even small and medium size enterprises (SMEs), which collectively represent the largest single employer, have a significant impact. Companies are global ambassadors of change and values. How they behave is becoming a matter of increasing interest and importance.

**Communications** Advances in communications technology, such as the internet and mobile phones, are making it easier to track and discuss corporate activities. Internally, this can facilitate management, reporting and change. Externally, NGOs, the media and others can quickly assess and profile business practices they view as either problematic or exemplary. In the CSR context, modern communications technology offers opportunities to improve dialogue and partnerships.

**Finance** Consumers and investors are showing increasing interest in supporting responsible business practices and are demanding more information on how companies are addressing risks and opportunities related to social and environmental issues. A sound CSR approach can help build share value, lower the cost of capital, and ensure better responsiveness to markets.

**Ethics** A number of serious and high-profile breaches of corporate ethics resulting in damage to employees, shareholders, communities or the environment—as well as share price—have contributed to elevated public mistrust of corporations. A CSR approach can help improve corporate governance, transparency, accountability and ethical standards.
Consistency and Community  Citizens in many countries are making it clear that corporations should meet the same high standards of social and environmental care, no matter where they operate. In the CSR context, corporates can help build a sense of community and shared approach to common problems.

Leadership  At the same time, there is increasing awareness of the limits of government legislative and regulatory initiatives to effectively capture all the issues that CSR address. CSR can offer the flexibility and incentive for corporates to act in advance of regulations, or in areas where regulations seem unlikely.

Business Tool  Businesses are recognizing that adopting an effective approach to CSR can reduce the risk of business disruptions, open up new opportunities, drive innovation, enhance brand and company reputation and even improve efficiency.

Corporate Social Responsibility (CSR) is high on the policy agenda of OECD governments. CSR can mean different things to different groups, sectors, and stakeholders. But there is general agreement that in a global economy, business are often playing a greater role beyond job and wealth creation and CSR is business's contribution to sustainable development. Consequently, corporate behaviour must not only ensure returns to shareholders, wages to employees, and products and services to consumers, but they must respond to societal and environmental concerns and values. The notion of CSR is a holistic concept and it is an evolutionary process emerging in many different directions. This holistic approach must provide mutual benefits to society as a whole as well as business, and corporations need to manage CSR as any other part of their business strategy. The underlying challenge for CSR in India is how to demonstrate a clear link between a company's own commercial objectives and the wider goals of society.

The outlines of a successful company are one that is profitable, productive, with a strong reputation and efficient in the use of natural resources. Yet, simply achieving these goals may not be enough to be a responsible company if profits do not lead to per capita income growth, if employee well-being does not improve, if community programmes do not raise social welfare, and if the company's eco-efficiency fails to sustain the underlying natural resource base.

Sufficient progress has now been achieved to demonstrate the case for CSR in India. The task is now to apply fundamental business principles to make CSR sharper,
smarter and focused on what really matters. This means rigorously focusing on priorities, 
allocating finance for treating CSR as an investment from which returns are expected, 
monitoring activities to ensure initiatives really deliver outputs, and reporting 
performance in an open and transparent way so that all can celebrate progress and 
identify areas for further action.

The world has changed due to globalization and with this the business climate 
and attitudes have changed as well. With globalization and the fall of the communist 
system in the 1980s, business worldwide began to respond to new challenges. Solutions 
to social problems were to be found within the free market system and business. The old 
ideas of maximizing profits and concentrating all concerns on shareholder interests are 
evolving and the interests of all stakeholders need to be considered in today's global 
economy. Globalization has altered the internal and external power relations between and 
within companies, and in the community as a whole, and society has turned to business to 
engage in finding solutions to this complex phenomenon.

It became clear that companies could no longer manage the effects of their 
business practices simply by paying taxes and complying with national regulations. They 
are expected to take on greater responsibilities for managing their impact on society. 
Many factors are driving this move towards corporate social responsibility are new 
concerns and expectations from citizens, consumers, public authorities and investors in 
the context of globalization and large scale industrial change; Social criteria are 
increasingly influencing the influencing the investment decisions of individuals and 
institutions both as consumers and as investors; Increased concern about the damage 
caused by economic activity to the environment; Transparency of business activities 
brought about by the media and modern information and communication technologies; 
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; Environmental management: Environmental policies 
and programmes are now standard, and many companies have implemented the ISO 
140001 system throughout their businesses; Workplace, growing out of long-standing 
commitments to training and safety is a more recent emphasis on knowledge and 
employee well-being.
As companies themselves face the challenges of a changing environment in the context of globalization and in particular the Internal Market, they are increasingly aware that corporate social responsibility can be of direct economic value. Although the prime responsibility of a company is generating profits, companies can at the same time contribute to social and environmental objectives, through integrating corporate social responsibility as a strategic investment into their core business strategy, their management instruments and their operations.

Where corporate social responsibility is a process by which companies manage their relationships with a variety of stakeholders who can have a real influence on their license to operate, the business case becomes apparent. Thus, it should be treated as an investment, not a cost, much like quality management. They can thereby have an inclusive financial, commercial and social approach, leading to a long-term strategy minimizing risks linked to uncertainty.

A interesting illustration of the business case for CSR is provided by Bob Willard in his study, *The Sustainability Advantage: seven business case benefits of a triple bottom line* (2002), where he presents seven sustainability strategies that lead to significant business opportunities. These range from reducing hiring and retention costs, improving productivity, decreasing expenses, to increasing revenue and shareholder value. Willard also provides a customizable spreadsheet into which company executives can insert their own data to see for themselves whether the case for sustainable initiatives will be a profitable one for their company. To test the assumption that good environmental and social programmes make good business sense, Willard uses a hypothetical computer company he calls ‘SD Inc.’, a composite of the top five global computer companies, IBM, HP, Compaq, Dell and Xerox. SD Inc. is assumed to have 1999 revenues of 44 billion dollars, profits of 3 billion dollars, and 120000 employees.

By integrating sustainability into their business model and in their mindset Willard shows that corporations can realize the following seven bottom line benefits i.e.

Easier hiring of the best talent: Researchers estimate that the most important corporate resource over the next 20 years will be talented employees, many of which pay attention to corporate social and environmental behaviour. Willard shows how recruiting costs for SD Inc. could be reduced by 5% through a positive SD branding.
Higher retention of top talent: Studies show that talented employees tend to stay with a company when they have meaningful work. Willard shows how SD Inc., in embracing a sustainable framework, could avoid 38 million dollars in costs.

Increasing employee productivity: Willard discusses the connection between meaningful work and productivity, and shows that engaging the entire organization in sustainable development goals like zero emissions, self-sufficient energy production, zero waste, helping restore the planet’s health, ensures that the company gets more output from its employees. SD Inc.’s productivity benefit translates into 756 million dollars, the equivalent of 12600 extra employees.

Reduced expenses in manufacturing: Willard demonstrates savings opportunities through eliminating or recycling waste and redesigning processes to use less energy, water, and materials in manufacturing, which are the low hanging fruits of eco-efficiency.

Reduced expenses at commercial sites: A lot of unnecessary waste takes place at non-manufacturing sites. Through more judicious waste handling, energy efficiency, water conservation, and naturalized landscaping, SD Inc. can add 26 million dollars of pure profit.

Increased revenue/market share: By tapping into the trend of consumer preference for ‘green’ products, Willard shows how SD Inc. can increase profits of 150 million dollars.

Reduced risk, easier financing: Companies that show an environmental and social responsibility tend to be viewed as less risky and that can translate into cost avoidance, lower insurance premiums, reduced legal and regulatory costs, preferred rates on loans, greater investor appeal, and avoidance of lost revenue from consumer activist’s actions.

Corporate social responsibility has important implications for all economic and social actors as well as for the public authorities, who should take them into account in determining their own actions. Several Member States have recognized its importance and have taken active steps to promote it. As they are all facing similar challenges, Member States could learn from each other’s social responsibility through its European Commission could promote corporate social responsibility through its programmes and activities. Furthermore, it is necessary to ensure that approaches to corporate social responsibility are coherent and complaint with Community policies and with international obligations.
Conclusion

Study contributes to theory by narrowing the micro-macro divide. In particular, it build up from the employee domain of individual needs and transpose this construct to the organizational, national and transnational levels. In addition, our interdisciplinary approach provides the necessary tools to begin to connect the dots within and across levels that were previously mostly unconnected within the organizational literature.

This discussion of CSR as an antecedent of social change shows that the power of the relationship among actors is contingent on the environment. Study assume that when CSR practices are diffused around the world, there is not so much isomorphism (replication) as defined by institutional analysts, but rather a modification process, referred to as translation, whereby CSR principles and practices imported from elsewhere are implemented locally and hence adapted to the different actor’s motives and relationships. Major international initiatives are focusing on the globalization of social standards, public disclosure of information and the development of social reports, that is, the Social Accountability 8000 standard and the Global Reporting Initiative.

Furthermore, there is a need to provide companies, and in particular SMEs, with guidance and tools that enable them to report on their corporate social responsibility policies, processes and performance in an effective manner. By sharing their expertise and offering capacity building skills, large pioneering companies can support SMEs in this area.