Role of Corporate Social Responsibility (CSR) in Sustainable Economic Development in an Era of Globalization

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Abstract:
Corporate Social Responsibility in recent years is playing a pivotal role for bringing all kinds of development including social and economic and helping in the sustainable growth. CSR means the way in which business firms integrates environmental, economic and social concerns into their culture, values, strategy, decision making and operation in an acceptable and transparent manner, therefore leading to better creation of wealth, better standard of living, better practices in business organization. In an era of globalization the role of corporate social responsibility has widened drastically. The main crux of this research paper to find out the emerging role of corporate social responsibility in sustainable economic development as well as social development. The findings of the paper suggest that corporate social responsibility is responsible for economic development provided the stakeholders show mutual respect for each other. The methods that have been adopted for reaching to the conclusion are deductive in nature and character. The sources used for collecting data include books, magazines, journals, periodicals and publications by government agencies, newspapers. The outcome of the paper if applied properly will definitely help in bringing economic prosperity on sustainable basis.

Keywords- Sustainable, Globalization, Corporate Social Responsibility, Stake holders, Deductive

Introduction:
The broad rationale for a new set of ethics for corporate decision making, which clearly constructs and upholds a organization’s social responsibility, arises from the fact that a business enterprise derives several benefits from society, which must, therefore, require the enterprise to provide returns to society as well. This, therefore, clearly establishes the stake of a business organization in the good health and well being of a society of which it is a part. More importantly, in this age of widespread communication and growing emphasis on transparency, the managers should help their company in development of a CSR management and reporting framework. Social responsibility means a doctrine that claims that an entity whether it is government, Private Corporation or public organization has a responsibility to society. CSR is a concept that reduces costs and risks, increases the brand value and reputation, effectiveness and the efficiency of employees, improves transparency, and clarity in the working environment of the business house.
The CSR debate has largely revolved around the conduct of multinational corporations (MNEs) and other large private companies, which due to their size have the ability to significantly influence domestic and international policy and the communities in which they operate. Central to the debate is the perceived deficiency of national and international law remedies regarding corporate accountability, in particular the ability of available regulation to successfully regulate a corporation’s conduct in jurisdictions outside the corporation’s home state. Proponents of CSR argue that the efficient functioning of global markets depends on socially responsible business conduct.
A single globally-accepted definition of CSR does not exist, as the concept is still evolving. The language used in relation to CSR is often used interchangeably with other related topics, such as corporate sustainability, corporate social investment, triple bottom line, socially responsible investment and corporate governance. Proponents of CSR argue that, for a corporation’s long-term success and profitability, its’ directors must consider the interests of shareholders and other relevant corporate stakeholders such as employees, consumers and the communities in which the corporation operates. Current proponents of CSR maintain there is demonstrated evidence that corporations, which implement relevant and sustainable CSR practices, perform better and attain greater competitive advantage. Twenty years ago, environmental and social issues were for activists. Ten years from now, they are likely to be amongst the most critical factors shaping government policy and corporate strategy. Twenty years ago, we were a series of local states and countries, national and regional businesses that were partially connected. Ten years from now, we will be globally interdependent as individuals and organizations. 28 International investments by MNEs are central to corporate globalization, which inevitably will lead to a desire to harmonize laws and reporting practices. MNEs tend to be a focal point with regard to CSR due to their size and complexity and the fact that they operate in more than one jurisdiction either directly or via subsidiary entities or in alliances with other entities. Most attempts to regulate CSR have resulted from public international bodies and non-government organizations (NGOs). Codes of conduct relating to CSR matters such as bribery, environment and human rights are voluntary and not legally binding, however, may represent subtle diplomacy by NGOs towards a consensus amongst governments, which in turn may be embodied in national legislation or universally accepted standards. The trend in developed nations is to support the reporting of CSR without introducing legislation to mandate CSR practices, instead, governments appear to be content relying on initiatives introduced and championed by NGOs such as the OECD, UN and GRI.

Global Reporting Initiative
The Global Reporting Initiative (GRI), convened in 1997, was established to improve sustainability reporting practices, while achieving comparability, credibility, timeliness, and verifiability of reported information. The Guidelines, first released in June 2000, revised in 2002 with a revision due during 2006, seek to develop globally accepted sustainability reporting guidelines. These guidelines are also voluntary and are used by organizations in reporting on the economic, environmental, and social dimensions of their activities. The Guidelines are increasingly becoming a universally accepted method of harmonizing CSR reporting in various jurisdictions. Approximately 1000 organizations worldwide incorporate the GRI’s Guidelines into their reporting.

Corporate social responsibility, also known as corporate responsibility, corporate citizenship, responsible business, sustainable responsible business, or corporate social performance, can be defined as the Economic, Legal, Ethical, And Discretionary expectations that society has of organizations at a given point in time. The Economic responsibilities refer to society's expectation that organizations will produce goods and services that are needed and desired by customers and sell those goods and services at a reasonable price. The Legal responsibilities relate to the expectation that organizations will comply with the laws set down by society to govern competition in the marketplace. Organizations have thousands of legal responsibilities governing almost every aspect of their operations, including consumer and product laws, environmental laws, and employment laws. Regulation in itself is unable to arrange every aspect of a corporation's operations. The Ethical responsibilities concern societal expectations that go beyond the law, such as the expectation that organizations will conduct their affairs in a fair and just way. The rise of ethics training inside corporations, some of it required by government regulation, is a driver credited with changing the behavior and culture of corporations. Finally, the Discretionary responsibilities of corporations refer to society's expectation that organizations be good citizens.

A traditional view of the corporation suggests that its primary responsibility is to its owners, or stockholders. However, CSR requires companies to accept a broader view of its responsibilities that includes not only stockholders, but many other stakeholders as well, such as employees, suppliers,
customers, the local community, state, and federal governments, environmental groups, etc. Corporate social responsibility is related to, but not identical with, business ethics. Business ethics usually focuses on the moral judgments and behavior of individuals and groups within organizations. The rationale for CSR has been articulated in a number of ways. In essence it is about building sustainable businesses, which need healthy economies, markets and communities.

Key Drivers For CSR
The Key Drivers for Corporate Social Responsibility are:

1. **Ethical Consumerism**: Over the last two decades can be linked to the rise of CSR. Industrialization in many developing countries is booming as a result of technology and globalization. Consumers are becoming more aware of the environmental and social implications of their day-to-day consumer decisions and are beginning to make purchasing decisions related to their environmental and ethical concerns.

2. **Transparency and Trust**: Business has low ratings of trust in public perception. There is increasing expectation that companies will be more open, more accountable and be prepared to report publicly on their performance in social and environmental arenas.

3. **Increased Public Expectations Of Business**: Globally companies are expected to do more than merely provide jobs and contribute to the economy through taxes and employment. As corporations pursue growth through globalization, they have encountered new challenges that impose limits to their growth and potential profits. Global competition forces multinational corporations to examine not only their own labour practices, but those of their entire supply chain, from a CSR perspective.

4. **Employee Motivation**: A KPMG survey of 1600 of the world's largest companies across 16 industrialized countries, including Australia, examined why they are committed to corporate responsibility and what influenced the content of the reports. By the survey almost half of the world's largest companies believe employee motivation is a key driver when it comes to corporate social responsibility.

5. **Laws and Regulation**: independent mediators, particularly the government, ensuring that corporations are prevented from harming the broader social good, including people and the environment. Governments should set the agenda for social responsibility by the way of laws and regulation that will allow a business to conduct themselves responsibly.

6. **Crisis and their Consequences**: Often it takes a crisis to precipitate attention to CSR. One of the most active stands against environmental management is the CERES Principles that resulted after the Exxon Valdez incident in Alaska in 1989. Other examples include the lead poisoning paint used by toy giant Mattel, which required a recall of millions of toys globally and caused the company to initiate new risk management.

7. **Stakeholder Priorities**: Increasingly, corporations are motivated to become more socially responsible because their key stakeholders expect them to understand and address the social and community issues that are important to them.

Companies have their own ideas about corporate social responsibility - and how much of a commitment they make to it. It can range from "going green" to supporting local charities. But one thing is increasingly clear. It is not a choice any longer. CSR extends to the bottom line. Corporate Social Responsibility is no longer optional.

**Objective of the Study:**
The main crux of this research paper is:

1. To find out the emerging role of corporate social responsibility in sustainable economic development as well as social development.
2. To know the key drivers of corporate social responsibility influencing economic growth and development.
3. To find out the impact of corporate social responsibility on social development.

**Literature Review:**
In early 1950’s & 60’s the literature was not heavily represented in CSR discourse. However, this decade ‘marked a significant growth in attempts to formalize, or more accurately, state what CSR means’ (Carroll, 1999). According to Carroll, “CSR encompasses the economic, legal, ethical and discretionary (philanthropic) expectations that society has of organizations at a given point in time.”

Some of the most prominent writers during that time were Keith Davis, Joseph W McGuire, William C Frederick and Clarence C Walton. Frederick wrote that ‘Social responsibility in the final analysis implies a public posture toward society’s economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firm’s (Carroll 1999).

Howard Bowen in 1953 argued that since social institutions shaped economic outcomes it was to be expected that business firms as an economic outcome of societal interests should consider the social impact of business activity. According to Bowen, “CSR refers to the obligations of businessmen to pursue those policies to make those decisions or to follow those lines of relations which are desirable in terms of the objectives and values of our society.” CSR implies some sort of commitment, through corporate policies and action. This operational view of CSR is reflected in a firm’s social performance, which can be assessed by how a firm manages its societal relationships, its social impact and the outcomes of its CSR policies and actions (Wood, 1991). Carroll 1979 offered the following definition of CSR. The social responsibility of business encompasses the economic, legal, ethical, and discretionary (or philanthropic) expectations that society has of organizations at a given point in time (Turner, 2006).

Rosabeth Moss Canter first introduced a term ‘corporate social innovation’ in 1999 that argues that firms should use social issues as a learning laboratory for identifying unmet needs and for developing solutions that create new markets. Large corporations began to go public about corporate social responsibilities and publish some of their efforts, but they also made public that any approach to corporate responsibility must begin with the practical recognition that the corporation must be profitable enough to provide shareholders a return that will encourage continuation of investment (Wilson, 2000). Another trend appearing in literature is the increasing dialogue between stakeholders. Companies are augmenting their discussions with labor unions, environmental groups and other relevant stakeholders and the implementation of certification solutions by corporations, which is the establishment of codes of conduct (Kapstein, 2001), monitoring and reporting. European Commission described CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. Lee 1997 stated CSR refers to a company’s commitment to operate in an economically and environmentally sustainable manner, while acknowledging the interests of a variety of stakeholders and maximizing economic, social and environmental value. It is holistic concept that can mean different things to different groups and stakeholders. Kingston and Wagner 2004 suggest that leadership on sustainability and CSR are important to set priorities and to ensure that commitments are achieved. CSR has emerged as the business issue of the 21st century and has been studied for over 50 years. To this day academics do not have a consensus on its definition (Wood, 1991; Carroll, 1991). Bowen’s definition of social responsibility of businessmen was ‘it refers to the obligations of businessmen to pursue those policies to make those decisions, or to follow those lines of relations which are desirable in terms of the objectives and values of our society (Carroll, 1999). CSR and CSR (or sustainability) reporting are inextricably intertwined across an organization, and at various levels, impact on strategic planning, governance, stakeholder engagement, risk management, decision making, data collection and management systems, performance measurement, performance management, public relations and communications. Bebbington et al. (2008) use the term CSR reporting, which highlights the link between the reporting function and the organizational functions and operations that are concerned with, and impacted by, activities associated with CSR. The CSR movement was an early response to an article published in 1970 by Friedman stating that ‘social responsibility of business is to increase its profits’. Due to Bowen’s concern with social responsibility and his leadership role in the topic, Bowen should be seen as father of CSR. The main drivers for CSR have been the shrinking role of government, demands for greater disclosure, increased customer interest, growing investor pressure, competitive labor markets, and supplier relations. The companies
enjoy several benefits like improved financial performance; lower operating costs, enhanced brand image and reputation, increased sales and customer loyalty, product safety, material recyclability, and greater use of renewable resources etc.

Research Methodology:
The methods that have been adopted for reaching to the conclusion are deductive in nature and character. My research is based on Secondary data and the sources used for collecting data include books, magazines, journals, periodicals and publications by government agencies, newspapers.

Findings:
The findings of the paper suggest that corporate social responsibility is responsible for economic development provided the stakeholders show mutual respect for each other. Other findings of my study are that CSR is now presented as a comprehensive business strategy, arising mainly from performance considerations and stakeholder pressure. Companies consider their interaction with stakeholders and impact of its business on society as significant issues. CSR policies vary with turnover and profit. Every company defines CSR in their own ways as per their needs.

Suggestions:
Organizations can reexamine their behaviors and will definitely help in bringing economic prosperity on sustainable basis and thus for CSR and sustainable development, companies must:

1. Implement an open information strategy for more transparent information sharing with multiple stakeholders.
2. Align and incorporate CSR with business strategy and integrate it across all operational functions. Thus, making it easy to invest and not spend the funds necessary to achieve its objectives.
3. Leverage transparency to increase the level of engagement of key constituents and customers.

When these activities are done in combination, CSR can become a dimension of a company’s successful competitive strategy. Done right, it offers a company improved relationships with all of its key constituents, more loyal customers, lower costs, higher revenues and an overall improvement of the business standing in society.

Conclusion:
According to the literature, there is a growing awareness that business needs to manage its relationship with the wider society. Corporate social responsibility (CSR) can be defined as a company's obligation to pursue goals and policies that are in society's best interests. A socially responsible company conducts business in an ethical manner. In many companies, a formal statement or code of ethics summarizes corporate values, and expectations. The practical need for CSR comes from changing social expectations, affluence, and globalization. Many companies have earned benefits from engaging in CSR activities. These include stronger brand positioning, corporate image, market share and sales. It also increased their ability to attract and retain employees. CSR is becoming a leading principle of top management and of entrepreneurs. CEOs have long been accountable to a varied group of stakeholders – employees and communities, as well as investors. The nature of these relationships is now changing in ways that significantly affect corporate performance. In part due to the emergence of the Internet and continuing globalization, companies are becoming accountable for labor issues and working conditions in their partner’s operations as well as their own.

References:


