

# Corporate Social Responsibility and Competitive Challenges for Business

V. Kalpana

Assistant Professor, New Horizon College

**Abstract:** *Mankind's greatest challenges in this century will be to ensure sustainable, just and balanced development in all spheres of life. The need of the current and future generations cannot be met until and unless there is mutual respect for natural systems meeting international standards that would protect core social and environmental values. In this context, the role of business sector is increasingly recognized and its role has become too critical in today's scenario. of business sector. Hence it is obligatory on the part of society in the interest of the business sector to address various small issues and resolve it to make things effective in its day to day affairs. Its understood and proved beyond doubt that business can flourish only when the communities and ecosystems in which they operate are healthy and conducive. This broad strategic context helps us to explain the growing appetite among business sectors worldwide for authoritative information, company examples and also do advice on their corporate social responsibility (CSR). In the past it was found that Corporate Social Responsibility was found only with handful of industries emerging to show case their concern and execute their responsibility. However today is seen that these handfuls that had emerged in the past have made an impact on the majority of them across the globe and has made it possible for many to practice and ensure that a major portion of their funds are assigned for Corporate Social Responsibility and its activities. What was found to be rear view and abysmal in practice has become the most common preference and importance for large global firms to demand that their vendors, associates, suppliers comply with Corporate Social Responsibilities covering major codes of conduct covering social environmental and cultural practices. This is the new paradigm shift in business landscape facing small, medium as well as large sized enterprises in developing countries. Are they ready? Is the question we need to answer in the days to come. Today, many challenges exist for these organizations in the implementation of Corporate Social Responsibilities. For small and medium organizations, overcoming these challenges has become a necessary condition to enter the global marketplace while for the large organizations it is not only necessary to overcome these challenges to remain and compete at the global level but also to gain and sustain the good brand image and corporate image among the common man is also equally important. Therefore, an attempt is made to put these aspects and focus in presenting views while we keep discussing these challenges that are multi faceted and suggesting possible interventions and strategies to convert such these ongoing challenges into opportunities for growth and sustenance of corporate entities.*

**Keywords:** CSR, Challenges, Ethics, Strategies, Responsible

## 1. Introduction

**Corporate Social Responsibility** is the process of assessing an organization's impact on society and evaluating their responsibilities towards people, society, nation, environment, human life etc., Hence, Corporate **Social Responsibility** begins and ends with an assessment of a business organization in along their Customers, Suppliers and Environment.

### Definitions

The term "Corporate Social Responsibility (CSR)" can be referred as corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare. The term generally applies to companies efforts that go beyond what may be required by regulators or environmental protection groups.

Corporate social responsibility may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change.

From the above definitions it can be understood that CSR is the one of the means through which the success and growth of the company is measured. To be very precise, it is a mandatory compliance of any corporate without which companies cannot survive.

With effect from April 1, 2014, every company, private limited or public limited, which either has a net worth of Rs 500 crore or a turnover of Rs 1,000 crore or have net profit of Rs 5 crore, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility activities. The Corporate Social Responsibility activities should not be undertaken in the normal course of business and must be with respect to any of the activities mentioned in Schedule VII of the 2013 Act. Contribution to any political party is not considered to be a Corporate Social Responsibility activity and only activities in India would be considered for computing Corporate Social Responsibility expenditure.

G.S.R, 130(E).-In exercise of the powers conferred by sub-section (1) of section 467 of the Companies Act, 2013 (18 of 2013), the Ministry of Corporate Affairs has made a notification dated 27/02/2014 which makes the following amendments to Schedule VII of the said Act, namely:

- 1) In Schedule VII, for items (i) to (x) and the entries relating thereto, the following items and entries shall be substituted, namely:
- 2) Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water;
- 3) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently-abled and livelihood enhancement projects;
- 4) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up

old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;

- 5) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water; (v) protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotions and development of traditional arts and handicrafts;
- 6) Measures for the benefit of armed forces veterans, war widows and their dependents;
- 7) Training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic sports;
- 8) Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- 9) Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government
- 10) Rural development projects.

The above provisions and amendments make it very clear that Corporate Social Responsibility is no more an add-on feature for any business organizations, but it is one of the essential and default features of the companies. But there are many practical challenges and issues in successfully implementing their Corporate Social Responsibility activities. Let us see some of such challenges and issues.

One of the common criticisms of corporate social responsibility is that this responsibility of the Organizations, negatively affect the bottom line of the business, i.e., the profit. It is argued by many business people and economists that the true purpose of business is to make profit for the benefit of shareholders. Doing anything outside of this purpose undermines this fundamental business principle.

If an organization has a responsibility to its shareholders to make as much profit as possible, how can it justify spending some of those profits on socially responsible projects or making decisions that will negatively affect the bottom line? Essentially, this argument against social responsibility remains true until consumers and shareholders begin to expect a business to act in a responsible way.

The next criticism of corporate social responsibility is on the ground that that the actual benefit received by the community is negligible. Social responsibility should benefit both the business and the community. However, often the results fall heavily in favor of the business involved. Businesses invest a comparatively small amount into community projects and then use their efforts to promote their brand and gain access to markets all around the world.

Further, one of the serious challenges that businesses face when becoming involved in corporate social responsibility is acceptability by their customers. The growing customer cynicism is one of the major barriers for successful

implementation of corporate social responsibility. Customers believe and say that for many organizations, corporate social responsibility is simply a public relations campaign in disguise and definitely not a genuine one to overcome the difficulties of the community or society and no way connected to the development of the same.

They are also strongly convinced that the corporate social responsibility activities undertaken by the companies are simply hoodwinking commercials and they undertake such activities only for selfish and greedy motive of making easy money and profits. They are skeptical about the true motivation behind corporate social responsibility and are not easily convinced that a business is acting in the best interests of the community and environment.

Even businesses that are genuine in their commitment to corporate social responsibility face the challenges of winning over customers. Businesses need to be careful in not to be seen boasting about their socially responsible endeavors. Basically, customers view this as a marketing ploy and often disregard what is being said as you simply try to draw up good public relations. This is especially apparent when businesses have made profits from irresponsible behavior for many years and then expect praise from customers when they suddenly start to make small changes to their practices.

Corporate social responsibility also comes under criticism because it is disposable or reversible. Many businesses get involved in sustainable projects when economic conditions are excellent and they have plenty of disposable resources, however, as soon as conditions worsen, their community projects are the first thing to go. This can be detrimental to groups who were really looking forward for the assistance they were receiving from the organization.

Clearly, organizations that want to be socially responsible must face many challenges and overcome a number of barriers and criticisms. Corporate need to weigh up all of the advantages and disadvantages that are associated with corporate social responsibility and determine what is best for the sustainability of their businesses.

The other major challenge of corporate social responsibility is to address the ethical issues posed while implementing corporate social responsibility practices. While considering corporate social responsibility, it is important to think about which group influences the most over their business' practices and guidelines.

To answer such queries and be very pragmatic in their business approach an organization should know who and how to take care of the responsibility and how to move in the best direction of envisaging corporate social responsibility. Therefore the following is answered as follows.

Is it the responsibility of the corporate to set ethical business standards, or is it the responsibility of the government to create regulations?

Are investors responsible for pressurizing corporations to be socially responsible and sustainable?

Do the consumers have the responsibility to create a demand for ethical products and to shop responsibly?

Do all of these groups have power and the opportunity to influence business ethics? If Yes, to what extent?

### Few Implementable Strategies to Overcome Corporate Social Responsibility Challenges

The above said challenges and criticisms, although cannot be eliminated completely, can be overcome to a greater extent by adopting certain measures as suggested here:

1. Developing a culture of responsible business houses that can provide long term benefits to the stake holders of business and will help to avoid the consequences associated with decisions that don't take into account the triple bottom line.
2. Developing a mission statement that outlines the company's vision and reason for operating the business will help to establish its standpoint concerning social responsibility and sustainability. It should include information about the company's objectives, vision for the business going in the future and its commitment and values with respect to social responsibility.

Every company should consider developing a set of policies or guidelines that outline the expectations of its business in regards to social responsibility. A clearly defined standpoint on issues such as ethics and moral standards is very important so as to enable members and participants in Corporate Social Responsibility to gain a clear understanding of how they need to behave, what is expected of them in terms of work culture and behavior in business. When such kind of process are practiced, it would be better for the organizations to get feedback from them so that the organization can work out as to which policies are feasible and which are not and as to identify any changes that need to be made.

Companies must encourage their employees, customers and associates to support the Corporate Social Responsibility idea. In the long term, this will encourage other businesses to become more sustainable in the hope of establishing a business relationship with such organizations. Employees must also be encouraged to get involved in community projects and to buy sustainable products. They must also be offered incentives for demonstrating a commitment to social responsibility.

To continue the development of a socially responsible culture, the organizations should aim to empower their employees to make decisions and take responsibility for their actions. If employees (particularly managers) are made accountable for decisions made in the course of business, they are more likely to act in an ethical and responsible way. When it comes to selling products and services to customers, try to offer a sustainable option whenever possible. For example, if you are selling food, you could offer an organic option to your customers. This type of approach allows individuals to make their own decisions about their involvement in protecting and securing their environment as well fulfill their social responsibility.

However this development can take time. Therefore the key to success is leading by example and growing along with the business. Being aware of the current issues and aligning oneself with a strong set of socially responsible principles, employers or the managers of an organization can encourage their employees, customers and associates to do the same.

## 2. Conclusion

Corporate Social Responsibility is a very sensitive and a sensible activity of any business and is the key for success and sustainability of businesses. The companies must realize that Corporate Social Responsibility is just not about doing the right thing. It also means behaving responsibly, and also dealing with suppliers who do the same. Majority of the customers insist on dealing only with responsible organizations. Customers don't accept unethical business practices or organizations who act irresponsibly.

Therefore Corporate Social Responsibility is the need of the hour for every corporate entity to survive at the first place in the society. Hence every organization should make every sincere attempt to give back at least few drops of what it has received from the society which has nurtured and built it.

## References

- [1] Corporate Social Responsibility in India, Sanjay K. Agarwal, Sage Publications Ltd.
- [2] Corporate Social Responsibility in Asia, Prof. Dr. Patrick Kim Cheng Low, Dr. Samuel O. Idowu, Dr. Sik Liong Ang, Springer; 2014 edition (21 November 2013).
- [3] Corporate Social Responsibility (CSR) - The Fundamentals, Jeff Buckstein, CGA, <http://www.cga-pdnet.org/>
- [4] The Oxford Handbook of Corporate Social Responsibility, Andrew Crane, Abigail Mc Williams, Dirk Matten, Jeremy Moon and Donald S. Siegel, Oxford University Press, 2008 edition (14 February 2008)
- [5] <http://time.com/business/> "Why Companies Can No Longer Afford to Ignore Their Social Responsibilities", May 28, 2012
- [6] <http://www.mca.gov.in/> , GSR 130 (E), MCA notification dated 27/02/2014