Recent development in CSR and Policy Implications

Corporate social responsibility (CSR) is a self-regulating business model that helps a company be socially accountable—to itself, its stakeholders, and the public. By practicing corporate social responsibility, also called corporate citizenship, companies can be conscious of the kind of impact they are having on all aspects of society, including economic, social, and environmental.

To engage in CSR means that, in the ordinary course of business, a company is operating in ways that enhances society and the environment, instead of contributing negatively to them.

Corporate social responsibility is a broad concept that can take many forms depending on the company and industry. Through CSR programs, philanthropy, and volunteer efforts, businesses can benefit society while boosting their brands.

As important as CSR is for the community, it is equally valuable for a company. CSR activities can help forge a stronger bond between employees and corporations; boost morale; and help both employees and employers feel more connected with the world around them.

Recent developments influencing the application of social responsibility concepts to international business derive from many different sources that comprise the stakeholders of TNCs, as well as from the corporations themselves. The major new development, at least in developed countries, is a proliferation of groups representing general public or specific issue interests that utilize a wide array of public pressure tactics, intermingled with instances of more direct dialogue, to promote an activist view of TNC duties towards an expanding agenda of social responsibility objectives. An expanding number of private enterprises are creating and/or revising individual statements of business principles or codes, although this group would still constitute only a small percentage of the total TNC community. Collective business organizations have adopted a mixed approach. Some sectoral groups actively responded to social responsibility pressures with industry-specific initiatives, while most organizations take a more cautionary approach, with the notable exception of a new statement on environmental principles.

Governments continue to use international organizations to promote guidelines or codes of conduct on issues or in sectors in which international consensus is insufficient to support more

precise legal standards. Only occasionally do national governments individually endeavor to develop TNC social responsibility initiatives.

1. Sustainability profession - Back to school

Sustainability practitioners will be demanded by departments throughout an organization to strengthen organizational culture around sustainability. The Financial department, Procurement, Communications, R&D, investor relations, etc. will want a sustainability expert among their ranks, working side-by-side, answering questions, leading programs and informing policy throughout the corporate structure. Many corporate leaders and CSR professionals will find themselves in training classes and peer-to-peer dialogues in order to keep abreast of changes and best practices in governance and accountability. Expect to see more formal classes in CSR and sustainability like executive educations courses at Harvard Business School, Wharton School of Business as well as increased offerings for emerging professionals like the Institute for Corporate Social Responsibility at Johns Hopkins University or Cambridge Institute for Sustainable Leadership.

2. Increased Transparency

Demands for disclosure for companies to reveal what's under the hood of their businesses have become commonplace among consumers. This CSR trend is partly in response to heightened regulatory oversight such as the European Union's noteworthy General Data Protection Regulation (GDPR). It is also partly a result of ever-increasing availability of almost instantaneous information, and consumer and shareholder demands of once behind-the-scenes information. As part of a business model that embraces corporate social responsibility, companies are sharing more environmental, social and governance disclosures.

Consumers are no longer satisfied with shady business dealings and hidden agendas but are demanding to know more about previously internal matters. For example, even workers at places like Google have openly protested the company's bid on a cloud computing contract with US Customs and Border Protection. Just as nonprofits are subject to rigorous impact reporting, financial transparency, and accountability, increased transparency is a CSR trend that will only grow in coming years.

3. Ethical product lines and packaging

There is increasing number of brands investing in creating ethically sourced, sustainable product lines, such as Topshop's 'Reclaim to Wear' collection, L'oreal's vegan hair-care line and Coca-Cola's Honest Tea line. We can assume this is to ensure they can maintain the loyalty of the ever-conscious Millennial consumer, and can compete with new brands, such as Matt & Nat who are trading on the specific USP of creating 'good' products.

However, it's working:

- Unilever reported that their sustainable brands (one of which is Pukka organic teas) grew 40% faster than the rest of the business in 2016.

- Procter & Gamble have committed to introducing 25% recycled plastic across 500 million bottles sold yearly across its haircare brands.

- Coca-Cola have also responded to plastic pressure and raised their 2020 recycling target to 50%.

In the world of supply and demand, it can't be a bad thing that the demand is there and companies are striving to meet it. It looks like the sustainable and ethical approach is only going to keep on growing as the demanding and morally-minded Millennials and their younger counterparts continue to question and pressure the system that keeps it.

4. Green Technology

Gone are the days of rampant resource usage without any accountability or thought toward replenishment. Climate change continues to drive many conversations in the corporate world, and multiple trends in CSR intersect at this topic. As available natural resources are rapidly depleted and our world reaches a tipping point of a two-degree rise in average temperature, socially responsible companies are investing in green technologies, reducing their reliance on non-renewable resources, and looking to more sustainable inputs to do business.

Whether it's fashion companies looking into alternative fabrics such as eucalyptus or recycled water bottles, producing clean emissions through more rigorous machinery emissions tests, or

simply getting certifications like LEED for their buildings, green technology will certainly be a growing trend for businesses looking to enhance their corporate social responsibility.

5. Diversity and Inclusion

As the issue of economic inequality rises to the forefront of many political debates, so does the issue increasingly press upon corporations. Recognition of inequalities in pay and economic burdens of employees is an emerging trend in corporate social responsibility. Pay equity between males and females, measuring the difference in income between the highest-paid and the lowest-paid worker at a company, and making sure that there is a diverse staff base have become key priorities of the best companies in the world.

Corporate social responsibility initiatives such as intentionally recruiting candidates from difficult economic or educational backgrounds ultimately empowers local talent, brings diverse voices to the table, and is a trend that's here to stay.

6. Corporate Activism

Corporate CEOs are progressively standing up for social issues they personally care about, catalyzing a trend of corporate activism that we predict will rise to new levels in 2020. Business leaders, from Apple's Tim Cook to Starbucks' Howard Schultz to CEOs of small and mid-sized companies, have become very vocal on important societal issues and are wielding the power of their organizations to address those issues in how they operate and invest. And research suggests that corporate activism increases hiring competitiveness, employee loyalty, and long-term sales. Ninety million Americans consider themselves "conscious consumers" and 72% of consumers said they will "actively seek a brand that aligns with their values if price and quality are equal." Today's Millennial-dominated workforce wants to work for companies whose leaders advocate for important societal issues.

Roughly 84% of professionals favor "CEOs taking public positions on hotly debated current issues" and 79% of tech professionals stated they would "be more loyal to their organizations if their CEOs took public positions on issues." — 2018 Weber Shandwick poll of professionals across the US, Brazil, Canada, China, India, Mexico, and the UK.

7. Transportation

Transportation is moving toward greater efficiency using established methods of better scheduling, on-demand delivery, and computer-assisted routing. These are well established trends. What is **new** is the growing awareness that climate change will change transportation dynamics. The industry is experimenting with significantly low-fuel and even no-fuel options to lower carbon footprint.

Policy Implications

1. Good CSR practices need framing of code of conduct:

Framing 'Code for good CSR practices' requires extensive deliberations among various stakeholders. The key stakeholders are management of corporate entity/body, employees of corporate body, government regulatory authority, members of community and Non-Governmental organizations. A professional consultancy organization, too, may be involved in the exercise. Spiritual leader/organization, too, may be involved in the process to ensure that ethical considerations are given due weightage in 'framing of good CRS code'. The process for development of 'Code for good CSR practices' may commence with a discussion session on CSR during regular training /orientation/on-job training programmes taken by the corporate body/company.

Discussion on CSR code would bring desired awareness among the companies and their employees, too. Subsequently, workshops may be organized at regional levels by Chambers of Commerce. During workshop, the CSR practices followed by few select companies may be discussed in details. It would be better if a survey/impact evaluation study, too, is carried out by a third party agency to evaluate the impact of various CSR programmes launched/implemented by the companies in the region and the key findings of the survey are presented during workshop. Finally, a national level seminar/workshop may be organized for discussing the findings of regional workshops and finalizing the code for good CSR practices. However, it should be kept in mind that any code of ethics is to be implemented by people only and hence, ultimately the onus lies on the ethics of the people who are responsible for drafting the code of ethics.

2. CSR practice need legal back up, apart from voluntary philanthropy:

Although the forced changes do not bring lasting solution, there is need for consensus on basic objectives and purposes of CSR and common strategy for the same. Once this consensus is achieved, law makers can work for necessary amendment in Companies Act and CSR may be made compulsory for all corporate citizens (provided they have profit). Such legal sanctity may boost CSR activities in the country. The suitable provisions may be made in the Companies Act, 1956 (and amendments thereafter) to make CSR mandatory for all companies and certain percentage (say 1 to 3%) of net profit may be earmarked for the CSR activities.

3. CSR should be synergy of government -private –social organizations:

Government, Business Associations (CII, FICCI etc.), Spiritual organizations, Gandhian Institutions and other social organizations may come together to form the lasting strategy for effective CSR and decide modus operandi for the same. Only backward areas should be earmarked for CSR activities. Such area – villages/ taluka/district should be adopted by reputed corporate body or a cluster of corporate bodies. However, they must be supported by Government Agency, too. It would be ideal if government fund is supplemented by fund provided for CSR activities by corporate bodies. It will have 'synergy effect'. Such an approach would be in line with Gandhian Principle of Trusteeship. However, the association should be voluntary. Non- Governmental Organizations (NGOs), too, may be made party to such association. All three agencies – Government or their Agencies, NGOs and Corporate bodies, will work together to make the society prosper.