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Corporate Social Responsibility in A Changing Business Scenario

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Abstract – **The Corporate Social Responsibility towards employees have been considerably changed due to the aggressive cross border movements of business. This paper presume that the Corporate Social Responsibility towards employees will strengthen further in the coming days notwithstanding the widespread contractual employment culture. The Corporate Social Responsibility towards shareholders will, as per this paper, drastically change thanks to the collaps of enron, worldtel and our local boy sathyam. The Corporate Social Responsibility towards the customers will also witness wide changes thanks to the consumer movement and consumerism. Since the government across the world expect more form corporates, Corporate Social Responsibility towards government will also change.**

Keywords: **Social responsibility, Changing Business Scenario**

I. Introduction

Corporate Social Responsibility is an emerging field which has garnered increased attention in recent years, a development which displays a changing mindset about the role and responsibilities of the for-profit sector. This paper looks at where Corporate Social Responsibility (CSR) is today, who is involved, how and why. As businesses turn their eye towards the many stakeholders involved in their activities, and the public discovers its role in keeping those with financial power accountable, a field has emerged around the definitions, methods and standards for the relationship between corporations and their environments. At this point, it is important to develop an initial map of this field to highlight the development that has taken place, the resources now at hand, and the challenges that remain to be confronted.

The first task is to place CSR in the broader context of philanthropy. There are many definitions of philanthropy, some linguistic in nature, some tracing back to the Greek Classics, some grounded in religious principles. The root of the word suggests a love for mankind; and the responsibility to share one's possessions with others has been a central component of all major religions for thousands of years. On the practical level, however, it may be most helpful to utilize a simple definition: "Philanthropy is the voluntary capture of private wealth for public purposes". While philanthropy primarily connotes the distribution of financial wealth, it importantly includes non-financial components such as gifts-in-kind, voluntary services and knowledge.

Philanthropy comes in two broad categories, individual - whether the sums are large or small - and organized philanthropy. Some forms of philanthropy may be either individual or organized, such as faith-based philanthropy, while other forms, such as giving circles, essentially form a hybrid between individual and organized giving. These forms of giving have existed for thousands of years and in all parts of the world. Philanthropy is not a modern invention, nor was it ever solely a western concept. It existed well before the founding of United States and long before Europe was broken down into a cluster of nation-states. But it is true that each society puts its mark on this work in progress called philanthropy.

While individual and organized forms of philanthropy are not new, there has been a particular explosion of models in the past 20 years in the field of organized philanthropy. Where once the independent grant-making foundation, endowed in perpetuity, was the hall-mark of modern organized philanthropy, today this space has given way to other models such as: Community Foundations, organized by either a commitment to place or as a community of interest that are being built all over the world at such a dizzying pace that to many it has all the markings of a global movement; Family Foundations, where the desires and interests of the donor are carefully guarded; Operating Foundations, either endowed or 'pass-through' organizations that run programs themselves rather than make grants; and Commercial Gift Funds that aggregate donor-advised funds with simpler rules and lower costs than Community Foundations and therefore have become fierce competitors to Community Foundations in some cases.

Recently, vehicles for social investing have emerged which try to apply business principles and/or venture capital practices to the world of philanthropy. All of these changes have affected the traditional form of the independent foundation, which has begun taking account of new ideas such as those that impose a 'sunset' provision on the life of the foundation or new donors that believe you should "give while you live" and let others do the same for their time. Both of those notions have undermined the traditional wisdom that foundations should guard their assets in perpetuity. Finally, there is Corporate Social Responsibility, a category of organized philanthropy to which we will now turn.

II. Forms of Corporate Social Responsibility

Corporate Social Responsibility (CSR) has undergone significant changes in the past several decades. A perspective on how far the CSR concept has advanced is provided by two examples, one from 1970 and the other from 2002. In the earlier instance, Nobel Prize-winning conservative economist Milton Friedman wrote that 'corporate social responsibility, and the nonsense spoken in its name by influential and prestigious businessmen, does clearly harm the foundations of a free society.' Friedman asserted that the single-minded function of corporate managers is to serve the financial interest of the firms' owners. Thirty-two years later, the PricewaterhouseCoopers Sixth Annual Global CEO Survey of nearly 1000 chief executives from Europe, Asia and the Americas found a very different corporate environment. The survey noted that 71% of CEO's would sacrifice short-term profitability in exchange for long-term shareholder value when implementing a CSR program.

While Friedman's view has theoretical merit, and should not be dismissed lightly, that position is no longer widely shared by the global business leaders of the 21st century. Today's visionary business leaders advocate a concept of multiple obligations to a broad range of stakeholders in their enterprises—including not only stock owners but also such constituencies as employees, host communities, customers, government bodies, civil society groups, media, even future generations.

CSR in practice has evolved through several phases in terms of understanding what constitutes 'true' social responsibility. Some would now argue that the set-aside of a fraction of profits for public purposes is in fact closer to traditional philanthropy but not CSR. The following are a few ways in which corporations use a share of profits to engage in public good.

First, a corporation can set up an independent corporate foundation to receive annual shares of profit or, in some cases, choose to endow the foundation's work. In the United States, of the more than 70,000 foundations of all types, 1,000 are corporate. A number of corporate foundations are emerging in Egypt and around the Arab region. It has been noted that corporate foundations are often professionally managed and tend to have a more formed substantive agenda than independent foundations in general; they can also be more stable than other CSR forms mentioned below.

Second, and perhaps the most prevalent model of corporate social action is to conduct a corporate giving program where each year an agreed upon amount is channeled from the corporation to its social giving program. It is important to note that what is donated might consist of financial assets or it might consist of donations of equipment and supplies. Many prefer this model because it enhances the corporation's control over its giving, but it may also encompass a greater degree of volatility as managers and priorities shift.

A third model (which may be concurrent with the second) is to run a social giving program through the public affairs departments of the corporation. This is where one finds the technique of 'cause-related marketing' most often employed. A sportswear company might sponsor sporting events, or a soap company promote hygiene awareness. While cause-related marketing aligns the business purpose with the social purpose of a corporation, it tends to be the narrowest approach to CSR and suffers from a growing consumer cynicism about who benefits from the effort.

A fourth CSR approach is to put the philanthropic interests of the corporation's employees at the center of the giving program rather than those of the corporation's senior management. Employee matching gift programs are one such vehicle, where the employee makes the choice and the corporation matches the employee contribution - often two or three-fold. Loaning corporate executives to civil society organizations for a specified period of time is another form in this category. Increasingly in places like the United States, offering employees paid time-off to engage in voluntary civil society activities or provide pro-bono services is necessary to attract and retain the best talent.

A fifth way of engaging in CSR, and the one that is emerging as the currently most favored way of thinking about social responsibility, is to infuse the values of CSR into the everyday policies and behavior of the corporation itself. For example, a company might agree to voluntarily comply with the standards set up to proscribe forced or child labor. Otherwise attractive business opportunities might be avoided if they had long-term negative impacts for global warming or the local environment. In this understanding of CSR, a corporation could also consider social impacts through the decisions it makes regarding the placement of assets. It could decide to site its plant in a depressed area, using that plant as the cornerstone for revitalizing the area economically. To some, this is the ultimate form of CSR the integration of business and social purpose. To others, these are purely good business decisions and not CSR at all.

As impressive as some of these 'evolved' CSR programs are, it needs to be acknowledged that there are daunting social, environmental and public welfare challenges in today's world that no company acting voluntarily can overcome. Meaningful reductions in greenhouse gases, corrupt business practices, human trafficking, or reliance on fossil fuel depend on the actions of national governments and international bodies, the institutions of civil society as well as the corporate sector. Nevertheless, the participation of the private sector, with its business skills and assets, is a major step in forming the kinds of partnerships that will ultimately be needed.

There is a wide consensus among public and private institutions that the concept of Corporate Social Responsibility (CSR) is based on a company attaining a balance between the interests of all its stakeholders within its strategic planning and operations.

Over the past decade, numerous debates have emerged around the question of whether such 'responsibilities' should be voluntary or not, especially regarding growing environmental challenges in areas such as climate change, as well as regarding the enforcement of labour standards and basic human rights. Other critics have pointed out that the role of the private sector is defined purely through production and profit-maximisation, generally assuming that only government should take care of social and environmental issues through efficient policy frameworks and mechanisms.

Today, CSR is widely seen a management strategy option. A growing number of successful examples have demonstrated that respecting CSR in strategic planning, and following these through plans in operations, either leads to increased economic output, or at least is (in the short run) neutral in its effect on company profits.

While there is growing conceptual clarity around CSR, technical assistance activities in this field are still scarce. Practically, this means that, through CSR, companies can detect and overcome inefficiencies in their production process, continuously upgrade the quality of their products, and gradually develop their expertise in marketing and sales in an ever-wider market place. By doing so, they eventually improve their environmental and social performance and, thereby, their overall competitiveness.

III. The Rise Of Corporate Responsibility And Its Importance

Profound changes in the world over the past 20 years have created new risks for modern managers, and new means of building value. Business has moved to centre stage, bringing many benefits but also attracting the attention of vociferous critics. Companies' impact on the environment, and on society at large, can create risks which have an important impact on financial performance. It is in the interests of business most obviously because there is a lengthy list of major names who have faced contention over social, ethical or environmental issues: eg BP, Shell, Premier Oil, Ford, Nike, McDonald's, Balfour Beatty and GlaxoSmithkline. CSR is more important than in the past partly because business plays an increasingly prominent role in modern society, at every level from the local community to the international stage.

Corporate responsibility has advanced rapidly since the mid-1990s. Companies have responded to the guidelines by beginning to publish useful information for investors, but more is needed from smaller public companies and more focus is required on what is material to each company, rather than general issues. Early attempts to gauge the "business case" for corporate responsibility focused on revenue and cost benefits. A confluence of corporate governance and socially responsible investing (SRI) has stimulated activity in financial markets. As well as developing analytical skills, investment managers are also collaborating in specific areas, notably climate change. Research has shown that incorporating social responsibility can reduce portfolio volatility andof the importance of risk as well as returns, including risk to reputation. Social, cultural, demographic and technological changes mean that social and environmental risks are now more significant than in the past and more volatile.

Growing awareness of the importance of corporate responsibility is a global trend, with significant developments in many markets, including Australia, South Africa and the US. The European Union has taken a close interest and created a Forum to advise on necessary action. It is increasingly recognized that the managerial decision-making process in business needs to take into account a wide range of criteria relating to the financial, environmental, and social implications of business operations. Corporations look to their management teams to implement policies and practices that contribute to long-term responsible success of their enterprises and that fairly balance the competing claims of key stakeholders: investors, employees, customers, business partners, communities, vendors, and the environment.

IV. Risks and Benefits Of CSR

First of all CSR initiatives could diminish shareholder returns, distract business leaders from their focus, and allow companies to continue bad behaviors in the shadows:

1. It is philanthropy at other people's expense;
2. Profit-maximizing CSR does not silence the critics;
3. Non-profit-maximizing CSR silences the critics, but is unethical;
4. Companies can pay lip service to CSR, but continue to make things worse for communities.

Corporations look to their management teams to implement policies and practices that contribute to long-term responsible success of their enterprises and that fairly balance the competing claims of key stakeholders: investors, employees, customers, business partners, communities, and the environment. What are the values and benefits wich can motivate to behave socially responsible? The following table will make it clear that CSR has measurable benefits.

Unfortunately, this theory often remains disconnected from practical application: How will corporate leaders develop and implement these CSR practices and programs? How will corporate leaders motivate organizations to behave in a socially sustainable manner?

Table 1 Measurable Benefits From CSR

Financial Benefits/Market Growth	1. Innovation/ Market Knowledge 2. Reduces operating costs 3. If no measurable results, greater susceptibility to budget cuts 4. Attracts investors/ access to capital
PR Benefits	5. Government Relations (Reduced paperwork, Fast approvals) 6. Increases customer trust, brand loyalty 7. Access to partnerships, NGO collaborations
HR Benefits	8. Improve labor market 9. Improve society, build teamwork and skilles 10. Increase employee loyalty, pride, satisfaction (Pleasant working cilmate)

Source: Http://www.abi.org.uk

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V. For and Against CSR

There are two main points of view, whether business should be socially responsible or not.

1. Business has an only task to maximize profits; it shouldn't do anything that doesn't suit this principle. It shouldn't interfere in social problems as it is a field of government regulation. The only way for business to help the society is to pay taxes and to provide people with work places.
2. Business is more than just economic unit, it is a part of complex surrounding consisting of various intermediaries like consumers, suppliers, mass-media, unions, employees and shareholders and it should definitely help the society, carrying out various social programs, cooperating with government. Social expectations concerning good corporate activities have already formed and there is nothing left for corporations but to follow them in order to be successful.

So each company has to decide "To be or not to be" socially responsible.

Arguments for:

- Favorable prospective in long run;
- Changing consumers' expectances and closer relationship with the society;
- Following moral standards and responsibilities;
- Creation of excellent reputation.

Arguments against:

- Violation of profit maximization principle;
- The expenses on social programs mean costs for the company and these costs will be included into extra cost and thus will be indirectly paid by the consumers;
- Business employees are not specialized in solving social problems and won't work effective enough.

Actually new-a-days there is no choice. In spite of all disadvantages most companies have started to develop social responsibility and CSR is necessary to be successful in the market and avoid contradictions with government, consumers and mass media.

VI. There Are Two Main Types of CRS – American And European

American way of CSR is characterized as the one with most authorized enterprises. If the government tries to make some decisions for the enterprises it will be considered illegally interfered. Corporate aims are – profitability and responsibilities in front of shareholders. Charity is one of the most wide-spread activity, highly appreciated by the society. Great part of all social programs are financed through corporate funds and all the expenses on solving social problems reduce the amount of taxes paid by the corporation.

European way is to pay higher taxes and thus give money to the government to carry out various social programs. From this point of view government is a special institution that follows concrete norms to solve social problems with the help of business investments. Sponsorship and Charity is less popular because of tax pressure. Today European corporations are mostly focused on 3 main types of CSR: economy, employment and protection of the environment.

VII. Situation In The World

In the developed countries CSR is already an essential part of modern business. Many companies have admitted this way not only because of their own position in this matter, but because of social pressure. examples: food producers were blamed for obesity and had to change their production norms and marketing strategy (Kraft Foods had to cut down fat and sugar in its food, limit portion sizes and stop marketing in schools). World's biggest footwear and clothing brands including Levi Strauss, Nike and Reebok had faced a lot of problems because of their plants in developing countries and now they have special independent audits of their supplier factories to increase the transparency of their supply chain and work hard to improve terrible labour standards. British oil and mining groups came under strong pressure from a coalition of investors and government to make public their payments for developing countries to fight possible corruption.

Even financial sector was forced to avoid giving loans for socially or environmental questioned projects. Practically all this concessions were made in order to keep good reputation and not to lose market share. Nowadays consumers are more concerned not only with the brand , but with the social behaviour of the company. Some of them are even ready to change their preferences, if the company's policy doesn't suit them. Government and social associations are also concerned with the development of CSR. Now a special International Standard on CSR ISO 26000 is being worked out. 426 experts from 84 countries take part its preparation. It won't be obligatory for all the companies, the principle of CSR is still voluntary but is strongly recommended and highly appreciated. The publication is expected in 2010.

VIII. Future Prospect Of CSR

There are no doubts that this crisis will have a great impact on CSR through out the world. Even European countries and the USA will feel the difference, but our country will be in a difficult situation. CSR in India is still forming and the crisis will put many companies in front of a reasonable question "Do we really need to be socially responsible?", moreover those who will answer "Yes" have a very big chance to face commercial problems and may be won't be able to carry out social supporting programs. As you know, it is very easy to stop, but hard to start again. So the companies will have 3 possible opportunities: to stop all social programs, to stop only several social problems and to carry on the main ones or to keep on with all the programs if they can afford them. The process of forming CSR will take a lot of time and effort.

IX. Conclusion

Corporate Social Responsibility becomes synonymous with Communicate Social Responsibility.The actual nature of corporate responsibility is more subtle and more complex than is often appreciated. It calls for a deeper understanding - so that companies will be able to manage responsibility issues better, and investors will be better able to identify the investment implications. Companies have been getting better at identifying the key issues which are most significant for their particular circumstances, and this trend should be accelerated, thanks to the present downturn. As companies produce better information, it will be easier for investors to understand potential impacts and incorporate them into investment decisions. The growing body of evidence on the financial impacts of socially responsible investing and corporate of social and environmental impacts do not fall uniformly across or within sectors – some companies are more or less exposed than others, just as with conventional business drivers. As social issues become more important, investors will need to take more account of them, and investment managers or advisers who fail to do so will be in danger of failing their clients.

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