

Why Social Responsibility of Business

- **Dependence of business on society (Law of Responsibility)**
- **Achievement of Long-term Objectives**
- **Change in public expectations**
- **Concept of corporate citizenship**
- **Fear of loss of goodwill and reputation**
- **Pressure from different groups**

Conceptualising CSR

Conceptualising CSR

- Corporate Philanthropy
- Giving Back to the Community
- Meeting Pre-conditions set by society
- Holding Business Accountable
- Building Social Infrastructure
- Creating Business Value
- Corporate Sustainability

What is CSR?

- The voluntary actions that business can take, over and above compliance with minimum legal requirements, to address both its own competitive interests and the interests of wider society.
- An organisation's obligation to maximise its positive impact and minimise its negative impact on society.

Definition of CSR

- Philip Kotler and Nancy Lee define CSR as “a commitment to improve community well-being through discretionary business practices and contributions of corporate resources”
- Harvard’s Kennedy School of Business defines CSR as “CSR encompasses not only what companies do with their profits, but also how they make them. It goes beyond philanthropy and compliance and addresses how companies manage their economic, social, and environmental impacts, as well as their relationships in all key spheres of influence: the workplace, the marketplace, the supply chain, the community, and the public policy realm.”

Definitions.....

- **World Business Council for Sustainable Development** “CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.”
- **Archie Carroll** in 1991 describes “CSR as a multi-layered concept that can be differentiated into four interrelated aspects – economic, legal, ethical and philanthropic responsibilities.”

Corporate Philanthropy

- The act of corporations donating some of their profits or resources to charitable causes

Cash donations or In-kind donations

Corporate Philanthropy V/S Corporate Social Responsibility

- It was the most common strategy
- Both help define a company's reputation and image
- Philanthropy has a narrower limited scope and is a part of the CSR. Corporate social responsibility, on the other hand, has a much broader scope. It not only deals with corporate philanthropy but also other issues that affect the environment, consumers, human rights, supply-chain sustainability and transparency for the benefit of the society at large.
- Corporate philanthropy may impact only a small group of people.

Philanthropy is doing Good to others

- CSR wider perspective, focus on 3 Ps – Profits, People and Planet. Philanthropy focus on charitable activities, human causes
- CSR focus on long-term sustainability. Philanthropy on short-term viability
- CSR meeting the expectation of stakeholders. Philanthropy efforts are voluntary in nature.

Corporate Sustainability

- a business approach that creates long term value for the company by incorporating economic, environmental and social dimensions into its core business decisions
- to reduce the negative effects they have on people, the environment, and on the economies where they operate.
- is to ensure the longevity of company by incorporating economic, social and environmental aspects into corporate values, governance, policy formulation, operations and reporting.

Corporate Sustainability

The Brundtland report in 1987 defined CS as *"development that fulfills the needs of the present without limiting the potential for meeting the needs of future generations"*.

Development that seeks to be continuous

Now it includes social and economic components as well

A corporate behaviour or action can be socially responsible without any connection with sustainability (CSR is culture driven and socially constructed)

CSR and Sustainability

CSR defines the social responsibilities of a corporation which, if implemented, will lead to the corporation being sustained. CSR may be considered as a tool and way of doing business towards sustainable development.

CSR (Tool)

**Sustainable Development
(Goal)**

Pillars of Corporate Sustainability

- **Economic Sustainability**
- **Social Sustainability**
- **Environmental Sustainability**

Three pillars of corporate sustainability are commonly referred to as 'the triple bottom line' (TBL) and these are interlinked.

CSR and Ethics

- Ethics- moral principles & standards guide a business behaviour
- CSR- Obligation to max positive impact and min negative impact on society
- CSR multidimensional – Eco, Legal, Ethical and Philanthropic (desired of business by society, contribution to community development)
- Ethical responsibilities behaviour or conduct expected by society, not codified by law

CSR and Ethics.....

- **Ethics**-operating a co on principles of integrity, respect, transparency, fair treatment

What is right, norms and values

Cannot be imposed

Developed over time & internalised

Less tangible; not reported

- **CSR** more concerned with meeting the aspirations of key stakeholders

Expression & application of values

CSR (Doing ethical things); Ethics (Doing things ethically)

Relationship between CG and CSR

Good governance is primarily about values rather than rules. CSR is an external expression of those values.

Corporate Governance as a Pillar of CSR Effective CG system, Board of Directors

CSR as a Dimension of Corporate Governance complying essential norms of society, responsibility and relationship

CSR and CG are Complementary and Mutually Reinforcing unlawful conduct, undesirable activities, CSR what to do, CG how to do

CSR and Corporate Governance

Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society.....Cadbury Committee

Why CSR?

- Help attract and retain members.
- Enhance innovation in the sector
- Build positive government and NGO relations.
- Fulfill association goals.
- Build industry reputation and brand.
- Enhance employee recruitment and retention.

Why not CSR?

- May take management focus away from core business activity.
- May appear cosmetic – without genuine social benefit.
- Restricts the free market goal of profit maximization (Dilution of Profit Maximisation)
- Taxation arguments
- Business is not equipped to handle social activities.
- Limits the ability to compete in a global marketplace.

Carroll's Model of CSR

- CSR as a multi-layered four inter-related aspects
- “corporate social responsibility involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. To be socially responsible then means that profitability and obedience to the law are foremost conditions when discussing the firm's ethics and the extent to which it supports the society in which it exists with contributions of money, time and talent”
- CSR encompasses the economic, legal, ethical and discretionary (philanthropic) expectations that society has of organizations at a given point in time

Corporate Social Responsibility (CSR)

Understanding the Four Components

| Responsibility | Societal Expectation | Examples |
|--|-----------------------------|---|
| Economic | Required | Be profitable. Maximize sales, minimize costs, etc. |
| Legal | Required | Obey laws and regulations. |
| Ethical | Expected | Do what is right, fair and just. |
| Discretionary (Philanthropic) | Desired/ Expected | Be a good corporate citizen. |

Carroll's CSR Pyramid



Stakeholders Model

- Developed by Edward Freeman
- Corporations are operated/ought to be operated for the benefits of those who have a stake in the enterprise
- Stakeholders are vital to the survival and success of the corporation

Shareholders; Employees; Customers;
Suppliers; Government; Society

Limitations of Stakeholders Model

- Not necessarily leads to Long-term Profitability
- Other Groups are the constraints on corporate activities- means of achieving profits
- Cannot be guide to action- conflicts, non-alignment
- Against the Principle of accountability

CSR in India

- ❑ Every company having net worth of Rs 500 crore or more, or turnover of Rs 1000 crore or more or a net profit of Rs 5 crore or more during any previous financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

- ❑ formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company; and
monitor the Corporate Social Responsibility Policy of the company from time to time.

CSR Spending

at least 2 per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy;

if the company fails to spend such amount, the Board shall, in its report specify the reasons for not spending the amount.

CSR Activities

- eradicating extreme hunger and poverty
- promotion of education;
- promoting gender equality and empowering women;
- reducing child mortality and improving maternal health;
- combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- ensuring environmental sustainability;
- employment enhancing vocational skills;
- social business projects;
- contribution to the Prime Minister's National Relief Fund or any other funds.

Preference to the local area and area around it where it operates for spending the amounts earmarked for CSR activities.

Through trusts, societies or non-profit companies set up by them or through outside not-for-profit organizations or may also collaborate or pool resources with other companies.