

Drivers of Corporate Social Responsibility in the Competitive Era

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Abstract: *In the time of commercialization and industrialization all the companies are trying to gain more and more profits but along with this a new practice derived in the recent years i.e. Corporate Social Responsibility which means “A 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”. The concept of CSR started very slowly in India .At present the companies and the business men are realizing the importance of CSR not only for earning the profit but also for the society. This paper focusing on the various drivers which are pushing business towards the CSR like shrinking role of Government, Demands for greater disclosure, increased customer interest etc. The study also includes the importance of CSR for the general public, for the companies and very important towards the environment.*

Keywords: CSR, CSR Importance, Drivers, Disclosure, Environment Protection,

1. Introduction

At present all the companies are running to make more and more profits. Profit making is the prime objective for all the companies and for all the businesses although this is the time of Globalization where it is very difficult for the companies to stay for a long time in the market. A new concept is emerging in the present era within the companies' i.e. Corporate Social Responsibility. Corporate social responsibility is basically a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. Corporate social responsibility is represented by the contributions undertaken by companies to society through its business activities and its social investment. This is also to connect the Concept of sustainable development to the company's level. Over the last years an increasing number of companies worldwide started promoting their Corporate Social Responsibility strategies because the customers, the public and the investors expect them to act sustainable as well as responsible. In most cases CSR is a result of a variety of social, environmental and economic pressures. The concept of CSR was established in the 1950s. It is a way of managing a company and making relationships with partners which contributes to improving the reputation and credibility of a company. Despite this general recognition, the

main characteristic of the CSR concept is still the lack of agreement on what it really means (Brammer and Millington, 2008; Valor, 2005; Lantos, 2001; O'Dwyer, 2003)[1]. This may be due to the vagueness and intangibility of the term (Frankental, 2001), its ambiguity (Valor, 2005) or simply to the fact that compared to other business functions, CSR's appearance as a legitimate area of inquiry in the mainstream management literature is very recent (Harrison and Freeman, 1999), even “embryonic” (Lantos,2001). The fact is that social responsibility has become an “inescapable priority” (Porter and Kramer, 2006) for business leaders. CSR's emergence as a legitimate, even critical endeavor (Gelb and Strawser, 2001) is corroborated by Schnietz and Epstein (2005), McWilliams et al.(2006), Lockett et al. (2006), Hull and Rothenberg (2008), Quazi and O'Brien (2000) and practically all the authors cited from the year 2000 on.[2]

2. Objective of the study

The Present study aims to evaluate the different dimensions of Corporate Social Responsibility by studying the following Objectives:

- What is Corporate Social Responsibilities?
- What are the Drivers, pushing business towards CSR?

3. Methodology:

Research methodology is the blue print of the research which is going to be conducted. The Research design in this study is Descriptive research design. The Data is collected from secondary sources such as various journals, Web sites, newsletters.

4. Literature review:

Since the publication of the report 'Our Common Future' (1987) by the World Commission on Environment and Development, the terms sustainability and sustainable development have become prominent in the public debate.

The sustainability debate has, in part, focused on what companies can do to facilitate sustainable development, so-called corporate social responsibility (CSR). One of the first attempts to bring CSR into the public debate was from Milton Friedman who in his article in the *New York Times Magazine* argued that 'the corporate social responsibility of firms is to maximize its profits' (Friedman, 1970). While this statement may appeal specifically to neo classical economists, it may also seem provocative and without nuance to others. But as we shall see, profit maximization does not have to be in conflict with social responsibility (see, for example, Husted and Salazar, 2006). Following Friedman's initial definition of CSR, a number of others have followed. For example, Heal (2008) suggests that CSR is 'the interactions between corporate behavior and civil and legal society, and how these interactions Structure the company's incentives on social and environmental issues'. [3]

[Carroll, 1979; 2008, 500]: "The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that a society has of organizations at a given point in time." [4]. The Commission defines corporate social responsibility as "the responsibility of enterprises for their impacts on society". To fully meet their social responsibility, enterprises "should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders" [5] According to Bert Scholtens, "finance relates to the sustainability of economic development and to CSR. The three financing modes open the potential to direct the economic activities in a way that takes account of social, ethical, and environmental issues". [6]

According to Jacob M. Rose, in his study findings indicate that directors employ prospective rationality cognition, and they sometimes make decisions that emphasize legal defensibility at the expense of personal ethics and social responsibility. The results suggest that additional ethics education will have little influence on the decisions of many business leaders because their decisions are driven by corporate law, rather than personal ethics. [7] Paul C. Godfrey and Nile W. Hatch they studied on the two aspects one; Examination of the marginal utility of various CSRs by firms. Second, researchers must focus their tools on individual firm-stakeholder. [8] Md. Habib-Uz-Zaman Khan suggests that "the effects of corporate governance (CG) elements on CSR disclosures in reporting information of Bangladeshi listed commercial banks are high. Non-executive directors and existence of foreign nationalities have been found the significant impact on the CSR reporting." [9] Sanjay Kanti Das (2012), in his study presented that development of Corporate Social Responsibility (CSR) is very slowly in India

though it was started a long time ago. In his view CSR has been assuming greater importance in the corporate world, including the banking sector. There is a visible trend in the financial sector of promoting environment friendly and socially responsible lending and investment practices. The Govt. of India is pursuing the matter relating to CSR and also drafted guidelines for CSR practices time to time. [10]

Suman Kalyan Chaudhury, Sanjay Kanti Das, Prasanta Kumar Sahoo (2011), said in their study that, At present, the world over, there is an increasing awareness about Corporate Social Responsibility (CSR), Sustainable Development (SD) and Non-Financial Reporting (NFR). The contribution of financial institutions including banks to sustainable development is paramount, considering the crucial role they play in financing the economic and developmental activities of the world. [11]

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5. Drivers of csr:

5.1 Demand for greater Disclosure: There is a growing demand for Corporate Disclosure from stakeholders, including customers, suppliers, employees, communities, investors and activist organizations. "Disclosure" means showing the current or actual position of the company's performance. Mills & Garden (1984) concluded in their analysis of the relationship between social disclosure and financial performance that companies are more likely to disclose social responsibility expenditures when their financial statements indicate favorable financial performance [13]. Company size, industry classification, profitability, and the presence of a corporate social responsibility committee were hypothesized as potential influences on corporate social disclosures.

5.2 Ecological Sustainability: Environment Sustainability, one of the important drivers which concerns over pollution, waste, natural resource depletion, climate change and the like continue to fuel the CSR discussion and heighten expectations for proactive corporate action. After all, it is in the best interest of firms to protect for the sustainable future the long-term availability of the resources on which they depend.

5.3 Globalization: Globalization has had considerable impacts. First, the increased wealth and power of multinational corporations has led to questions on the decreased authority of the nation-state, especially in developing areas. Further, cultural differences have added to the complexity of CSR as expectations of acceptable behavior vary regionally. With increased power comes increased responsibility and globalization has fueled the need to filter all strategic decisions through a CSR lens to ensure optimal outcomes for diverse stakeholders.

5.4 Free Flow of Information: The Internet and other electronic mediums the flow of information has shifted back to the stakeholders, especially in the case of three important groups: consumers, NGOs and the general media. Easily accessible and affordable communication technologies have permanently changed the game and only truly authentic and transparent companies will profit in the long term.

5.5 The Power of the Brand: Brands are today the focal point of corporate success and much of the health of the brand depends on public perception of the corporation. In other words, reputation is the key and honest CSR is a way to protect that reputation and therefore the brand.

5.6 Employees demand their company to be socially responsible: Five years ago, it was considered good if a company simply did not harm the environment. However, times have changed, and now employees demand that their company do more than simply not be bad. They need to do good, too. According to Forbes:

- 32% of employees would seriously consider leaving their any gave no / little money to charity;
- 65% would seriously consider leaving their job if their company harmed the environment;
- 83% would seriously consider leaving their job if their employer used child labor in sweatshop factories.

Furthermore, a landmark international Corporate Social Responsibility (CSR) study of human resource practitioners conducted by the Society for Human Resource Management (SHRM), reveals that CSR practices are seen as important to employee morale (50%), loyalty (41%), retention (29%), recruitment of top employees (25%) and productivity (12%).

5.7 Consumers expect better business practices (and will pay for it): Just under a year ago, a study was published showing that the average consumer will drive an extra 11 minutes to buy a product that supported a cause. Since then, more data has been released supporting the fact that consumers will adjust buying behavior from average companies to socially responsible companies. According to the same article by Forbes:

- More than 88% of consumers think companies should try to achieve their business goals while improving society and the environment;
- 83% of consumers think companies should support charities and nonprofits with financial donations.
- The important consideration is that consumers know that the corporation is making f its own pocketbook, not asking for donations by its consumers. In fact, 35% of consumers dislike being asked to donate money at the checkout counter.

5.8 It creates competitive immunity (and makes your business more sustainable in the long-term): According to the Harvard Business Review, “Strategy... is about choosing a unique position – doing things differently from competitors... These principles apply to a company’s relationship to

society as readily as to its relationship to its customers and rivals”. Furthermore “CSR can be much more than a cost, a constraint, or a charitable deed—it can be a source of opportunity, innovation, and competitive **advantage.**”

In addition to helping companies differentiate themselves in an already crowded marketplace, social responsibility also inspires innovation within corporations thereby developing longer-term immunity and business sustainability.

5.9 It is a moral imperative: Nobody is better positioned to create long-term, sustainable change than businesses. According to Michael E. Porter and Mark R. Kramer at the Harvard Business Review, “When a well-run business applies its vast resources, expertise, and management talent to problems that it understands and in which it has a stake, **it can have a greater impact on social good than any other institution or philanthropic organization.**”

No matter the lens that you view a social enterprise through, they are becoming increasingly popular and beneficial. Whether it is a new or existing business, the future success of it will be increasingly tied to its ability to do good through its day-to-day operations. So in the words of Hillel the Elder, “**If not you, who? If not now, when?**”

Since businesses have the greatest potential to improve the health of our planet and citizens, as they become prosperous, they have a moral obligation to improve the conditions of a system that has helped them succeed.

Some of the positive outcomes that can arise when businesses adopt a policy of social responsibility include [14]:

1. Company benefits:

- a) Improved financial performance
- b) Greater productivity and quality
- c) Increased sales and customer loyalty
- d) Enhance brand image and reputation
- e) More ability to attract and retain employees.

2. Benefit to the community and the general public:

- a) Product safety and quality
- b) Charitable contributions
- c) Employee volunteer programmes
- d) Corporate involvement in community education, employment and homelessness programmes
- e) Product safety and quality.

3. Environmental benefits:

- a) Greater use of renewable resources.
- b) Better product durability and functionality
- c) Greater material recyclability

- d) Integration of environmental management tools into business plans, including life-cycle costing, environment management standards and eco-labeling.

CONCLUSION

Companies are performing their work with the implementation of new practice i.e., Corporate Social Responsibility, which is additional to their basic functioning. Corporate is paying something in back to the society for their benefit apart from their tendency to make profit from the society. The need of CSR practices are the demand of today's customer, supplier and shareholder. The drivers plays a very important role in the practical implementation of Corporate disclosure and knowing the actual performance of the companies that where they stand. If the company wants to beat their competitor they must perform good in their work as well as must make a goodwill in the market by contributing towards the benefit of the society. Companies must remember, corporate social responsibility is just not the charity but a practical implementation of ethical ideas towards the society.

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