

Corporate Social Responsibility: Myths and Reality

Anupam*

Assistant Professor, Thapar University, Patiala, India

Abstract Introduction of globalization and liberalization reinforced the concept of corporate social responsibility. As the global market scenario is changing day by day the business enterprises are looking for making a strong case for their investments to sustain as well as to grow. Now business is not only profit making. Study will through the light on the actual truth behind implementing CSR practices. It's not only the society that is going to be benefited by these practices but business firms too enjoy the benefits. The present work is an attempt to capture the myths and realities behind the concept of social responsibility. Further study will cover the drivers pushing business towards the implementation of CSR practices.

Keywords: Corporate Social Responsibility (CSR), Globalization, Business enterprises,

Introduction

The term CSR stands for corporate social responsibility, which has a broad meaning in itself. Binding business practices with the social responsibility practices is coming into light with the introduction of globalization. The campaign of corporate social responsibility (CSR) has been actively supported by global agencies like the World Bank, OECD and the European commissions. Modern corporations are putting considerable focus on the economy, politics and on society of a nation (Baxi 2006).

India has become the one of the fastest growing economies in the world. With a uproar growth rate, India is becoming focus for international investors to its markets. But is this rise in economic growth and it depends very much on successful business operations? As far as the upliftment of communities is concerned, generation of employment opportunities and economic growth, the government alone cannot be successful success. It is also the primary responsibility of every business organizations to take up social problems and environmental causes and make a difference to communities.

*Corresponding author- anupam@thapar.edu, 9855572517

This is from where corporate social responsibility steps in. There are many factors that enhance the need for the CSR concept as discussed below:

Factors that enhanced the need for CSR identified by Boston College (2005) are:

- Globalization and the associated growth in competition
- Increased size and influence of companies
- Retrenchment/repositioning of government and its roles
- War for talent; companies competing for expertise
- Growth of global civil society activism
- Increased importance of intangible assets.

Accomplishment of corporate social responsibility initiatives or activities in the business organization requires a good feedback policy for effectual implementation of CSR initiatives or to improve the process. To integrate the different perspectives of corporate social responsibility theory into practice requires an excellent intended design and implementation of social responsibility strategies. The business firm or technocrats must align its corporate social responsibility goals or practices with the company's overall goals and policy, so that pursuing corporate social responsibility initiatives becomes as natural as taking customer, companies growth and other perspectives (Maon et al. 2008).

The concept of CSR is not new to India companies like BIRLA and TATA are known for good work in their business operations for decades. Even though the concept is not new to the country, its implementation has been a major concern for years. CSR term might be new but its literal implementation is as old as Indian history. It has been implemented by the sake of social development and by the name of helping the weaker sections of the society; many social initiatives have been taken in India since ancient times. In the past people denote the CSR as: 'dharmmada', 'zakatah' and 'dashaant' these three terms mean that at the end of financial year people will donate some percent of their earnings to some religious place for the growth and development of the place of they will donate the food or money to the people belonging to weaker section of the society. In short, CSR is misunderstood for charity (philanthropy) by a large number of Indian companies. It is merely considered a policy that should be implemented in business operations rather than giving importance to social cause. The important fact is that the terminology or idea behind the concept itself has changed over this time a lot. Previously it was just taken as a philanthropic approach but with the time it's changing to social responsibility. Now, the meanings ascribed to the concept of CSR will also changing continuously to evolve this in tune with the business, politics and social causes and

developments. The impact of globalisation and mass communication also helps in enhancement of the concept. With the globalization or opening up of the markets, increases competition leads in the growth of social responsibility concept. Need of the hour is to make the young technocrats more aware about this concept how they can better learn about CSR practices by reading its theoretical models. Further this study will tells us about different theoretical models of CSR.

This extensive literature on the topic examines the evolution of CSR concept and seeks to identify or develops some of the more common or well-known definitions that have evolved the changes in view point of young technocrats regarding the concept and the context within which these have been used. Some researchers are of the opinion that CSR practices of MNCs are different from their home and host country practices. A corporate social responsibility initiative taken by a multinational corporation in their home country was different and makes a comparison of their efforts in India (Lather, 2007). Study show that there was a significant difference of corporate social responsibility practices of multinationals in India and back home. In the present paper the review is not about an exhaustive list of definitions but main aim is to synthesize the main points regarding the concept in a way that may be useful for the broader discussion of CSR.

“Corporate Social Responsibility (CSR) is a powerful way of making sustainable competitive profit and achieving lasting value for the shareholder as well as for stakeholders. CSR and the reporting thereof is a win-win opportunity, not just for companies and for financial investors, but for society also” (CSR Europe 2003). CSR can affect a variety of stakeholders, including customers, employees and their families, investors, local communities, environmental groups, government, suppliers, and competitors. Indians multinationals like the Tata group, ITC, Ranbaxy, Infosys, and DuPont India, have endeavored to create a better social order. What is significant in these companies is that they initiated the process of CSR from their very doorstep, by providing a better and healthy work atmosphere to employees (Prasad 2006).

Literature review

The notion of companies looking beyond profits to their role in society is generally termed as CSR. It refers to a company linking itself with ethical values, transparency, employee relations, compliance with legal requirements and overall respect for the communities in which they operate. CSR goes beyond the occasional society service action, as it is a

corporate attitude that drives planned decision-making, partner selection, hiring practices and, ultimately, brand development.

Wood (1991) thought that corporate social responsibility is one of the three basic fields of social problem study. According to McWilliams *et al.*, (2006) there is no consensus on a definition for CSR, but despite that diverse interpretations, practice and regulatory mechanisms have emerged. CSR is now a well-known expression for what, in the past, has been a collection of different and yet related terms: corporate philanthropy, corporate citizenship, business ethics, stake holding, community involvement, corporate responsibility, socially responsible investment, sustainability, triple-bottom line, corporate accountability and corporate social performance. CSR goes beyond the sporadic community service deed, as it is a corporate philosophy that drives planned decision-making, partner selection, hiring practices and, ultimately, brand development. The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time (Carroll, 1979).

Traditional theories advocate maximization of shareholder value. Friedman (1970) advocated that “the only one responsibility of business towards society is the maximization of profits to the shareholder within the legal framework and ethical custom of the country.” Modern theorists advocate “value maximization” as (Jensen, 2002) highlights that certain social activities may contribute to the long-term shareholder value of the corporation. Windsor (2006) identifies ethical responsibility, economic responsibility and corporate citizenship. Garriga and Mele (2004) identify four groups of CSR approaches: instrumental, political, integrative and ethical. CSR is a powerful way of making sustainable competitive profits and achieving lasting value for the shareholders as well as for stakeholders. Thus, organizations must build on their corporate values to create an organizational culture that is receptive to change and can sustain a corporate social responsibility strategy over the long run. Business and ethics can be located within society.

CSR is a powerful way of making sustainable competitive profits and achieving lasting value for the shareholders as well as for stakeholders. CSR and the reporting thereof is a win-win opportunity, not just for companies and for financial investors but for society also. Thus, organizations must build on their corporate values to create an organizational culture that is receptive to change and can sustain a corporate social responsibility strategy over the long run (Maon *et al.*, 2009). “Corporate philanthropy provides a mechanism whereby businesses and organizations can contribute to and help the communities which have made

them successful, and can also provide a powerful mechanism for fostering social change” (Kurtzman, 2004). The CSR concept has been around since the early 1970s, yet it only entered mainstream business about ten years or so ago (Deri, 2010). Strategically CSR can become a source of tremendous social progress, as the business applies its considerable resources, expertise and insight to the activities that benefit society (Porter and Kramer, 2006).

The CSR concept has been around since the early 1970s, yet it only entered mainstream business about a decade ago (Deri, 2010). Strategically CSR can become a source of tremendous social progress, as the business applies its considerable resources, expertise and insight to the activities that benefit society (Porter and Kramer, 2006). The need of the hour is to amalgamation of CSR initiatives in to business strategy of the firms. It became another focus of CSR studies as to find out which the geographical limitations, and how it changes concomitantly with changing territorial boundaries (Maignan et al. 2002). From the last two decades the rise in popularity of the term ethical consumerism can be linked to the rise of corporate social responsibility (CSR) concept globally. As the global population is increasing, pressure on limited natural resources for meeting the rising consumer demands is also increasing. Industrialization in many developing countries is booming as a result of technology and globalization (Grace and Cohen, 2005). With the changing market scenario, consumers are also becoming more and more aware about the environmental and social implications, of their day-to-day consumer decisions and are starting to make their purchasing decisions according to products environmental and ethical concerns.

Objectives

The broad objectives of the present research are:

1. To study the literature corresponding to CSR initiatives.
2. To study the factors influencing CSR practices initiatives in the firm.
3. To study the myths and reality of CSR.
4. To indentify the Drivers pushing business towards CSR initiative.

The role among corporate stakeholders to work collectively is exerting pressure on corporations to change. Shareholders and investors themselves, though socially responsible are exerting pressure on corporations to behave responsibly. Now a day’s Non-governmental organizations are also by using the power of the media and the Internet are increasing their

attention towards social corporate behavior. Through education and dialogue, the development of community in holding businesses responsible for their actions is growing.

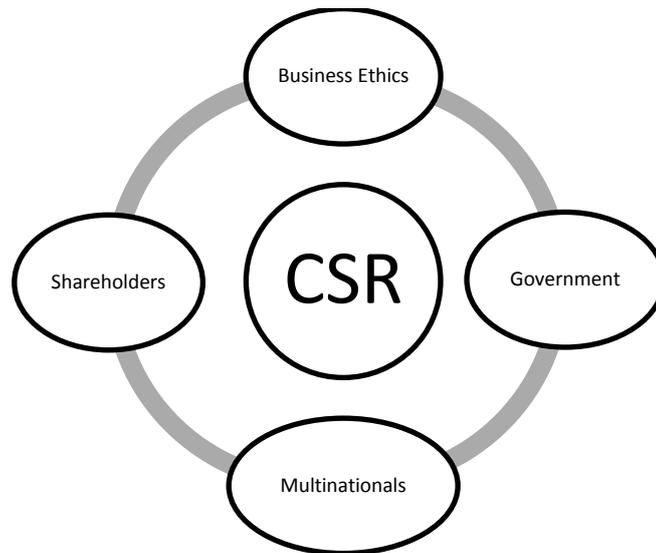


Figure 1: Factors influencing CSR

CSR Myths

Myth 1 - Economic growth is not compatible with CSR

What the Index for Sustainable Economic Welfare and Human Development Index show is that GDP growth and quality of life move in parallel until social and environmental costs begin to outweigh economic benefits. Most developing countries have yet to reach this divergence threshold. For them, economic growth and the expansion of business activities is still one of the most effective ways to achieve improved social development, while environmental impacts are increasingly being tackled through leapfrog clean technologies.

Myth 2 - Multinationals is the biggest CSR sinners

On the ground in most countries, multinationals are generally powerful forces for good, through their investment in local economies, creation of jobs, upgrading of infrastructure, provision of basic services and involvement in community development and environmental conservation. The cumulative social and environmental impacts of smaller companies, which operate below the radar of the media and out of reach of the arm of the law, are typically far larger than that of the high profile multinationals.

Myth 3 - Multinationals is the biggest CSR saviors

Not only do large companies have limited influence over government policy, but most multinationals, despite large capital investments, provide only a minuscule proportion of the total employment in developing countries. The real potential saviors are small, medium and

micro enterprises (SMMEs), including social enterprises, which are labour intensive and better placed to effect local economic development. If the social and environmental impacts of these SMMEs can be improved, the knock on benefits will be proportionally much greater than anything that multinationals could achieve on their own.

Myth 4: Developing countries are anti-multinational

Developing countries are often caught in a no-man's land of under-development in a competitive, monetized, global economy, and the sooner they can modernize and integrate, the better for them. Most often, developing country communities welcome multinationals and their CSR initiatives. This is not the same as saying that the developing world should repeat the past mistakes of the developed countries, such as highly polluting industrialization, nor that multinationals should not be required to be responsible and held accountable.

Myth 5: CSR is the same the world over

One of the biggest fallacies is that, in a globalised world, CSR can somehow conform to a unitary model. Of course, we need universal principles, like the Global Compact, and perhaps even process frameworks, like ISO 14001. But standardized performance metrics, like those of the Global Reporting Initiative and the numerous sustainability funds and indexes, start to tread on shaky ground. The tendency is for developed country priorities to receive emphasis and for northern NGO agendas to dominate.

Myth 6: Developed countries lead on CSR

There are countless examples of how developing countries are proving themselves highly adept at delivering the so-called triple bottom line of sustainability, namely balanced and integrated social, economic and environmental benefits. It is actually not surprising, since in developing countries, these three spheres are seldom separable – economic development almost inevitably results in social upliftment and environmental improvement, and vice versa.

Myth 7: Codes can ensure CSR

The past few years have seen a mushrooming of corporate responsibility codes, standards and guidelines. This standardisation trend is both inevitable and necessary in a globalizing world which is desperately searching for an alternative to command-and-control style business regulation in order to satisfy the governance and accountability void which still exists. But it would be a big mistake, for either companies, or civil society, or regulators to assume that this codification bears much relation to relevant and appropriate CSR practices at grassroots level. (Dr Wayne Visser)

Reality behind CSR initiatives

Lack of awareness

It is clear that many organizations have limited awareness of what CSR is or of the external drivers that are pushing CSR along supply chains. There are some organizations where a greater level of understanding of CSR issues and practices exist. However, in these cases there is often a lack of understanding about where to begin the process of implementing some kind of CSR programme.

Multiple requirements and competing codes of conduct

Many managers see CSR as just one more thing to do. They complain that they already have to deal with quality issues (and in some cases compliance to quality standards), health and safety requirements and a whole host of other legally mandated requirements. They point out the need to spend large amounts of time preparing for audits and inspections.

Procurement practices

Tensions and a lack of dialogue between CSR managers and procurement departments is something that many CSR managers will openly admit to. Price is of course an issue and it is true that companies concerned about CSR want good CSR practices, good quality, delivery on time, and a low price. Of course, it should be the combination of all those things that matter but there is still a need to be working more closely with procurement departments to make sure they really are committed to that idea. There may be a role for some sort of CSR certification for procurement managers.

Corporate social responsibility does not mean only social responsibility restricted to donations etc. but it's much more than that. It's clear from Carroll's and Lantos' classification as follows:

- i. Economic responsibilities: be profitable for shareholders, provide good jobs for employees, and produce quality products for customers.
- ii. Legal responsibilities: comply with laws and play by rules of the game.
- iii. Ethical responsibilities: conduct business morally, doing what is right, just and fair, and avoiding harm.
- iv. Philanthropic responsibilities: make voluntary contributions to society, giving time and money to good works.

According to Lantos' the classification is as follows:

- i. Ethical CSR: morally mandatory fulfillment of a company’s economic responsibilities, legal responsibilities, and ethical responsibilities.
- ii. Altruistic CSR: Fulfillment of an organization’s philanthropic responsibilities, going beyond preventing possible harm (ethical CSR) to helping alleviate public welfare deficiencies regardless of whether or not this will benefit the business itself.
- iii. Strategic CSR: fulfilling those philanthropic responsibilities which will benefit the company through positive publicity and goodwill.

The CSR concept evolved despite inevitable scepticism (Friedman, 1962). Throughout the sixties and seventies, most of the studies attempt to define distinctive features and rules of CSR (Manne and Wallich, 1972). Despite much divergence, all of them agree that socially responsible companies have to act voluntarily to conform to CSR paradigms, beyond legal prescriptions (Davis, 1973).

Following table explains the different drivers pushing business towards corporate social responsibility practices:

| Table 3: Drivers pushing business towards corporate social responsibility | | |
|--|-------------------------------|--|
| Factors | CSR and Multinationals | Philanthropy and Community Investment |
| Enhanced Reputation | Experimentation | Improved |
| Alliance with business partner | Futuristic | New Opportunities |
| Better stakeholder relationships | Quick Decisions | Better Decisions |
| Attractive employer | High | Moderate |
| Customer satisfaction- loyalty | High | Considerable |
| New business opportunity | Strategic | Tactical |
| Cost savings | High | Moderate |
| Minimize risks | Quantitative | Quantitative & Qualitative |
| Reduced regulatory interventions | Relatively Difficult | Easy |

Kiran & Sharma (2011)

Conclusion

This research has portray the real picture of corporate social responsibility practices opted by business organizations or companies. Due to globalization and liberalization concept of corporate social responsibility is coming more into light. Now companies have started binding business practices with the social responsibility practices. In comparison to foreign

multinationals India is still lagging behind in the implementation of social responsibility practices, so Indian organizations also have to take one step forward for implementing corporate social responsibility practices. We can conclude that by opting for corporate social responsibility practices firms will be able to distinguish between myths and reality of corporate social responsibility practices and corporate houses will also be able to enhance their market reputation and social image. Finally in the long run society and business firms will be benefited by all these practices.

According to Pradhan and Ranjan (2010) CSR initiatives in India are classified under five areas: livelihood, health, education, environment and infrastructure. Corporate's have played a dominant role in addressing issues of education, health, environment and livelihoods through their corporate social responsibility interventions across the country. In order to push the development agenda in a mission mode, it is recommended that realistic and operational models of engagement between all three important stakeholders – the Government, the non-governmental firms and the private sector – are required (Times foundation).

References

- Agarwal, S.K. (2008). Corporate Social Responsibility in India, Business books from SAGE, New Delhi.
- Banerjee, S.B., Lyer, E.S. and Kashyap, R K (2003),. Corporate Environmentalism: Antecedents and Influence of Industry Type. *Journal of Marketing*, Vol.67, pp 106-122.
- Blyth, A. (2005). Business behaving responsibly. *Director*, vol. 59, no. 1, pp. 30.
- Baxi, C.V.(2006). Corporate Social Responsibility concepts and cases: The Indian Experience. Excel Books, New Delhi.
- Blomback, A. and Wigren, C.(2009). Challenging the importance of size as determinant for CSR activities. *International Journal Of Management Of Environment Quality*, Vol.20, No. 3, pp 255-270, Retrieved From Emerald database.
- Carroll, A. B. (1999). Corporate social responsibility – evolution of a definitional construct. *Business and Social Review*, Vol. 38, No.3, pp.268-295.
- Carroll, A.B. (1993). Business and Society: Ethics and Stakeholder Management. Edition South Western Publishing U.S.A., Cincinnati.
- Chaudhary, N.K(2009). Facilitators & Bottlenecks of Corporate Social Responsibility. *The Indian Journal of Industrial Relations*, Vol.44, No.3, pp 387-393.

- Davis, K. (1973). The Case for and against Business Assumption of Social Responsibilities. *Academy of Management Journal*, 16(2), 312–322.
- Deri, C. (2010). *Global practice leader and corporate and public affairs, the changing face of CSR*. Remarks by Chris Deri, Executive vice president for Edelman’s CSR/sustainability.
- Friedman, M. (1962). *Capitalism and Freedom*. University of Chicago Press, Chicago.
- Friedman, M. (1970). The Social Responsibility of Business is to Increase its Profits. *New York Times Magazine*, 32(33), 122-126.
- Fukukawa, K. and Teramoto, Y. (2009). Understanding Japanese CSR: The reflections of managers in the field of global operations. *Journal of Business Ethics*, pp 133-146.
- Garriga, E., and Mele, D. (2004). Corporate Social Responsibility Theories: Mapping the Territory. *Journal of Business Ethics*, 53(1), 51–71.
- Jensen, M.C. (2000). Value Maximization, Stakeholder Theory, and the Corporate Objective Function’, in M. Beer and N. Nohria (eds.), *Breaking the Code of Change* (Harvard Business School Press, Boston), pp. 37–58. Reprinted (2002). Value Maximization, Stakeholder Theory, and the Corporate Objective Function. *Business Ethics Quarterly*, 12(2), 235–256.
- Krishnan, S.K. and Balachandran, R. (2004). Corporate Social Responsibility as a determinant of market success: An exploratory analysis with special reference to MNCs in emerging markets. At IIM K- NASMEI International Conference.
- Kurtzman, C. (2004). *Giving Back and the Value of Strategic Corporate Philanthropy*. Remarks by Cliff Kurtzman, Executive Director, My City Rocks Corporation.
- Kiran, R., and Sharma, A. (2011). Corporate social responsibility: a corporate strategy for new business opportunities. *Journal of International Business Ethics*, 4(1), 10-17.
- Lantos, G. P. (2002). The ethicality of altruistic corporate social responsibility. *Journal of Consumer Marketing*, Vol. 19 No. 3, pp. 205-230.
- Lewicka, A. and Strzalecka, (2006). Opportunities and limitations of CSR in the post communist countries: Polish case. *Emerald Group Publishing*, Vol.6, No. 4, pp 440-448.
- Lather, A.S. (2007). The case of multinational corporations: Their Corporate Social Responsibility in India and back home. *Journal of Management and IT*, 5(3), 48-64.
- Manne, H.G., and Wallich, H. C. (1972). *The Modern Corporation and Social Responsibility*. American Enterprise Institute for Public Policy Research, Washington, DC.
- McWilliams, A., and Siegel, D. (2001). Corporate Social Responsibility: A Theory of the Firms Perspective. *Academy of Management Review*, 26(1), 117–127.

- Maignan, I and Ferrell, OC (2004). Corporate Social Responsibility and Marketing: An Integrative Framework. *Journal of the Academy of Marketing Science*, vol. 32, no. 1, pp. 3-19.
- Maon, Francois, Lindgreen, Adam and Swaen, Valerie (2008). Designing and Implementing Corporate Social Responsibility: An Integrative Framework Grounded in Theory and Practice. *Journal of Business Ethics*, Vol. 87, Supplement 1, pp. 71-89.
- McWilliams,
- Maon, F., Lindgreen, A., and Swaen, V. (2009). Designing and implementing Corporate Social Responsibility: An integrative framework grounded in theory and practice. *Journal of Business Ethics*, 87, 71-89.
- Nielsen, A.E. and Thomson, C. (2009). Corporate Social Responsibility communication in small and medium-sized enterprises. *International Journal of Corporate Communication*, Vol.14, No. 2, pp 176-189, Retrieved From Emerald database.
- Pradhan and Ranjan. (2010). Corporate Social Responsibility in Rural Development Sector: Evidences from India. *European Union Journal*.
- Pederson, E.R.(2009). Modeling CSR : How managers understand the responsibility of business towards society. *Journal of Business Ethics*.
- Porter, M.E. and Kramer, M.R. (2006). Strategy and society: The link between competitive advantage and Corporate Social Responsibility. *Harvard Business Review*, pp 78-92.
- Ramasamy, B. and Yeung, M. (2009). Chinese Consumers Preception of Corporate Social Responsibility. *Journal of Business Ethics*, pp 119-132.
- Visser, W. (2008). CSR Myths: Popular Misconceptions on Corporate Sustainability and responsibility, *CSR Inspiration Series*, No. 4.
- Wood, D. J. (1991). Corporate social responsibility revisited. *Academy of Management Review*, 16, 619-718.
- Wanderley, L.S.O., Lucian, R., Farache, F. and Filho, J.M.d.S. (2008). CSR Information Disclosure on the Web: A Context-Based Approach Analysing the Influence of Country of Origin and Industry Sector. *Journal of Business Ethics*, Vol.82, pp 369-378.