5.3 Corporate Social Responsibility

Corporate social responsibility (**CSR)** is a form of corporate self-regulation integrated into a business model. In simple words, CSR is the social activities performed by the businesses to correct/upgrade their image in the society that they are operating.

CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active activities with the spirit of the law, ethical standards and national or international norms. The aim is to increase long-term profits through positive public relations, high ethical standards to reduce business and legal risk, and shareholder trust by taking responsibility for corporate actions. CSR strategies encourage the company to make a positive impact on the environment and stakeholders including consumers, employees, investors, communities, and others.

Corporate social responsibility (CSR) promotes a vision of business accountability to a wide range of stakeholders, besides shareholders and investors. Key areas of concern are environmental protection and the wellbeing of employees, the community and civil society in general, both now and in the future.

5.3.1 Ethical Issue

Corporate Social Responsibility is an ethical issue nowadays, that means businesses and individuals are accountable to do their civic and social duties. Businesses emerge in a society, they operate in the society and gain profit from the society. It is their moral and ethical responsibility to contribute something (monetary or voluntary) to the well-being of the society. In this way, there will be a balance between economic growth and the welfare of society and the environment. If this equilibrium is maintained, then social responsibility is accomplished.

The concept of corporate social responsibility is built on a system of ethics, in which decisions and actions must be ethically validated before proceeding. If the action or decision causes harm to society or the environment then it would be considered to be socially irresponsible.

The theory of social responsibility and ethics applies in both individual and group capacities. It should be incorporated into daily actions/decisions, particularly ones that will have an effect on other persons and/or the environment. Businesses have developed a system of social responsibility that is adjusted to their company environment. If social responsibility is maintained within a company than the employees and the environment are held equal to the company's economics. Maintaining social responsibility within a company ensures the integrity of society and the environment are protected.

5.3.2 Issues on Employment Practices

CSR seems easier to implement as businesses see positive effects on the society and their businesses as well. But there are several issues when CSR is implemented in the corporate environment. Some of the issues and challenges on CSR practice are as follows

a. **Lack of Community Participation in CSR Activities:** There is a lack of interest of the local community in participating and contributing to CSR activities of companies. This is largely attributable to the fact that there exists little or no knowledge about CSR within the local communities as no serious efforts have been made to spread awareness about CSR and instil confidence in the local communities about such initiatives. The situation is further aggravated by a lack of communication between the company and the community at the grassroots.

b. **Need to Build Local Capacities:** There is a need for capacity building of the local non-governmental organizations as there is serious requirement of trained and efficient organizations that can effectively contribute to the ongoing CSR activities initiated by companies. This seriously compromises scaling up of CSR initiatives and subsequently limits the scope of such activities.

c. **Issues of Transparency:** Lack of transparency is one of the key issues on implementation of CSR. There is an expression by the companies that there exists lack of transparency on the part of the local implementing agencies as they do not make adequate efforts to disclose information on their

programs, audit issues, impact assessment and utilization of funds. This lack of transparency negatively impacts the process of trust building between companies and local communities.

d. **Non-availability of Well Organized Non-governmental Organizations:** There is also non-availability of well-organized nongovernmental organizations in remote and rural areas that can assess and identify real needs of the community and work along with companies to ensure successful implementation of CSR activities.

e. **Visibility Factor:** The role of media in highlighting good cases of successful CSR initiatives is welcomed as it spreads good stories and sensitizes the local population about various ongoing CSR initiatives of companies. This apparent influence of gaining visibility and branding exercise often leads many nongovernmental organizations to involve themselves in event-based programs; in the process, they often miss out on meaningful grassroots interventions.

f. **Non-availability of Clear CSR Guidelines:** There are no clear cut governmental and statutory guidelines or policy directives to give a definitive direction to CSR initiatives of companies. It is found that the scale of CSR initiatives of companies should depend upon their business size and profile. In other words, the bigger the company, the bigger is its CSR program.

5.3.3 Human Rights

Human rights are moral principles or norms that describe certain standards of human behavior, and are regularly protected as legal rights in municipal and international law. They are commonly understood as inalienable fundamental rights "to which a person is inherently entitled simply because she or he is a human being," and which are "inherent in all human beings" regardless of their nation, location, language, religion, ethnic origin or any other status. They are applicable everywhere and at every time in the sense of being universal, and they are egalitarian in the sense of being the same for everyone. They require empathy and the rule of law and impose an obligation on persons to respect the human rights of others.

According to OHCHR (United Nations Office of the High Commission of Human Rights), Human rights are rights inherent to all human beings, whatever our nationality, place of residence, sex, national or ethnic origin, color, religion, language, or any other status. We are all equally entitled to our human rights without discrimination. These rights are all interrelated, interdependent and indivisible. Universal human rights are often expressed and guaranteed by law, in the forms of treaties, customary international law, general principles and other sources of international law. International human rights law lays down obligations of Governments to act in certain ways or to refrain from certain acts, in order to promote and protect human rights and fundamental freedoms of individuals or groups.

5.3.4 Environmental Regulations

Corporate and business organizations has to consider some environmental issues before planning and implementing their CSR activities. Moreover, their regular operations should not violate the environmental regulations forwarded by the government and the local bodies as well. Most countries has their own environment protection act to oversee and regulate the impact that businesses have on the environment. The environment protect act may consist provisions for clean and safe drinking water access to everyone, clean air and pollution free environment, natural resources conservation and its recovery, emergency planning and community right-to-know (right to information), toxic substance management and most importantly the carbon emissions and global warming issues. Each of the above environmental issues has specific regulations and requirements that businesses must follow, and a review of each is important for all small business owners.

5.3.5 Corruption

Corruption is a form of dishonest or unethical conduct by a person entrusted with a position of authority, often to acquire personal benefit. Corruption may include many activities including bribery and embezzlement of funds. Government, or 'political', corruption occurs when an office-holder or other governmental employee acts in an official capacity for personal gain. Corruption can also be categorized under the following types depending upon their scale.

a. Petty corruption: Petty corruption occurs at a smaller scale and takes place at the implementation end of public services when public officials meet the public. Examples include the exchange of small improper gifts or use of personal connections to obtain favors or a speedy completion of routine government procedures. This form of corruption is usually pursued by junior and middle level officials, who are significantly underpaid.

b. Grand corruption: Grand corruption is defined as corruption occurring at the highest levels of government in a way that requires significant subversion of the political, legal and economic systems. Such corruption is commonly found in countries with authoritarian or dictatorial governments but also in those without adequate policing of corruption.

c. Systemic corruption: Systemic corruption (or endemic corruption) is corruption which is primarily due to the weaknesses of an organization or process. It can be contrasted with individual officials or agents who act corruptly within the system. Factors which encourage systemic corruption include conflicting incentives, discretionary powers; monopolistic powers; lack of transparency; low pay; and a culture of impunity.

5.4 Conflict Management

Conflict is a result of the behavioral interactions and where there are people, there is always some sort of conflict. It is unavoidable in organizations and conflict consists of all kinds of oppositions, incompatibilities and negative interactions. In an organization, if the conflict is too low, performance also tends to be low. If it is too high, it may be destructive. Optimal level of conflict can be good for the economic health of an organization. A typical manager in an organization spends 20% of his/her time managing and dealing with the conflicts.

According to Fred Luthans, "conflict is any situation in which two or more parties feel themselves in opposition"

5.4.1 Sources of Conflict

a. Change
Implementation of new technology and change in working conditions can lead to stressful change. Workers who don't adapt well to change can become overly stressed, which increases the likelihood of conflict in the workplace.

b. Interpersonal Relationships
When different personalities come together in a workplace, there is always the possibility they won't create a mess. Office gossip and rumors can also serve as a catalyst for deterioration of co-worker relationships.

c. External Changes
When the economy slides into a recession or a new competitor swoops in and steals some of a company's market share, it can create tension within the company. This stress can lead to conflict between employees and even between upper levels of management.

d. Poor Communication
Companies or supervisors that don't communicate effectively can create conflict. For example, a supervisor who gives unclear instructions to employees can cause confusion as to who is supposed to do what, which can lead to conflict.

e. Harassment
Harassment in the workplace can take many forms, such as sexual or racial harassment or even the teasing and ignoring of a new employee. Companies that don't have strong harassment policies in place are in effect encouraging the behavior, which can result in conflict.

f. Limited Resources
Companies that are looking to cut costs may scale back on resources such as office equipment, access to a company vehicle or the spending limit on expense accounts. Employees may feel they are competing against each other for resources, which can create friction in the workplace.

5.4.2 Negotiation and Facilitation

Negotiation is a dialogue between two or more people or parties intended to reach a mutually beneficial outcome, resolve points of difference, to gain advantage for an individual or collective, or to craft outcomes to satisfy various interests. It is often conducted by putting forward a position and making small concessions to achieve an agreement. The degree to which the negotiating parties trust each other to implement the negotiated solution is a major factor in determining whether negotiations are successful. Negotiation is not a zero-sum game; if there is no compromise, the negotiations have failed. When negotiations are at an impasse it is essential that both the parties acknowledge the difficulties, and agree to work towards a solution at a later date.

Negotiation occurs in business, non-profit organizations, government, legal proceedings, among nations, and in personal situations such as marriage, divorce, parenting, and everyday life. The study of the subject is called *negotiation theory*. Professional negotiators are often specialized, such as *union negotiators*, *leverage buyout negotiators*, *peace negotiators*, *hostage negotiators*, or may work under other titles, such as diplomats, legislators or brokers.

Facilitation is any activity that makes tasks for others easy, or tasks that are assisted. Facilitation is used in business and organizational settings to ensure the designing and running of successful meetings and workshops. Facilitation in conflict management is a process of arranging meetings and creating an atmosphere for the conflicting parties.

5.4.3 Issues on settling conflicts

A manager has to consider the following issues while settling conflicts in a workplace

- Talk with the other person.
- Focus on behavior and events, not on personalities. ...
- Listen carefully.
- Identify points of agreement and disagreement.
- Prioritize the areas of conflict.
- Develop a plan to work on each conflict.
- Follow through on your plan.
- Acknowledge that a difficult situation exists
- Define the problem
- Let individuals express their feelings

5.4.4 Mediation

Mediation is an effective way of resolving disputes without the need to go to court. It involves an independent third party - a mediator - who helps both sides come to an agreement. Mediation is a flexible process that can be used to settle disputes in a whole range of situations such as:

- consumer disputes
- contract disputes
- family disputes
- neighborhood disputes

The role of the mediator is to help parties reach a solution to their problem and to arrive at an outcome that both parties are happy to accept. Mediators avoid taking sides, making judgments or giving guidance. They are simply responsible for developing effective communications and building consensus between the parties. The focus of a mediation meeting is to reach a common sense settlement agreeable to both parties in a case. Mediation is a voluntary process and will only take place if both parties agree. It is a confidential process where the terms of discussion are not disclosed to any party outside the mediation hearing.

If parties are unable to reach agreement, they can still go to court. Details about what went on at the mediation will not be disclosed or used at a court hearing.

5.4.5 Arbitration

Arbitration, a form of alternative dispute resolution, is a technique for the resolution of disputes outside the courts. The parties to a dispute refer it to *arbitration* by one or more persons, and agree to be bound by the arbitration decision. A third party reviews the evidence in the case and imposes a decision that is legally binding on both sides and enforceable in the courts.

Arbitration is often used for the resolution of commercial disputes, particularly in the context of international commercial transactions

5.6 Globalization

Globalization is the increasing interaction of people through the growth of the international flow of money, ideas and culture. Globalization is primarily an economic process of integration which has social and cultural aspects as well. It involves goods and services, and the economic resources of capital, technology and data. Advances in the means of transportation and in telecommunications infrastructure have been major factors in globalization, generating further interdependence of economic and cultural activities.

In 2000, the International Monetary Fund (IMF) identified four basic aspects of globalization: trade and transactions, capital and investment movements, migration and movement of people, and the dissemination of knowledge. Further, environmental challenges such as global warming, cross-boundary water and air pollution, and overfishing of the ocean are linked with globalization. Globalizing processes affect and are affected by business and work organization, economics, socio-cultural resources, and the natural environment. Academic literature commonly subdivides globalization into three major areas: economic globalization, cultural globalization, and political globalization.

5.6.1 Effects of Globalization to management and leadership (Overall for an organization)

a. Rise in Competition

b. Rise in Technology Use

c. Rise in Opportunities

d. Rise in Investment Levels

e. Worldwide Market Opportunity

f. Procurement and Outsourcing

g. Economic Development

h. Speedy Information Sharing and greater awareness

i. Economies of Scale

j. Increased Mergers and Joint Ventures