Chapter-4

Corporate Social Responsibility Standards in Indian Corporate Sector: Trends and Practices
4.1 Issues and Trends in Corporate Social Responsibility

As corporate social responsibility becomes an increasingly important part of company brand, HR professionals may grow more involved in corporate social responsibility initiatives. Though they are really two different issues, corporate ethics, corporate social responsibility is often treated as though they are the same thing. HR's growing role in promoting ethics - one of the key HR trends identified by HR professionals in the SHRM 2006-2007 workplace forecast survey of future trends - may therefore lead to convergence or broadening of HR's role in promoting both ethics and corporate social responsibility at the same time. On the other hand, as each issue gains in prominence. It may lead to much greater specialization with very distinct job roles dedicated to a number of different facets of each.

One of the most striking shifts in the way corporate social responsibility has been viewed over the past few years is that it has recently evolved being a part of a specific company's overall brand to almost becoming a brand an and of itself. The most prominent example is the recent launch of the “Product Red” campaign. Instead of the corporate social responsibility component being a part of the larger brand of a particular company, the product Red brand is the umbrella under which a number of different companies offer up products to raise money in the fight against HIV/AIDS. This change in corporate social responsibility in relation to corporate brand is likely to have an ongoing influence on corporate social responsibility strategies and alliances.

In addition to the involving role of corporate social responsibility when it comes to company brand, many other factors are influencing corporate social responsibility initiatives. The growth of multinational corporations with operations in many countries has raised questions of what the role of the company should be in the communities where it does business, whether as employer or supplier of goods and services. Greater transparency and sharing of information across borders also makes it easier for practices that have a negative effect on communities to come to light. In addition, in many areas where infrastructure and public services are poor, the business community may feel a greater obligation to help tackle local problems because of its influence on the local workforce.
Depending on their goals, organizations that implement corporate social responsibility initiatives may have very different agendas. For organizations with factors or characteristics that make them vulnerable to negative public opinion, the majority of corporate social responsibility efforts may be driven by the need to confront negative views through positive actions and a stronger social responsibility element to the company brand. But other organizations might be motivated by different concerns. Issues like anti-corruption efforts, conflict resolution, disease prevention and treatment may be much more important for business operating in some localities than in others. Likewise, efforts to improve their environmental footprint or ensure fair trading standards with suppliers or safe working conditions may be of more concern in some industries than in others.

New business model in philanthropy may also be influencing who gets involved in corporate social responsibility initiatives and what kinds of programs are supported. For example, the business model known as “venture philanthropy”, in which free market forces are embraced as a way to support charitable ventures, is increasingly influential and creating an environment where rigorous metrics are used to measure to return the investment of donations, programs and grants. In addition to a greater emphasis on return on investment, many organizations are linking philanthropy efforts to a greater number of organizational assets not only through financial contributions but also through leveraging organizational stakeholders such as employees and customers. As more organizations seek out an integrated approach both philanthropy and corporate social responsibility initiatives, HR may get more involved, at least in the implementation stage if not in the planning phase, especially in the case of employee hours dedicated to corporate social responsibility initiatives or volunteer work.

4.2 Corporate Social Responsibility Practices

Companies, businesses and society are more connected and interactive today than ever before. Corporations are more aware of their role towards the society. They are expected to be responsible bodies with a sense of duty towards common resources and the environment and there is a growing realization that they, as an integral part of this society themselves, can contribute to its development. Consumers and citizens’ campaigns can
Corporate Social Responsibility (CSR) is expected to be integral to business today. It has also become the password to not only overcome competition but to ensure sustainable growth. The shareholders and stakeholders have supported it, by and large, encompassing the whole community. CSR in reality is the alignment of business operations with social values. It takes into account the interests of stakeholders in the company's business policies and actions. It focuses on the social, environmental, and financial success of a company--the so-called "triple bottom line"--with the aim to achieve social development while achieving business success. More importantly, CSR is the point of convergence of various initiatives aimed at ensuring socio-economic development of the community as a whole in a credible and sustainable manner.

Individual efforts and even just government effort is not enough to bring changes at a pace that it is actually needed. Fortunately, with the popularity of CSR, more and more companies now perform in non-financial arenas such as human rights, business ethics, environmental policies, community development, corporate governance, and workplace issues. Now, social and environmental performances are considered side by side with financial performance. From local economic development concerns to international human rights policies, companies are being held accountable for their actions and their impacts. Companies are also more transparent in disclosing and communicating their policies and practices as these impact employees, communities, and the environment as per global reporting norms.

4.3 Corporate Social Responsibility: Towards a Sustainable Future

The role of corporates by and large has been understood in terms of a commercial business paradigm of thinking that focuses purely on economic parameters of success. As corporates have been regarded as institutions that cater to the market demand by providing products and services, and have the responsibility for creating wealth and jobs, their market position has traditionally been a function of financial performance and profitability. However, over the past few years, as a consequence of rising globalization
and pressing ecological issues, the perception of the role of corporates in the broader societal context within which it operates, has been altered.

Business firms are realizing its importance as a tool for dominating the competitive scenario prevailing in the national as well as international market, for customer retention, and sustainable growth by projecting itself as a firm which also focuses on motivational and leadership skills, customer-driven excellence in terms of high quality products and services at the same time providing value for money, organizational and personal learning through regular training programs, treating employees and partners as valuable assets, agility, innovation in products and services, social responsibility, and to develop environmental friendly techniques of production, design, recycle industrial waste-products and conserve natural resources, forest conservation, and customer solutions for Sustainable Business Practices. The Business Organizations affect the employees, customers, suppliers, shareholders, the local community and the environment in various ways. Corporate social responsibility (CSR) allows business organizations to develop responsible attitude toward the society and the environment and to behave ethically and contribute to economic development of the nations.

Stakeholders (employees, community, suppliers and shareholders) today are redefining the role of corporates taking into account the corporates’ broader responsibility towards society and environment, beyond economic performance, and are evaluating whether they are conducting their role in an ethical and socially responsible manner. As a result of this shift (from purely economic to ‘economic with an added social dimension’), many forums, institutions and corporates are endorsing the term Corporate Social Responsibility (CSR). They use the term to define organization’s commitment to the society and the environment within which it operates. The World Business Council on Sustainable Development’s (WBCSD) report was titled Corporate Social Responsibility: Making Good Business Sense and the OECD Guidelines for Multi-National Enterprises which includes a discussion on how CSR is emerging as a global business standard. Further, there is a global effort towards reinforcing CSR programmes and initiatives through local and international schemes that try to identify best-in-class performers.
4.4 CSR: Rationale

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:

4.4.1 Globalization

As a consequence of cross-border trade, 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 maximize the social impact of the investment at local or regional levels.

4.4.2 International Legal Instruments and Guidelines:

In the recent past, certain indicators and guidelines 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 have developed compacts, declarations, guidelines, principles and other instruments that set the tone for social norms for organizations, though these are advisory for organizations and not mandatory. One of the United Nations Millennium Development Goals 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 initiative 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.

4.4.3 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 of corporations, and reduced public confidence in the ability of regulatory bodies and organizations to control corporate excess. This has led to an increasing expectation that companies will be more open, more accountable and be prepared to report publicly on their performance in social and environmental arenas.

4.4.4 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 recognizing 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 organization and create a positive brand-centric corporate culture in the organization. By developing and implementing CSR initiatives, corporates feel contented and proud, and this pride trickles down to their employees. The sense of fulfilling the social responsibility leaves them with a feeling of elation. Moreover, it serves as a soothing diversion from the mundane workplace routine and gives one a feeling of satisfaction and a meaning to their lives.

4.5 Perspective of Corporate Social Responsibility

In the past few years, organizations worldwide have begun to embrace corporate social responsibility both as a social responsibility and competitive advantage. As a HR leaders continue to take greater responsibility and policies, it is useful to reflect upon the drivers of corporate social responsibility strategy and implementation. Given the complexity of corporate social responsibility combined with globalization—such as the potential benefits to society as well as to the company—this discussion requires thoughtful consideration of not only the primary reasons organizations in many countries are beginning to now view corporate social responsibility as a vital part of their business strategy but also a solid understanding to the link between the key drivers and the benefits of corporate social responsibilities and organization's role.

First, evidence of the corporate movement corporate social responsibility is reflected with the following statements. Organizations that exhibit good corporate social responsibility are likely to gain a competitive advantage. Organizations should go beyond money making and continue to broader societal goals. Organizations perform best when they play a strong role in the communities in which they operate.

Second, it is essential to place corporate social responsibility in context regarding its in business today. A number of key drivers are at the root of why companies develop, implement and practice social responsibility. According to study, the top drivers of corporate social responsibility are contribution to society and public relations strategy,
followed by employee activism, health and safety considerations, competitive advantage, and environmental considerations.

In general, globalization will increasingly have an impact on the drivers and the anticipated benefits of corporate social responsibility. However, there is no 'right way' or 'best way' to move forward with corporate social responsibility for all companies and/or countries. Consequently, the motivation toward corporate social responsibility is likely to differ from country to country. In addition, other influences such as societal concerns, cultural perspectives and economic considerations will affect organizational commitment to corporate social responsibility. Geographic location will also have an impact on how companies demonstrate their commitment to corporate social responsibility. For instance, organizations in the United States a goal-driven society are more likely include corporate social responsibility as part of the organization's goals in contrast, companies in Mexico where establishing rapport and relationship is the foundation of society are more likely to include corporate social responsibility in the organization's mission. Companies in Australia with well-developed management practices are more likely to include corporate social responsibility efforts in the organization's annual report than those in China, where Western style management is still in the development stage. These perspectives are vital for organizations to keep in mind when recommending corporate social responsibility initiatives, policies, practices and activities. Further, there is increasing evidence of the importance of corporate social responsibility it is frequently being included in organizational business decisions. All of these factors point to the growing critical mass of corporate social responsibility in organizations across the globe.

Third, corporate social responsibility practices have been found to improve various organizational factors. The majority of these factors, in fact, have a direct link to areas of responsibility, as well as positive outcomes as a result of corporate social responsibility programs. For example, corporate social responsibility is known to improve the company's public image, which in turn leads to brand recognition and consumer confidence. These advantages link directly to talent management initiatives. Specifically, corporate social responsibility practices can position the company as an employer of choice improve employee loyalty, promote recruitment of top talent and even lead to increased workforce productivity. In view of these benefits in addition to a
positive financial bottom line HR will clearly want to promote corporate social responsibility in their organizations. By using these benefits as 'proof' of the value of corporate social responsibility, HR leaders can better promote the importance of corporate social responsibility in their organization's strategy and business goals. In addition, by networking with their HR colleagues in the industry, HR leaders can gain additional information about how corporate social responsibility is positioned in other companies and learn from the challenges encountered in the process.

Fourth, organizations are more likely to implement corporate social responsibility than be involved in strategy development. Yet while the data indicate that HR is among the senior staff groups (e.g., CEO/president, senior management team, employee taskforce/committee) involved with corporate social responsibility strategy creation and implementation, it is up to HR to demand a more public, established and responsible role regarding corporate social responsibility overall. One possible route for the C-suite for corporate social responsibility strategy development might be the collection of relevant metrics regarding corporate social responsibility initiatives. In today's business environment, measuring return on investment is an essential part of demonstrating value. Study indicate that currently less than half of respondents with corporate social responsibility programs calculate the return on investments of these programs, it is most likely that the importance of return on investment will grow exponentially with the acceptance and expectations of corporate social responsibility policies and practices.

In closing, as with the importance to measure other HR initiatives, determining appropriate corporate social responsibility metrics presents with HR with a unique opportunity to take greater responsibility for corporate social responsibility results in their organizations. Thus, by highlighting the drivers and benefits of corporate social responsibility to the executive team, organization's opens the door to a number of possibilities to become more involved in corporate social responsibility initiatives.

4.6 The New Context of Business Organisations for Corporate Social Responsibility

It is worth recalling some trends making up the new frame of reference for enterprises and which may help to gain a better understanding of the context within which CSR itself emerges and develops.
First of all, the great changes in the way of producing goods and services must be taken into account. Technological innovation and globalization, to name but a few factors, have led to changes in the traditional rules of production and distribution of goods and services. We are witnessing a reduction in the weight of certain traditional "hard" factors, such as capital in the narrowest sense, while "soft" type factors, primarily knowledge, are becoming increasingly important. — Moreover, it must underline the increase in human subjectivity, which comes about in terms of a marked pluralism of identities, with strongly differentiated social and cultural orientations that feature the affirmation of values linked to what is by now typically called the "post-modernity" culture. In terms of enterprise, this has led to the development of novel entrepreneurial processes based on the search for the satisfaction of those needs of an immaterial kind that also enable full personal and social actualisation. — It is also to take into account that the transformation of the job market, with a lower dissemination and accessibility of more traditional forms of work, has allowed the opening of opportunities for untypical, flexible and innovative forms of work that are, however, characterised by excessive precariousness and the lack of suitable instruments for safeguarding workers' rights.

Hence there is a resulting increase in business creation, above all, as regards small and very small enterprises, seen, for example, in the growing numbers of entrepreneurs in Europe. Another significant figure is the exponential growth of the number of sole proprietorships compared to partnerships and joint stock companies.

Besides the quantitative increase in people going into business there is also a strong qualitative differentiation of budding entrepreneurs, with a considerable growth, for example, of actors belonging to the so-called "weaker" categories (immigrants, young unemployed people, women, etc.) who, in many cases, are spurred into business by different reasons with respect to the typical aims of an entrepreneur. Although this is not the place for a detailed examination of the causes of these changes, it is, at least, worth highlighting that, in today's economic context, the way of doing business is different from before and it is thus necessary to adapt the very interpretation of the enterprise and of the activities carried out therein, not least the commitment in terms of CSR.
4.7 Corporate Social Responsibility Initiatives by Business Organizations

Corporate Social Responsibility or CSR is gaining prominence and organizations are using CSR strategically to create for themselves an image of “socially responsible organizations” in the minds of their stakeholders. Talk to people in the senior management and they will tell you how deeply committed they are to some or the other social cause. The program of social benefits runs across organizations in different sectors and each is promoting a cause that aligns with the bigger picture of inclusive growth. CSR today is more about involvement with the community and social cause and not just a photographic opportunity for signing up a cheque towards a charitable organization.

According to World Bank Group Corporate Social Responsibility Practice, “Corporate social responsibility is 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”.

Simply out, CSR is corporate’s responsibility to the social context, which is outside immediate stakeholders. While some stakeholders will be involved in implementing any such social cause, the benefits of such initiatives spread across the society at large.

Table 4.1. CSR Initiatives Undertaken by Few Indian Corporates

<table>
<thead>
<tr>
<th>Corporate</th>
<th>CSR Focus and Initiatives</th>
</tr>
</thead>
</table>
| Infosys Technologies | **Infosys foundation:** Through creating opportunities and working towards a more equitable society, the Infosys Foundation has made small, but effective strides in the areas of healthcare, education, social, rehabilitation and the arts. Promoted by Infosys Technologies Limited, the Foundation offers the promise of a better tomorrow, through its projects across India.  
**Focus Areas:** Healthcare, Social Rehabilitation, Learning and Education, Art and Culture.  
<table>
<thead>
<tr>
<th>Company</th>
<th>Description</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hero Honda Motors</td>
<td>Hero Honda Motors takes considerable pride in its stakeholder relationships, especially in ones developed at the grassroots. The company believes it has managed to bring an economically and socially backward region in Dharuhera, Haryana, into the national economic mainstream. Some initiatives taken include: Setting up of Integrated Rural Development Center on Delhi Jaipur Highway, Setting up of Raman Munjal Vidya Mandir – a modern senior secondary school, Raman Munjal Memorial Hospital, Vocational Training Center, Adult Literacy Programs, Marriages of underprivileged girls.</td>
<td><a href="http://www.herohonda.com/co_csr.htm">http://www.herohonda.com/co_csr.htm</a></td>
</tr>
<tr>
<td>ONGC</td>
<td>ONGC takes a proactive approach towards socioeconomic development by identifying projects at the plant level by involving the district administration, local representatives and recognized voluntary organizations. Priority is given to areas around the projects with the following themes: Education, Healthcare and Family Welfare, Community Development.</td>
<td><a href="http://www.ongcindia.com/community.asp">http://www.ongcindia.com/community.asp</a></td>
</tr>
<tr>
<td>Hindustan Lever</td>
<td>HLL is very committed to social and inclusive development of the community. Some of the major projects taken by HLL include: Project Shakti: The project, which aims to empower underprivileged rural women, targets small villages with population of less than 2000 people or less. It provides income-generating opportunities, health and hygiene education through the Shakti Vani program, and creating access to relevant information through the iShakti community portal. Yashodham: Rebuilding Lives – HLL has reconstructed a village in the Bhachau Taluka of Gujarat’s Kachch district. The village, which has been named Yashodham, was dedicated to its 1100 residents in December 2002. The residents belong to Nani Chirai village, which was completely wrecked by the devastating earthquake of January 2001.</td>
<td><a href="http://www.herohonda.com/co_csr.htm">http://www.herohonda.com/co_csr.htm</a></td>
</tr>
</tbody>
</table>
4.8 Drivers of Corporate Social Responsibility in Global Context

Study have identified ten major drivers for CSR in developing countries, as illustrated in figure and discussed below. Internal drivers refer to pressures from within the country, while external drivers tend to have a global origin.

Figure 4.1 Drivers of Corporate Social Responsibility in Global Context

- Cultural Tradition
- Socio-economic priorities
- Governance gaps
- Market access
- International standardization
- Investment incentives
- Stakeholder activism


Cultural Tradition

While many believe CSR is a Western invention (and this may be largely true in its modern conception), there is ample evidence that CSR in developing counties draws strongly on deep-rooted indigenous cultural traditions of philanthropy, business ethics and community embeddedness.

In a Latin American context, varied traditions of community self-help and solidarity stretch back to the region’s pre-Hispanic cultures, and include the mutual aid societies, trade unions and professional associations that emerged in the 19th and early 20th centuries. Looking at more modern applications of CSR, a survey of over 1,300
small and medium sized enterprises in Latin America finds that the region’s religious beliefs are one of the major motivations for CSR. Similarly, Buddhist traditions in Asia are often aligned with CSR.

In an African context, CSR in Nigeria is framed by socio-cultural influences like communalism, ethnic religious beliefs and charitable traditions; the values-based traditional philosophy of African humanism is what underpins much of the modern, inclusive approaches to CSR on the continent.

**Political Reform**

CSR in developing countries cannot be divorced from the socio-political reform process, which often drives business behaviour towards integrating social and ethical issues. For example, the political and associated social and economic changes in Latin America since the 1980s, including democratization, liberalization and privatization, have shifted the role of business towards taking greater responsibility for social and environmental issues.

In South Africa, the political changes towards democracy and redressing the injustices of the past have been a significant driver for CSR, through the practice of improved corporate governance, collective business action for social upliftment, black economic empowerment and business ethics. There are more than a dozen examples of socioeconomic, environmental and labor related legislative reforms in South Africa between 1994 and 2004 that have a direct bearing on CSR.

**Socioeconomic Priorities**

There is a powerful argument that CSR in developing countries is most directly shaped by the socioeconomic environment in which firms operate and the development priorities this creates. For example, CSR in Nigeria is specifically aimed at addressing the socioeconomic development challenges of the country, including poverty alleviation, healthcare provision, infrastructure development and education. This stands in stark contrast to many Western CSR priorities such as consumer protection, fair trade, green marketing, climate change concerns, or socially responsible investments.
Governance Gaps

CSR as a form of governance or a response to governance challenges is discussed at length in the media. However, of particular relevance for developing countries is the fact that CSR is often seen as a way to plug the “governance gaps” left by weak, corrupt or under-resourced governments that fail to adequately provide various social services (housing, roads, electricity, healthcare, education, etc.).

This can be seen as part of a wider trend in developing countries with weak institutions and poor governance, in which responsibility is often delegated to private actors, be they the family, tribal, religious or, increasingly, business. Furthermore, as many developing country government initiatives to improve living conditions falter, proponents of CSR strategies argue that companies can assume this role.

CSR is often an inadequate response to these governance gaps and more proactive involvement in moving local governance towards accountability and inclusiveness is necessary.

Crisis Response

Various kinds of crisis associated with developing countries often have the effect of catalyzing CSR responses. These crisis can be economic, social, environmental, health-related or industrial. For example, the economic crisis in Argentina in 2001-02 marked a significant turning point in CSR, prompting debates about the role of business in poverty alleviation. Others see climate change and HIV/AIDS as crisis that are galvanizing CSR in developing countries.

Market Access

CSR may also be seen as an enabler for companies in developing countries trying to access markets in the developed world. For example, competitive advantage in international markets is one of the key drivers for CSR in Central and Eastern Europe and Asia. Similarly, a survey of CSR reporting among the top 250 companies in Latin America found that businesses with an international sales orientation were almost 5 times more likely to report CSR than companies that sold products regionally or locally.

CSR is also sometimes used as a partnership approach for creating or developing new markets. For example, the AED/NetMark Partnership with Exxon Mobil was created
on the basis of developing a viable market for insecticide-treated mosquito nets in Africa, while improving pregnant women’s access of these nets, through the delivery of targeted subsidies. Similarly, ABB used a partnership approach to CSR for delivering a rural electrification project in Tanzania.

**International Standardization**

Despite the debate about the Western imposition of CSR approaches on the global South, there is ample evidence that CSR codes and standards are a key driver for CSR in developing countries. Growing adoption rates of ISO 14001 and the Global Reporting Initiative’s Sustainability Reporting Guidelines have already been noted.

Often, CSR is driven by standardization imposed by multinationals striving to achieve global consistency among its subsidiaries and operations in developing countries. For example, in Asia, multinational companies are more likely to adopt CSR than those operating solely in their home country, but the profile of their CSR tends to reflect the profile of the country of operation rather than the country of origin.

**Investment Incentives**

The belief that multinational investment is inextricably linked with the social welfare of developing countries is not a new phenomenon. However, increasingly these investments are being screened for CSR performance. Hence, Socially Responsible Investment (SRI) is becoming another driver for CSR in developing countries.

**Stakeholder Activism**

In the absence of strong governmental controls over the social, ethical and environmental performance of companies in developing countries, activism by stakeholder groups has become another critical driver for CSR. In developing countries, four stakeholder groups emerge as the most powerful activists for CSR, namely development agencies, trade unions, international NGOs and business associations. These four groups provide a platform of support for local NGOs, which are not always well-developed or adequately resourced to provide strong advocacy for CSR. The media is also emerging as a key stakeholder for promoting CSR in developing countries.
Stakeholder activism in developing countries takes various forms, which can be classified as civil regulation, litigation against companies and international legal instruments.

**Supply Chain**

Another significant driver for CSR in developing countries, especially among small and medium-sized companies, is the requirements that are being imposed by multinationals on their supply chains. This trend began with various ethical trading initiatives, which led to the growth of fair trade auditing and labeling schemes for agricultural products sourced in developing countries. Allegations of poor labor conditions and human rights abuses in several high profile multinational supply chains in the sporting and clothing sectors were also significant catalysts for greater attention to CSR requirements.

4.9 Major Challenges for the Introduction of Corporate Social Responsibility

While the overall perception of the UNGC in India is quite positive, its practical relevance is now almost negligible. As a rule, a CSR instrument has to address some major challenges that CSR engagement always faces. Assessing the UNGC must therefore include its contribution to tackling the following major challenges:

1. CSR must proof the **business case**, i.e. the financial benefits must outweigh the costs – in the long run at least – to ensure that CSR engagement is financially sustainable.

2. The question of **monitoring, certification and reporting** is crucial for the credibility and reliability of CSR activities.

3. The inclusion of the **supply chain** is another important issue, particularly with respect to the reach of CSR, since many suppliers are SMEs reaching far more people than the relatively few TNCs.

4. **Public policy** can play an important role in promoting CSR since it can provide an “enabling environment.”

For the effective and sustainable introduction of CSR, all these areas must be addressed if businesses are to be motivated to participate (deepening) and more companies are to become involved (broadening). However, the Global Compact’s role in
these areas is now very limited. While the UNGC label was referred to as a relevant business case, the present survey reveals that suppliers and the public sector had been omitted and that verification is also lacking.

4.10 Corporate Social Responsibility through Non Government Organizations

The emergence of the voluntary sector has largely been due to the failure a well as lack of capacity of the government and the market to deliver certain services. The government, with its primary motive being public welfare, makes an attempt to fuel the development process. However, being a large body, it is often slow to respond to the emerging needs of the society. On the other hand, the market, driven by its profit motives, fails to provide such services. The voluntary sector, therefore, bridges the gap between the governmental 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.

Types of Voluntary Organizations

Types of organizations in the voluntary sector also vary significantly on grounds such as Orientation.

Voluntary organizations can have the following orientations.

**Charitable Orientation** Organizations that cater to the needs of the poor.

**Service Orientation** Organizations that provide services such as healthcare or education to the beneficiaries.

**Participatory Orientation** Organizations that work toward designing and implementing developmental and welfare programs with the involvement of the target community.

**Empowering Orientation** Organizations that empower their beneficiaries and create awareness about their social, economic and political rights.

**Thematic Scope**

The aim of voluntary organizations is to improve some aspects of society. Working in this direction, organizations operate in areas such as environment, human
rights, woman and child development, health, water, livelihood generation, water, sanitation, emergency relief and capacity building. Further, voluntary organizations may focus on single issues or a broader and multi-issue portfolio.

**Geographic Coverage**

Voluntary organizations differ largely in their scale of operation. Considering the targeted section of beneficiaries, some organizations operate at a community-based or city level, while other organizations operate at district, state, national or international level.

**Size**

Voluntary organizations differ in their size with regard to the overall employee strength. Some organizations are large, with a large number of employee and full-time, paid staff, while others are small with only a few employees.

**Financial and Management Structure**

Voluntary organizations differ on the basis of their financial structure, primarily by their funding sources and how well they are financially managed. They also differ according to the structure of their management function. While some organizations have a well-defined management structure, others are essentially “one-man” organizations, a phenomenon in the voluntary sector commonly known as “social entrepreneurship”.

**4.11 Models Reviewed**

Before developing the model, literature review revealed the already existing models/frameworks for performance measurement of NGOs.

**Strategic Level Performance Measurement Model**

Judging from the perspective of the previously mentioned stakeholders, the broad parameters that would define the performance (in this context referring to credibility and transparency) of the voluntary organization may be grouped as:

1. Social Impact
2. Program Design
3. Organizational Systems
4. Financial Systems / Management
5. Governance

Social Impact

The social impact of an organization’s programs or services refers to the measurable changes that have occurred in the population, community or social relationships as a result of those developmental activities. This parameter is an essential aspect of analyzing the success of the organization in fulfilling its mission. The main sub-parameters include the present reach of the organization’s programs, the future targeted reach and the social impact assessment initiatives undertaken by the organization.

Program Design

The program design parameter evaluates the various steps undertaken by the organization to make its programs and services a success. While designing programs or services, it is important to have the vision of sustainability. To ensure sustainability, the NGO can take steps such as thorough need assessments, formal planning and development giving priority to innovation, appropriate implementation plans and feedback and sustainability mechanisms. Keeping in mind the fact that sustainability cannot be attained without the willingness of the beneficiaries, this parameter, at every stage of program design, assesses the initiatives of the organization to involve the key stakeholder group, which helps organizations build sustainability into their initiatives.

Organizational Systems

Based on the assumption that the voluntary organization has a legal status, the “Organizational Systems” parameter emanates from the recognition that both credibility and transparency must emerge from the basic systems of the organization. The parameter is an overview of the organization’s (programs and internal stakeholders) orientation to its mission, the organizational structure and its internal processes and personnel policy.
Financial Systems / Management

This parameter is an important performance indicator in any sector. Though felt more in the profit sector, it does not lose its significance or relevance in the 'not-for-profit' sector, not only because it gauges the organization’s health but also because it is a measure of credibility, transparency and accountability to its stakeholders. The parameter is an assessment of the ‘Who’ (Responsibility for Financial Reporting and Audits), ‘How’ (Accounting Procedures, Funding Need Identification and Disclosure), ‘When’ (Financial Reporting) and ‘Where’ (The percentage of funds used for activities not directly related to the program / service) of financial systems and management in the organization being assessed.

Governance

The governance of a voluntary organization in the context of this model refers to the governing body which is crucial to its functioning. This body holds the power and responsibility with respect to the internal functioning and external relations of the organization. The 'governance' parameter comes from the recognition that an effective managerial body is crucial for any organization to achieve its desired results. This parameter comprises three broad sub-parameters, namely the composition, working and the functions of the governing body.

Although concerted efforts have been made to ensure applicability to most organizations falling in the purview of the developmental sector, this model has been developed specifically for operational NGOs and does not apply to advocacy NGOs. Also, it is a self-assessment tool for the organization and requires active involvement from the internal stakeholders to be effective. In the cases where it is used by a third party assessor, the model would remain relevant only if the concerned voluntary organization participates in the performance measurement process.

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 above provides a basis on which the strategic management systems, functions and processes of an organization can be evaluated for their orientation to ensure credibility, accountability and transparency to their stakeholders. Corporates
seeking to partner with an NGO can use the model to assess the performance of the NGO for effective implementation of their CSR programs.

Table 4.2. Models Reviewed

<table>
<thead>
<tr>
<th>Model</th>
<th>Description</th>
</tr>
</thead>
</table>
| NGO MAP¹                                | A model developed to measure the performance of – the efficiency and effectiveness – NGOs.  
**Performance Parameters:** Social Impact, Financial Health and Efficiency, Organizational Factors, and Monitoring and Evaluation. |
| GAP Framework²                          | Global Accountability Project provides a baseline for what is important for organizations seeking to improve their accountability to stakeholders. GAP considers parameters such as transparency, participation of stakeholders, and evaluation of organization progress and complaint and response mechanisms. |
| Credibility Alliance Norms³             | An initiative to enhance accountability, transparency and good governance within the voluntary sector. Established norms classified as Minimum and Desirable Norms and Good Practices. |
| Indian NGOs Credit Rating Model⁴        | A model for credit rating voluntary organizations. The model includes parameters like Organizational Systems, Programs and Services, Financial Aspects and Governance. |
| World Association for NGOs⁵             | WANGO’s Code of Ethics and Conduct for NGO’s is a set of fundamental operational principles and standards to guide the actions and management of NGOs. It proposes standards in the areas of governance, public trust, human resources, financial aspects, fundraising and networking. |
| CRISIL Credit Rating Criteria⁶          | The credit rating models developed by this organization brings out the stark differences between measuring the performance of a product organization and a service organization. |
3. www.credall.org.in
4. www.indiangos.com
6. www.crisil.com

4.12 Corporate Social Responsibility Implementation Framework and Corporate Governance

A well-designed CSR implementation framework integrates economic, social and environmental decision-making throughout a firm from the board of directors to front-line officials and supply-chain partners and is therefore intimately connected with effective corporate governance. A properly governed firm can reap optimal benefits for itself and its shareholders, and in turn for those who are affected by the firm’s activities. At all levels of a firm, inadequate direction and control of its activities and assets can jeopardize its very ability to operate.
### Table 4.3. Corporate Social Responsibility Implementation framework

#### When?  What?  How?

(Conceptual phase)  (Task delineation)  (Checkpoints on the journey)

**Plan**

1. **Conduct a CSR assessment**
   - Assemble a CSR leadership team;
   - Develop a working definition of CSR;
   - Identify legal requirements;
   - Review corporate documents, processes and activities, and internal capacity;
   - Identify and engage key stakeholders.

2. **Develop a CSR strategy**
   - Build support with CEO, senior management and employees;
   - Research what others are doing, and assess the value of recognised CSR instruments;
   - Prepare a matrix of proposed CSR actions;
   - Develop ideas for proceeding and the business case for them;
   - Decide on direction, approach, boundaries and focus areas.

**Do**

3. **Develop CSR commitments**
   - Do a scan of CSR commitments;
   - Hold discussions with major stakeholders;
   - Create a working group to develop the commitments;
   - Prepare a preliminary draft;
   - Consult with affected stakeholders.

4. **Implement CSR commitments**
   - Develop an integrated CSR decision-making
<table>
<thead>
<tr>
<th>Structure</th>
<th>Check 5. Assure and report on progress</th>
<th>Improve 6. Evaluate and improve</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepare and implement a CSR business plan;</td>
<td>Measure and assure performance;</td>
<td>Evaluate performance;</td>
</tr>
<tr>
<td>Set measurable targets and identify performance measures;</td>
<td>Engage stakeholders;</td>
<td>Identify opportunities for improvement;</td>
</tr>
<tr>
<td>Engage employees and others to whom CSR commitments apply;</td>
<td>Report on performance, internally and externally.</td>
<td>Engage stakeholders.</td>
</tr>
<tr>
<td>Design and conduct CSR training;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establish mechanisms for addressing problematic behaviour;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Create internal and external communications;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Make commitments public.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Cross-check: One cycle completed Return to plan and start the next cycle.