

# Where Do We Go From Here? Viewing Corporate Social Responsibility through a Sustainability Lens

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## ABSTRACT

Over a period of time organizations have realized that the wealth created by them is done by utilizing the resources of the society and in return it becomes imperative for them to return some of the profits back to the society. For a variety of reasons, organizations have been taking many initiatives such as donating money to disaster victims, building hospitals, working for illiteracy etc. However an important question that crops up is whether these initiatives come under the domain of Corporate Social Responsibility, or does it amount to mere corporate philanthropy? Philanthropy activities do not have a long term focus and do not contribute to sustainability and they also do not look into the social, ethical and environmental issues. Another issue that emerges is the fact that businesses across the world are so obsessed with the immediacy of results that they cannot sight the vast opportunity that discharging of social responsibility holds for the long term sustainability for them.

In this paper the authors address important aspects of a firm's business activities which can have an effect on areas such health and safety, environmental protection, human rights, stakeholder rights etc which come under the purview of CSR. The purpose of this paper is to emphasize the importance of CSR to the business strategy of an organization in ensuring sustainability of business. The paper also brings out the fact that CSR needs to be implemented in the organizations not just as an image building exercise, but can be a source of competitive advantage to ensure sustainable business development. The paper utilizes secondary data from various Indian and Global organizations to review against the backdrop of the role of government in the respective sectors, in the process the authors try to identify the answer for the research questions 'what constitutes CSR?' and 'whether philanthropic activities can be called as CSR?'

**Key words:** Corporate Social Responsibility, Corporate Citizenship, Corporate Responsibility, Philanthropy, Strategic Corporate Social Responsibility.

"Corporate Social Responsibility should be in the DNA of every organization. Our processes should be aligned so as to benefit the society. If society prospers, so shall the organization..."  
- Jamsetji N. Tata, Founder, Tata Group

## INTRODUCTION

Corporate Social Responsibility (CSR) has become one of the major areas of concern for modern business firms both in the domestic and international sector. Firms have gradually recognized the importance of CSR, mainly because of increasing awareness to various

factors affecting environmental degradation, human rights and social ethical issues that are likely to be affected by firm's actions. Some of the terms which are synonymously used by firms to denote Corporate Social Responsibility are 'Corporate Citizenship' and 'Corporate Responsibility'. Whatever be the terminology used the central idea remains that

Business organizations need to play a role beyond the economic role and the fact that a firm should make a positive contribution to ensure that there is sustainable development and efforts are made to make the world a better place to live in. This commitment to the society, environment and other stakeholders needs to go beyond the statutory obligations laid down by legislation and become a voluntary initiative from the organizations. However most of the organizations focus on their products and look into ways of improving profitability, neglecting the social and environmental impact of their activities. Majority of the organizations that have started contributing to social, ethical and environmental issues believe that CSR is one of the easier ways of increasing brand equity. These organizations are making CSR a marketing activity to increase visibility than as a focused responsibility to create a social impact.

Even today the subject of CSR is controversial and debatable, primarily due to the fact that the subject still has undefined boundaries and the concept itself remains debatable both in the academic circles and with the practitioners. The supporters of CSR are of the opinion that there are benefits attained by the organizations, society and the environment if organization pursues CSR activities and in the long term it provides economic benefits to the organizations apart from providing social benefits. Critics of CSR view it as a liability on the organizations which hinders them from their fundamental economic role of maximizing profitability and opining that the sole responsibility of social upliftment and environmental sustainability is government's responsibility.

## **Defining CSR**

Despite the ever increasing public interest towards CSR, the concept continues to be difficult to define. Early definitions considered Corporate Social Responsibility to be synonymous with voluntary and philanthropic activities by firms to provide benefits to the unprivileged people. While Drucker believed that management's first responsibility to society involved making profits, he also felt that 'it was also important that management consider the impact of every business policy and action upon the society' (Joyner & Payne, 2002). As per Davis (1973) "CSR refers to the firm's consideration of and response to issues beyond the narrow economic, technical, and legal requirements of the firm". Davis implied that it was imperative for the organizations to assess the impact of their activities on the society before making business decisions. Further, he believed that it was essential for organizations not only to get economic gains but also to provide benefits to the society. Wood (1991) proposed a holistic approach towards corporate social performance and defined it as a "Business organization's configuration of principles of social responsibility, processes of social responsiveness and policies, programs and observable outcomes as they relate to the firm's societal relationships".

The World Business Council for Sustainable Development defined Corporate Social Responsibility as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce, their families as

well as that of the local community and society at large (Holme L. and Watts R., 2000).

### CSR Practices

Some CSR practices of Global companies are given below (ASOCIO Policy Paper corporate social responsibility, 2004):

1. SAP provides services on education, awareness and research with the objective of preventing youth suicide. The organization offers life skills programs to young people and to those who attempted suicide. Through its charitable trust SAP Australia funds 'Here for Life' programs among the vulnerable youths. It also worked for the well being of the Tsunami victims' families with the Hope foundation.
2. IBM, through a Japan's national level 'e-elder' program, provides support in hiring and training senior citizens as faculties for other senior citizens in an attempt to assist the elder citizens. Japan has already become the country with largest aging population.
3. Microsoft associates with some of the well known international organizations such as the World Food Programme, Save the Children, and Mercy Corps and offers technology based assistance through the HEART (Humanitarian Empowerment and Response through Technology) program.
4. Reliance Industries Ltd launched a Nation wide project "Project Drishti", to serve the visually challenged Indians of BPL families

of the society. This initiative helped over 6000 people.

5. GlaxoSmithKline Pharmaceuticals focuses on healthy living. They have worked with the tribal people in their villages, by offering medical services such as health check-up, treatment, medical camps and other health related awareness programs. They have also supported the needy tribal people with money for medicines and medical equipment.
6. Wipro, through its initiative of 'Azim premji foundation', has built a university with the objective of school and development education in Karnataka.

These are some of the examples of CSR of the renowned companies. Existing CSR practices shows that generally companies work in the areas of Education, Health, Marginal section (Street children, senior citizens), Rural poor, Orphanages, Environment protection (Tree plantation, awareness camp) under the umbrella of CSR. Constitution of Corporate Social Responsibility Some practitioners are of the opinion that the social responsibilities are the domain of the state. CSR is seen with a negative perspective of state shirking away from its responsibility of looking after the social and environmental needs and they tend to ask 'If these activities are taken over by the corporate firms, then what is the role and responsibility of the state in these areas'? Their contention is that, when the state is exclusively formed for the purpose of welfare of the people, society and

environment at large then why the corporates should be expected to play the role of state. However, the general opinion remains that 'the corporates should give back some thing to the society'. Their contention regarding paying back to the society is that, ' firms already provide employment generation and allied economic activities such as forward and backward linkages. Most of the activities that firms participate in the garb of CSR are actually 'Corporate Social Service' or 'Corporate Philanthropy' and can't be termed as 'Corporate Social Responsibility'. The organizations under the umbrella of Philanthropy earmark some share from their profits for certain social initiatives which has a short term focus and thus are not sustainable over a period of time. These activities do not deal with the social issues from the grass root level and tend to provide relief superficially. Companies aim to make profits unhindered, except by fulfilling their duty to pay taxes. They utilize a certain share of the profits to various social causes to cover up the unethical acts of earning profits by doing social service.

### **Redefining CSR**

Overexploitation of the country's natural resources, the haphazard growth of cities, and rapid process of industrialization has caused severe degradation of natural environment which affects all the forms of life. Environmental pollution (be it in the air, over land or in water) remains the most serious threat to our planet and thus a threat to our future existence. Some of the major damages to the environment caused by the corporate are as follows:

1. On August 23, 2011 the Jharkhand State Pollution Control Board (JSPCB) ordered the closure of nearly 20 BCCL mines in Jharia. The reason for the closure was attributed to pollution and to non adherence of the government guidelines and licenses by the respective mines.
2. The color of Taj Mahal appears to be gradually fading due to the pollution from nearby industries. In the most popular judgment, the Supreme Court of India ordered closure of more than 200 factories in the vicinity of the Monument.
3. A study by Blacksmith Institute (a New York based NGO), Vapi (Gujarat) and Sukinda (Orissa) are becoming the world's top polluted cities due to the heavy metals Industrial estates and Chromite mines in the cities respectively.
4. The well known Bhopal gas tragedy of Union Carbide pesticide plant in 1984, one of the worst industrial disasters of the world that took place at Bhopal is reminiscence of the consequences of corporate irresponsible acts.
5. On July 14, 2010 a similar accident took place in the Sewri industrial area (Mumbai port trust) due to the leak of Chlorine gas wherein, more than 76 people were affected.
6. The waste from the dyeing units of Thirupur, Tamil Nadu is being left untreated which is polluting the ground water and the near by rivers.

7. The Deep water Horizon oil spill also known as the BP oil spill was an oil spill in the Gulf of Mexico in 2010, which polluted the ocean, causing extensive damage to marine life habitats in that zone.

Main reason for environment pollution is due to emissions from the various industries which do not adhere to regulations or are just concerned with adherence to minimum standards stipulated by law. Industrial sector alone contributes the lion share to the pollution and environmental degradation. These are the 'Corporate Social Irresponsible Activities'. These firms continue to ignore the basic human and environment safety norms but participate in other symbolic activities in the name of CSR. A firm needs to be responsible to the society and the environment in which it is operating and should not cause any harm to the environment in its quest to make profits. CSR is thus, following ethical practices while carrying out business activities.

### **Strategic Corporate Social Responsibility**

Strategic Corporate Social Responsibility constitutes those CSR activities which are aligned to the mission and vision of an organization. Further any organization which practices strategic CSR activity has a long-term focus (Osborn and Hagedoorn, 1997). With the increased attention to CSR by all stakeholders, it has now become imperative to have an integrated CSR model that flows through the corporate mission, vision and other activities. CSR can be used as a strategy to focus on new opportunities and respond to concerns in the marketplace with respect to economic, societal and environmental issues. A strategic approach

to CSR could be seen as helping the firms grow their business and also make an impact on the issues effecting stakeholders, and ensure long-term viability along with strengthening the corporate image (Aranganathan P., 2010). This long term focus of strategic CSR activities requires substantial amount of resources but it results in worthwhile benefits for the firm (Russo and Fouts, 1997; Werther and Chandler, 2006). The benefits include helping a firm in following a generic strategy; developing strategic resources for the firm; creating new business (product-market) opportunities; and helping a firm manage stakeholder-related risks better (SS Bhattacharyya, 2009). For example CSR initiatives can help in reduced wastage of resources and thus lowering the cost price. It also helps in improving the goodwill and reputation thus enhances the brand value of the organization. It improves financial performance by an increase in sales and customer loyalty. Studies have also shown a growing desire by customers to buy on the basis of other value-based criteria, such as "child labor-free" manufacturing, products with lesser environmental impact (green goods), and absence of genetically modified products. Companies which are perceived to have higher CSR focus are also able to attract and retain talented employees (Heslin and Ochoa, 2008).

Finally a view which is shared by most of the researchers and practitioners is that the long term success of the firm depends not only on the organizations well being but also on the status of the social and natural environment in which it operates. This has encouraged the

proactive firms to align CSR initiatives to strategies of the organization. In 1984, Peter Drucker reviewed his 1954 research in order to understand the relationship between business and society, and asserted that CSR could become a business opportunity for businesses because it can improve financial profitability (Drucker, 1984). Another excellent example of the 1980s literature that relates CSR and financial profitability is Philip Cochran and Robert Wood's empirical study (Cochran and Wood, 1984). They conducted research into the various ways in which social and financial results were executed in the past, and found a positive relationship between them.

Domestic corporate majors such as the Tata and Birla group companies have led the way in making CSR an intrinsic part of their business plans. In these firms, CSR flows out of their core business activities. These firms have been intensely involved with social development initiatives in the communities surrounding their facilities. The Tata group, since inception, has given equal importance to increasing shareholder's return as well as to fulfilling its obligation towards social and environmental issues. After decades of corporate philanthropy, the efforts of the group in recent years have been directed towards having a balance of the people, planet and profits which is popularly called the Triple Bottom Line (TBL).

Through its TBL initiative, the Tata group aimed to reduce the negative impacts of its business activities on the society and the environment and further encouraged and educated Tata employees for initiating environment friendly practices.

Dabur is another Indian organization which has been involved in CSR initiatives driven through its Sustainable Development Society called 'SUNDESH. Dabur Nepal Pvt. Ltd. a joint venture company was established in the year 1989. Nepal has been a major source for the herbal plants which are widely used in making medicines. However, due to extensive use, early harvesting, lack of the post harvest technology and unscientific collection methods, these natural reserves were found to be depleting speedily and further there was no organized efforts to replenish these natural resources of medicinal plants in the Himalayan region. Dabur Nepal started a project on medicinal plants in Nepal using modern technology for cultivation of the required medicinal herbs of Himalayas. This initiative was fully integrated with the company's business vision and was designed to be an eco-friendly project keeping in mind the sustainability of the environment. Besides helping preserve natural resources, this initiative also helped in generating employment and income for local population and in improving the socio-economic conditions of local population in the Himalayan Kingdom.

## CONCLUSION

In this paper, the traditional philanthropic activities of the companies have been reviewed. The argument is based on the fact that these traditional philanthropic activities cannot be termed as CSR, and are, at best corporate social services. Moreover, even if they are termed as CSR, there should not be any societal expectation on the companies in

taking part in these activities as they already add values in terms of employment generation and wealth creation. CSR needs to move beyond the realm of charity and philanthropy, and firms need to extend their support not only to human beings but also to the land, forests, water and to all the living beings that inhabit the planet. Further firms need to go beyond the 'compliance mode' in adherence to stipulations and should create a balance for the Triple Bottom Line while carrying out business activities. CSR initiatives need to become a part of the employee and corporate ethos and it should not be a distinct activity. Only then would CSR have a strategic perspective and a long term focus.

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