

# A CONCEPTUAL STUDY OF CORPORATE SOCIAL RESPONSIBILITY

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Received: December 07, 2018

Accepted: January 16, 2019

**ABSTRACT:** *Corporate Social Responsibility is a gesture of showing the company's concern and commitment towards society's sustainability and development. A commitment to Corporate Social Responsibility is no longer optional. Companies need to understand that CSR affects their internal (employee engagement, productivity, turnover rate) and external (increased sales, customer loyalty, brand awareness) growth. By creating and participating in CSR initiatives, companies have the opportunity to showcase their core values and create trust among their stakeholders. Corporate social responsibility is more than a business policy or a response to issues that is raised by society. CSR aims to ensure that companies conduct their business in a way that is ethical.*

**Key Words:** *CSR, Sustainability, Strategy etc.*

## INTRODUCTION

CSR of business refers to what business does for the benefit of the society. The word responsibility here connotes that the business has some ethical and moral obligations to the society. The introduction of the CSR Clause in the Companies Act 2013 was actually the rise of a new era in the corporate giving in India. The inclusion of mandate CSR in the act can be seen as an effort taken by the government to establish equity in the society we live in. CSR deals with the business of the business which is beyond financial numbers. It is not charity or mere donations. CSR is a way of conducting the business by which corporate entity visibly contributed to the social well-being. Socially responsible companies do not limit themselves for using resources to engage in activities that increase only their profits. They use CSR to integrate economic, environmental and social objectives with the company's operations and growth. CSR involves fair business practices, staff oriented human resource management, economical use of natural resources, protection of climate and environment, sincere commitment to the local community and also responsibility along the global supply chain. CSR is not new to India. Even before Independence, whenever there was disasters like flood, earthquake, famine, draughts etc, the big businessmen would throw open their godown to provide food and other necessities of life to poor people. Businessmen were treated with great respect also because of the prevalence of the concept of parting with one's wealth for the benefit of the society. The companies need to develop a proper strategy to integrate CSR goals with stakeholders' goals. Top management should identify the core areas of CSR and strengthen internal practices such as corporate governance, transparency and disclosure. All companies successfully implementing CSR may have one thing in common. There is no way in anchoring CSR in company's business activities. Companies which see their CSR activities as an add – on having nothing to do with their business model and core business fall short of the mark. Be it occupational safety and healthy, employee satisfaction, energy efficiency or responsibility along supply chains-man CSR fields have a huge bearing on a company's business success. A value-centric business model often reveals a new definition of corporate purpose that focuses on societal values. It's a strategy for developing the future market whilst strengthening communities and corporate coffers. Corporate Social Responsibility can be defined as the set of policies, activities, or behavior undertaken by an organization that goes beyond the traditional economic and legal obligations that the firm has towards its internal and external stakeholders.

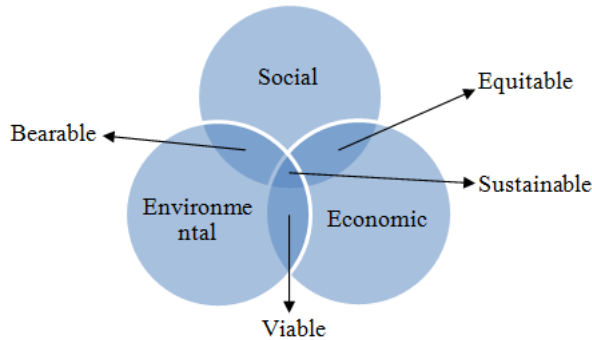
## OBJECTIVES

To understand the concept of CSR , principles, key elements and its benefits to the organisation.

### Concept

The concept of Corporate Social Responsibility (CSR) goes beyond charity and requires the company to act beyond its legal obligations and to integrate social, environmental and ethical concerns into company's business process. In the present scenario, business concerns are no longer expected to play their traditional role of mere profit making enterprises. The ever-increasing role of civil society has begun to put pressure on companies to act in an economically, socially and environmentally sustainable way. The companies are

facing increased pressure for accountability and transparency, being placed on them by their employees, customers, shareholders, media and civil society. Business does not operate in isolation and there is today, an increased realization that not only can companies affect society at large, but they are also in a unique position to influence society and make positive impact. What is generally understood by CSR is that the business has a responsibility – towards its stakeholders and society at large – that extends beyond its legal and enforceable obligations. The triple bottom line approach to CSR emphasizes a company’s commitment to operating in an economically, socially and environmentally sustainable manner. So for business development to be sustainable, it must address important issues such as economic efficiency (innovation, prosperity and productivity), social equity (poverty, community, health and wellness, human rights) and environmental accountability (resource use, climate change, land use, bio diversity and pollution). Instead of trading off these three elements against each other, business should be aiming to optimize the outcome of all three.



The emerging concept of CSR advocates moving away from a ‘shareholder alone’ focus to a multi-stakeholder’ focus. This would include investors, employees, business partners, customers, regulators, supply chain, local communities, the environment and society at large.

**PRINCIPLES**

Because of the uncertainty surrounding the nature of CSR activity, it is difficult to define CSR. The basic principles of CSR can be categorised as:

- Sustainability
- Accountability
- Transparency



**Sustainability:** According to the World Council for Economic Development, sustainable development is “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. If resources are utilised in the present then they are no longer available for use in future, and this is of particular concern if the resources are finite in quantity.

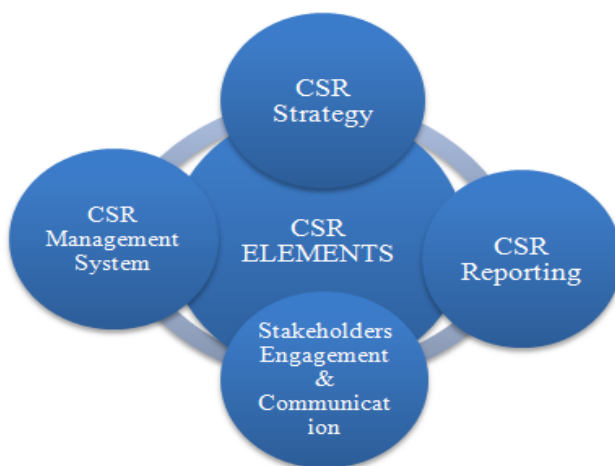
**Accountability:** This is concerned with an organisation recognising that its actions affect the external environment, and therefore assuming responsibility for the effects of its actions. This concept implies a quantification of the effects of actions taken, both internal to the organisation and externally. More specifically the concept implies a reporting of those quantifications to all parties affected by those actions. Accountability necessitates the development of appropriate measures of environmental performance and the reporting of the actions of the firm.

**Transparency:** Transparency, as a principle means that the external impact of the actions of the organisation can be ascertained from that organisation's reporting and pertinent facts are not disguised within that reporting. Thus all the effects of the actions of the organisation, including external impacts should be apparent to all from using the information provided by the organisation's reporting mechanisms.

### KEY ELEMENTS

CSR is considered as the new business models for companies that want to be seen as more responsible organizations. Companies are expected to construct a sound framework of activities that enhance their responsible business practice.

The following main elements are important for successful CSR practice. To give it more structure, these elements are all subdivided into the internal and external aspects of CSR practice. This differentiation is necessary as CSR has two sides to it: 1) The internal and 2) external perspective in order to be successful.



### CSR Strategy

The CSR Strategy should be the starting point of the organizational CSR practice. The organisation should define this strategy as clear as possible with a future goal in mind.

#### **Internal Aspects:**

Before defining what an organisation wants to achieve with its strategy, it should build solid support for the strategy. It is key to this strategy to get the support and participation from as many high profile executives in the organization and to identify and engage these people that are passionate about CSR within the business.

#### **External Aspects:**

The CSR Strategy will act as the positioning document for the responsible business practice of the company. The stakeholders and public will expect a visionary document that shows ambition and goals.

### CSR Management system

After defining the strategy the next task will be to set up the CSR Management system. The management system of CSR within the business will outline what it actually need to do to make its strategy happen and to produce results.

#### **Internal Aspects:**

This is where the organisation need to engage even more individuals in its business. It should try to gather information on how the CSR Strategy has been received and then build on that to engage the most positive people. Once the organisation have gathered a good supporting team, then pool their knowledge and build a sound management plan on how to deliver the different elements of the strategy. The CSR management system is the customized tool to successful CSR.

#### **External Aspects:**

The CSR management system is the organisation's vehicle to get more external recognition of its activities. The organisation can learn something for its management system from other companies that are managing their CSR aspects in a more efficient way. And hence be helpful when the other organizations want to have some tips.

### CSR Reporting

The next step after the successful set up of the management system is reporting of the first results of the company's CSR activities. This is called CSR reporting. Companies usually report on an annual basis. This CSR

reporting helps to test whether the company have created something interesting and worth reporting for its stakeholders.

#### **Internal Aspects:**

Internally this CSR reporting is really a tough task. It will test the company's CSR management and coordination skills. The goal is to produce a meaningful publication that will be of interest to the stakeholders.

#### **External Aspects:**

Externally this CSR Reporting together with the CSR management system will be the CSR face of the organization. So the more professional, the company can make it the better.

#### **Stakeholder Engagement & Communication**

Stakeholder Engagement and Communication is the area which keeps all of these areas together and connected. Without engaging the stakeholders on a continuous basis there is no real long term value in building a CSR strategy, a report or communicating what an organization have been doing. So it is vital to practice successful stakeholder engagement.

#### **Internal Aspects:**

Key to Stakeholder Engagement is to be as transparent within the company about what the CSR team is doing. Effective stakeholder engagement starts in the backyard first and then turns to the external perspective.

#### **External Aspects:**

Once the internal stakeholder engagement and communication started running smoothly the company can turn its focus to the external aspects. Here the organisation should include the interest groups such as NGOs, the local community around it and other stakeholder groups that have identified as being important to the organization.

### **BENEFITS**

#### **The potential benefits of CSR to companies include:**

- Better brand recognition.
- Better financial performance.
- Positive business reputation.
- Operational costs savings.
- Increased sales and customer loyalty.
- Greater ability to attract talent and retain staff.
- Easier access to capital.
- Organizational growth.

### **CONCLUSION**

As business is an integral part of the social system it has to care for varied needs of the society. Social involvement of business would enhance a harmonious and healthy relationship between the society and business seeking mutual benefit for the both. CSR practice may create a better public image and goodwill for the company which further becomes instrumental in attracting customers, efficient personnel and investors. For this a better understanding of the CSR concept, principles and components is necessary and the benefits of CSR make its implementation a must.

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