Corporate Social Responsibility - Philanthropy or A Strategic Tool?

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Abstract

The word corporate social responsibility (CSR) has gained a lot of currency over all these years among the management fraternity. And this paper is written with the same intent, of discussing corporate social responsibility and the profound advantages it can bring to an organization.

CSR, also known as corporate citizenship, has been a subject matter of rigorous practice amongst organizations. It is with this understanding and awareness that organizations around the globe are committing their resources to the one and only purpose of dictating their concern and responsibilities towards the society, of which they are inevitably a part. With every passing day, a new commitment to responsibility is demanded from companies, a commitment that manifests itself in products and services and somehow creates social value. Business organizations ought to reflect on their existence as a business in the society failing which they would be just another organization existing as a not-so- considerate and poorly competitive unit of the environment.

Gone are the days when organizations existed through a mere produce and sell mechanism. There was a lesser commitment of resources to understanding consumer attributes and stakeholders' expectations and so was their customers' and stakeholders' awareness about the business activities and all the things that a business unit owes to all the stakeholders of the society at large.. The time has drastically changed. There is a simultaneous increase in the commitment and awareness level of the business organizations and stakeholders, respectively. Thanks to the increasing level of competition, companies now know that if they ought to exist in an environment that is so demanding, they ought to do something different. And to do something different, CSR seems to be the order of the day and an easy way out for a lot of organizations. It is with this intent that the role of "corporate social responsibility" is called into play. And this is why "corporate social responsibility" demands a proper study and elaboration from researchers and academia around the globe about the kind of process it actually is, and the various implications it can have on different stakeholders namely customers, in specific and the society at large. This is what the paper essentially stresses upon. In a nutshell, the paper elaborates on how has CSR emerged as a prevalent phenomenon and how a coherent "corporate social responsibility" activity based on integrity, sound values and a long-term approach offers clear business benefits to companies and a positive contribution to the well being of the society? Moreover, the paper also focuses on types of social responsibilities and the corporate orientation towards stakeholders and what impact does each type of responsibility make to a corporate house?

The findings of the paper state that even if organizations do carry activities voluntarily, they seem to be more strategically motivated to build a strong social fabric of stakeholders succeeding which they could gain good brand image, recall and competitive advantage.

***Keywords**- corporate citizenship, brand image, brand recall, competitive advantage*

Introduction

Times have changed and so have businesses. With a complete transformation from traditional marketing processes to the one in which companies are trying developing close connection with their customers and society at large, the term corporate social responsibility has really gained currency. There was a time when CSR was not heard so often and not seen in so much practice. But given the changing scenario of competition and the awareness level of different stakeholders as well as the realization of what all can be expected from a business, businesses need to get highly devoted and seemingly performance oriented. It would be quite immature of a business not to get involved in activities like social responsibility because the advantages it accompanies are really manifold. It is with this urgency that corporate social responsibility has become a frequent practice of organizations, if not regular, these days.

Considering the wide ambit of corporate social responsibility and the units it can affect, either positively or negatively, it is quite difficult to draft a complete definition of the same. Still there have been a lot of inputs from various researchers on its definition. It can be defined as -"an approach whereby a company takes care of the interests of all stakeholders when it tries to manage its business activities in a manner that it leaves a positive impact on every individual concerned." A more comprehensive expression put forth by the World Business Council for Sustainable Development in its publication 'Making good public sense' by Lord Holme and Richard Watts, used the following definition- "Corporate Social Responsibility 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 [1]."

Corporate social responsibility is more of an external process rather than being an internal one. This statement can be justified by the simple fact that whenever we as laymen and the corporate houses as custodians of the society do get engaged into the different CSR activities they, more or less, try establishing an image of themselves, either in the minds of their customers and the prospects or in the mind of the government (all of them being external stakeholders). Or to sound more specific, any CSR activity can be defined as a "more of an external orientation and less of internal orientation." It is with this understanding that corporate and external stakeholders simultaneously are demanding such activities to be undertaken. But given the fact that it is easier said than done, the idea of CSR and its implementation in a way it actually should be is still lacking. It is still in its nascent stage in a number of developing economies of the world. But whatever little has been done in the field of CSR, whatever contributions different organizations have made, either by obligation or by their discretion, and irrespective of the levels at which different enterprises are practicing it, CSR needs to be given an educational and professional forum of discussion and a proper platform from all the parties concerned, especially the governments of respective countries failing which any CSR program would hardly benefit the stakeholders, and would be greatly impacting the external ones.

Companies certainly consider the external environment more carefully than they did in the past, and their philanthropic programs have helped many people. However, in a majority of cases, CSR has failed to fulfill its core purpose—to build stronger relationships with the external world. The Occupy movement in the United States is the most visible sign of discontent, but polls show that levels of trust in business are below 55 percent in many countries. A significant minority views business executives as villains, enriching themselves at the expense of society. Even firms with the glossiest CSR reports have found themselves cast as public enemies. Take major Wall Street firms in the aftermath of the financial crisis

or BP after the Gulf of Mexico spill: their relationships with the external world have been shattered, and they have lost billions of dollars of value as a result [2].

Corporate Social Responsibility-its Emergence

The concept of corporate social responsibility is emerging at a galloping pace. It has acquired tremendous pace and importance among the management fraternity around the globe. Increased corporate attention to CSR has become the order of the day and something that corporations cannot mistake to overlook. Increased consumer awareness and they demanding various functions out of corporate houses has resulted in businesses taking interest in CSR. Many companies awoke to it only after being surprised by public responses to issues they had not previously thought were part of their business responsibilities. Nike, for example, faced an extensive consumer boycott after the "New York Times" and other media houses reported abusive labor practices at some of its Indonesian suppliers in the early 1990s [3].

Corporate social responsibility has become an area of increasing global interest with companies taking CSR issues albeit more seriously, devoting more resources to such issues and acknowledging the benefits of CSR activities. As competition and globalization accelerates and large corporations serve as global providers, these corporations have progressively recognized the benefits of pursuing CSR programs. Such CSR strategies or the so called 'programs' have really brought a lot of respite to different stakeholders of the society as well as to the businesses themselves.

The ambit of CSR in not limited to a particular country or just two or three countries. Instead, the practice of being socially responsible broadly includes substantial number of countries from around the entire globe to make their investments into it in the form of their time, their resources and an extensive research and development work. Debates about corporate social responsibility have gained currency around the world among corporate houses of all nature. Government regulation increasingly mandates social responsibility reporting. Pending legislation in the UK, for example, requires every publicly listed company to disclose ethical, social, and environmental risks in its annual report. These pressures clearly demonstrate the extent to which external stakeholders are seeking to hold companies accountable for social issues and highlight the potentially large financial risks for any firm whose conduct is deemed unacceptable [4].

CSR- It's Meaning to Businesses and Society Respectively

There might be a lot of debate over the fact that who reaps the most benefit of a good corporate social responsibility program; the society or the business itself? However, the answer to this varies from one researcher to another. A business organization actively engaged in carrying out various CSR activities time and again undoubtedly reaps the advantage of achieving competitive advantage, building a strong brand image, etc. Where on the other hand, the society of which the business is a part can also be equally benefitted. As far as investing organizational resources into such a program is concerned, it sounds quite rationalistic and wise on the part of corporations. However, think of it as a customer specifically or as a member of a society in general, it would probably lessen your advocacy. Because we, the members of the society, are continuously reminded of the basic thing that businesses come into existence with the sole aim of achieving profit. Hence, businesses generally avoid making investments into things from where they do not expect any return. However, who knows, an investment in any of the corporate social responsibility activity might bring positive results. In addition, over the years it has been witnessed that companies investing in social responsibility activities not only better their chances of survival,

image building and growth but also improves the organization's chances of innovation and achieving competitive advantage. Overall, the complexities to implement socially oriented programs or activities are not significantly much, only if an organization wills to undertake any of them. However, the benefits corporations and their society can reap out of a good and effective CSR program are manifold. Hence, without giving too much of care to the idea of who would be a better benefitted party of the two, it is always recommendable to enterprises and speaks of an organization's judiciousness to continue investing their resources and capabilities so that the succeeding corporate activities fall in place beautifully and effectively.

Examples of Companies Scoring High on Responsibility Index

Tata Group in India has a range of CSR projects, most of which are community improvement programs. For example, it is a leading provider of maternal and child health services, family planning, and has provided 98 percent immunization in Jamshedpur. The company also endorses sports as a way of life. It has established a football academy, archery academy, and promotes sports among employees. It offers healthcare services all over the country with programs like rural health development. Not only this, the Tata group has scored high in organizing relief programs when encountered with natural disasters, contributing in long term treatments as well as rebuilding efforts. It made noteworthy efforts during the Gujarat and Orissa floods as well. Besides, it also supports the cause of education and focuses on improving the environment and local populations around its industries.

Aptech, another well-known organization in the field of education does not lag when it comes to contributing to the society. It is a player with a global presence and it has been encouraging and nurturing education since its inception. It works in association with NGOs providing education and training to the needy and deprived and organizes several awareness camps.

Infosys is a big name. However, people know little about what has made them so recognizable in the marketplace. It is an organization that is quite aggressively involved in CSR activities. Its grasp is wide. In 1996, the company set up a not for profit trust named 'Infosys foundation' to which it contributes up to 1 percent of profits after tax every year. Not only this, its presence is also seen in the area of community service, research and education, rural outreach programs, employment, healthcare for the poor and the needy and certain other welfare activities.

At last, Mahindra and Mahindra have also done its bit in being responsible. To promote to the cause of education, it established K.C Mahindra education trust in 1953 that changed the lives of a lot of people significantly. The trust has provided more than 7.5 crore rupees in the form of scholarships, grants and loans [5].

Considering the above examples, it is evident to the naked eye and layman's mind that since such companies are aggressive in dictating their approach towards the society which they demonstrate by their behavior and certain activities that have been talked of, it wise of us to infer that such companies have occupied a substantial chunk of their markets and easy brand recall mostly due to rigorous CSR programs.

Corporate Social Responsibility - its Types

Heightened and increasing attention about CSR has enabled it to be divided into broad categories. Corporate social responsibility is a commitment to do more than just serve the needs and expectations of customers and shareholders. It can also mean going beyond the basics of business and serving social needs. Classifying their different responsibilities into various types, they can be of diverse nature.

In general, businesses have a hierarchy of responsibilities to meet, ranging from the basic i.e. of making a profit to the benevolent i.e. of benefiting the society.

The most basic of all the responsibilities that organizations need to adhere to is attaining and fulfilling the economic responsibilities. i.e. of achieving profits. Without profits, a business cannot undertake any CSR program.

The other set of responsibilities are the legal responsibilities that an organization must follow. Such responsibilities are obligatory and are due on the part of corporations. The government puts them forth and such responsibilities may vary from one industry to another.

Once an organization fulfills its economic and legal responsibilities, the next responsibility is scoring high on ethical parameters. Every organization has some ethics to be followed. Things like offering better benefits to employees, avoiding collaboration with unscrupulous organizations, etc are examples of ethical responsibilities.

Philanthropic responsibilities are the responsibilities that organizations pursue out of their own discretion. Since this responsibility in entirely voluntary, it can greatly vary in scope. Few organizations can perform it while they donate some money, while others can do it on a bigger scale namely, setting up of orphanages, hospitals, etc.

Findings and Conclusion

The economic and legal responsibilities, being mandatory ones, are obligatorily due on the part of organizations. As far as scoring high on economic and legal responsibilities is concerned, all organizations can do it since they are binding on them. They cannot be avoided. In addition, anything that forces organizations to undertake any course of action fails to leave that much of an impact on the stakeholders. So what is it that organizations should do to become recognizable in the market place and leave an impact on the stakeholders' mindset? Mere fulfillment of the basic responsibilities does not do.

For many organizations, it is not enough to make money and satisfy customers. These companies often go the extra mile to give whatever little they could, back to their employees, the community, and the society at large. They have developed satisfying reputations for going out and doing some good, turning their success into an opportunity to help others. Therefore, it can be concluded that organizations that go a step ahead and discharge their ethical and philanthropic responsibilities in a more benevolent manner, they tend to catch the eye of stakeholders, both internal and external alike. It is this discharge of responsibilities that creates a good image and makes an impression on the various stakeholders. The greater the level of voluntary and discretionary contribution to the society, the greater is the likelihood of establishing oneself well, creating a good image, and developing and sustaining a competitive advantage. I use the word 'developing and sustaining' together because it is difficult to sustain your advantages even if you have managed to develop it. A holistic, perfect and a benevolent CSR program can trigger the process of sustaining your advantage. In addition, it is this continuing contribution from organizations towards the stakeholders that develops positivity in their minds following which these organizations develop a good brand image, thereby leading to improved organizational status in the society, which they can easily exploit.

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