MODULE I
CORPORATE SOCIAL RESPONSIBILITIES

INTRODUCTION

Corporate Social Responsibility (CSR) is an issue of much debate and discussion within modern business. There are those that argue that CSR efforts are vital if environmental and social challenges (such as climate change, labour exploitation and good governance) are to be effectively addressed. Others believe that the CSR agenda has been used by big multinational entities to maintain exploitative business models whilst still appearing to be responsible organizations.

This chapter will introduce and outline the key CSR concepts and theories. Both the perceived benefits and the stated criticisms will be discussed in order to help the reader develop the case both for and against CSR. In building a more comprehensive understanding of this contested concept, a critical review of business practices and their impact on the workplace, communities, the environment and wider markets can subsequently be undertaken.

WHAT IS CORPORATE SOCIAL RESPONSIBILITY?

Legislative and regulatory frameworks outline the operating environment for a business. These are interpreted and applied through the corporate governance and reporting structures that an organization puts in place to manage these obligations. However, these set only the minimum operating standards expected and the number of major corporate failures over the past twenty years (such as Enron) has shown how these legal and regulatory mechanisms still allowed space for significant corporate irresponsibility

The size and international footprint of national and multinational entities (particularly when their supply chains are included) means that they will inevitably have a significant impact on society. Whilst many Governments have sought to capture CSR obligations through legislation (such as the Danish Financial Statement Act introducing mandatory reporting requirements in relation to human rights and climate impact), these rarely keep pace with the societal expectations placed on businesses. As a consequence, CSR is primarily concerned with the way in which businesses seek to exceed these minimal legal obligations.

Corporate Social Responsibility (CSR) is a concept that suggests that it is the responsibility of the corporations operating within society to contribute towards economic, social and environmental development that creates positive impact on society at large. The concept revolves around that fact the corporations needs to focus beyond earning just profits.

CSR is covered under Section 135 of the Companies Act 2013. It is applicable to every company registered under the Act. If a company qualifies for any of the following criteria, then it has to compulsorily undertake CSR activities: -

- A net worth of Rs 500 Cr. or more
- Or a turnover of over Rs 1,000 Cr.
- Or a net profit of 5 Cr. in a financial year.

DEFINATION OF CSR

According to European Union, "The voluntary integration of companies' social and ecological concerns into their business activities and their relationships with their stakeholders. Being socially responsible means not only fully satisfying the applicable legal obligations but also going beyond and investing 'more' in human capital, the environment, and stakeholder relations."

According to ISO 2600," The responsibility of an organization for the impacts of its decisions and activities on society and the environment, resulting in ethical behavior and transparency which contributes to sustainable development, including the health and well-being of society; takes into account the expectations of stakeholders; complies with current laws and is consistent with international standards of behavior; and is integrated throughout the organization and implemented in its relations."

CHARACTERISTICS OF CSR

Voluntary activities that go beyond the corporate obligations outlined in legislation and regulation. This is reflected in the UK Government's CSR definition:

- The development of self-regulation initiatives by businesses (and/or representative trade bodies) to recognize emerging societal concerns and norms. Examples include the rise of "Fair Trade Partnerships" seeking to offer disadvantaged producers the opportunity to move out of extreme poverty through access to markets under beneficial rather than exploitative terms

- Managing externalities. Externalities are both the positive and negative effects of economic behavior borne by those outside of the business. Examples include pollution (such as the direct health impact on workers and the communities surrounding a business) and human rights. Legal sanctions can be applied (such as pollution fines), but CSR approaches seek to 'internalize' these issues i.e. investing in modern technology to prevent pollution at source.

- A broad stakeholder approach. Rather than simply reflecting direct shareholder interests, CSR considers how a company must also engage the other agencies that are core to its continued profitability. The concerns of a diverse community (including consumers, communities, special interest groups, suppliers and employees) must be captured. This approach and the extent to which the broader, more ethical concerns of stakeholders is balanced against the more specific interests of shareholders is a key characteristic of debates surrounding CSR.

- Aligning social and economic responsibilities. Maintaining a good reputation is good business and this sits at the heart of any business case for CSR. Profit on a sustainable basis, (rather than profit at any cost) underpins this alignment.

- Many businesses develop a set of core values and beliefs that capture their approach to CSR, developing a philosophy that sets clear social and ethical expectations.

- Non-discretionary. Rather than simple philanthropy (i.e. corporate support or sponsorship of those less fortunate), CSR is tied to all business operations. The concern is about how core functions such as procurement, production, logistics and human resource management affect society.

Ultimately, with increased public criticism of corporate actions and concerns over ethical sourcing and environmental impact, an organization that actively pursues a socially responsible strategy can enhance their corporate reputation. This, in turn, can both build and sustain a competitive advantage.

HISTORY OF CORPORATE SOCIAL RESPONSIBILITY

The possibility that organizations must do CSR and assume a functioning job in the reasonable improvement battle has its underlying foundations in crafted by some American supervisors during the 1950s. What was their thought? They imagined that if organizations not, at this point concentrated distinctly on their benefits yet additionally on the effect they have on society and the earth, they'd have different sorts of advantages. In 1953, Howard Bowen distributed a book entitled "The Social Responsibility of the Businessman" wherein he clarifies why organizations ought to be keen on being all the more socially and earth responsible and gave the main "perceived" meaning of CSR.

Also, with the improvement of ecological worries notwithstanding financial and social issues in the second 50% of the twentieth century, corporate social duty turned into a developing issue. An ever-increasing number of customers began getting incredulous of organizations and needed them to be progressively deferential of the laws, the earth, and progressively capable by and large.

During the 1990s and 2000s, governments in a few nations around the globe began setting up guidelines that made the establishments for present-day CSR. In France, NRE laws were the first to constrain organizations to impart their exhibition as far as the supportable turn of events. These laws were then trailed by different guidelines, for example, the Grenelle Laws or the Laws of Vigilance. Thereafter, organizations began getting mindful of the need of beginning to put resources into CSR with the goal that they didn't remain behind their rivals. Now, CSR began to be seen and utilized as a device for executives, correspondence, and business advancement. CSR turned out to be likewise basic in improving corporate picture among shoppers, upgrading inner correspondence and profitability and was a method of decreasing expenses by turning associations progressively effective with regards to overseeing vitality and assets. Today, as the world appearances numerous social and environmental difficulties, it's elusive medium/huge size organizations that don't have a CSR report, a CSR division or an individual in control, or possibly a correspondence procedure devoted to CSR.

Corporate Social Responsibility Today

Today, the corporate world has begun to genuinely systematize CSR. CSR approaches and techniques allude to the different arrangements set up by organizations that make them stronger and simultaneously permit them to ensure the earth, decrease ozone-depleting substance discharges, improve the nature of items or advance social consideration and workforce equity. By and large, a CSR approach can possibly affect various regions inside business interior structures and furthermore in the manner the external workforce and society are composed.

On a worldwide degree, there is no "law" that powers organizations to set up a CSR technique. All things considered, numerous states have built up a lot of guidelines that outline CSR, specifically by urging organizations to be progressively capable. Then again, there is a global organization that distributes guides for organizations to manage them on their CSR system. The ISO (International Standard Organization) permits organizations to have a typical casing of reference so as to actualize their CSR system.

At present, CSR is developing. Organizations look to characterize better approaches to add to supportable advancement so as to improve their picture, yet in addition their presentation and their odds of the venture and flourishing in the long haul. CSR is additionally profiting by innovative and financial turns of events and the prescribed procedures today are probably going to change quickly. Today CSR Communication, Human resources, Supply chains, SMEs are trending to increase the organization's sustainability and reputation.

Motives of CSR

Some believe that CSR activities are performed in a way to distract attention of the consumers to the actual activities of the Business. Some believe that it's a window dressing activity to satisfy the Government ego that indeed it's the government that's controlling the Corporation and not the other way but the truth is Global MNCs control many nations.

Type of CSR motive	Brief description
Distractive	Aims to distract attention from negative behaviour/actions by emphasising positive behaviour that might be unrelated to the negative actions of the organisation.
Influential (image management)	• Seeks to influence stakeholder perceptions and signals that the organisation is a good corporate citizen. • Seeks to influence stakeholder expectations about the organisation's behaviour. • Legitimacy of the organisation is communicated to stakeholders.
Informative	Aims to inform stakeholders of the organisation's social, ethical and environmental performance.
Intrinsic (motivation-driven)	• Stems from the organisation's intrinsic values such as virtue and Kantian ethics. • The notions of doing good, helping others and acting out of duty (morality) are enshrined in the organisation's core values and the organisation acts from a moral position.
Persuasive	Seeks to persuade and influence stakeholder sentiment regarding the organisation's negative behaviour/actions.
Reactive (stakeholder-driven)	• Aims to placate stakeholder groups as a reaction based on societal norms and regulations such as those in the King III Report. • Legitimacy of the organisation is communicated to stakeholders.
Strategic (performance-driven)	• Seeks to make the link apparent between organisational gains and stakeholder gains. • Communicates that CSR can be equated to good corporate citizenship and could result in financial gains such as strategic/competitive advantage. • Motivation behind CSR reporting could be extrinsic and related to the motive of influencing stakeholders through image and risk management.

NEED FOR CSR:

Corporate social responsibility (CSR) promotes a vision of business accountability to a wide range of stakeholders, besides shareholders and investors. Key areas of concern are environmental protection and the wellbeing of employees, the community and civil society in general, both now and in the future.

The concept of CSR is underpinned by the idea that corporations can no longer act as isolated economic entities operating in detachment from broader society. Traditional views about competitiveness, survival and profitability are being swept away.

Some of the drivers pushing business towards CSR include:

1. The shrinking role of government

In the past, governments have relied on legislation and regulation to deliver social and environmental objectives in the business sector. Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non-regulatory initiatives instead.

2. Demands for greater disclosure

There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations.

3. Increased customer interest

There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers. In a recent survey by Environics International, more than one in five consumers reported having either rewarded or punished companies based on their perceived social performance.

4. Growing investor pressure

Investors are changing the way they assess companies' performance, and are making decisions based on criteria that include ethical concerns. The Social Investment Forum reports that in the US in 1999, there was more than $2 trillion worth of assets invested in portfolios that used screens linked to the environment and social responsibility. A separate survey by Environics International revealed that more than a quarter of share-owning Americans took into account ethical considerations when buying and selling stocks. (More on socially responsible investment can be found in the 'Banking and investment' section of the site.)

5. Competitive labor markets

Employees are increasingly looking beyond paychecks and benefits, and seeking out whose philosophies and operating practices match their own principles. In order to hire and retain skilled employees, companies are being forced to improve working conditions.

6. Supplier relations

As stakeholders are becoming increasingly interested in business affairs, many companies are taking steps to ensure that their partners conduct themselves in a socially responsible manner. Some are introducing codes of conduct for their suppliers, to ensure that other companies' policies or practices do not tarnish their reputation.

EXAMPLE OF CSR ACTIVITY
CSR of Starbucks

Starbucks is a well-known firm that practices corporate social responsibility. As indicated by the company: "Starbucks' social corporate responsibility and sustainability is about being responsible and doing things that are good for the planet and each other."

Starbucks' CSR initiatives include:

- Starbucks Youth Action Grants: Awarding grants to inspire and support youth action.
- Ethos Water Fund: Raising clean water awareness and providing children with access to clean water.
- Ethical Sourcing: Commitment to buying and serving ethically traded coffee.
- Green Building: Using the U.S. Green Building Council's LEED certification program to create energy and water-efficient store designs.

SCOPE OF CORPORATE SOCIAL RESPONSIBILITY:

Ernst and Ernst (1978) identified six areas in which corporate social objectives may be found:

1. Environment:

This area involves the environmental aspects of production, covering pollution control in the conduct of business operations, prevention or repair of damage to the environment resulting from processing of natural resources and the conservation of natural resources.

Corporate social objectives are to be found in the abatement of the negative external social effects of industrial production, and adopting more efficient technologies to minimize the use of irreplaceable resources and the production of waste.

2. Energy:

This area covers conservation of energy in the conduct of business operations and increasing the energy efficiency of the company's products.

3. Fair Business Practices:

This area concerns the relationship of the company to special interest groups.

In particular it deals with:

i. Employment of minorities

ii. Advancement of minorities

iii. Employment of women

iv. Employment of other special interest groups

v. Support for minority businesses

vi. Socially responsible practices abroad.

4. Human Resources:

This area concerns the impact of organizational activities on the people who constitute the human resources of the organization.

These activities include:

i. Recruiting practices

ii. Training programs

iii. Experience building -job rotation

iv. Job enrichment

v. Wage and salary levels

vi. Fringe benefit plans

vii. Congruence of employee and organizational goals

viii. Mutual trust and confidence

ix. Job security, stability of workforce, layoff and recall practices

x. Transfer and promotion policies

xi. Occupational health

5. Community Development:

This area involves community activities, health-related activities, education and the arts and other community activity disclosures.

6. Products:

This area concerns the qualitative aspects of the products, for example their utility, life- durability, safety and serviceability, as well as their effect on pollution. Moreover, it includes customer satisfaction, truthfulness in advertising, completeness and clarity of labeling and packaging. Many of these considerations are important already from a marketing point of view. It is clear, however, that the social responsibility aspect of the product contribution extends beyond what is advantageous from a marketing angle.

BENEFITS OF CSR

A) Ethical Perspectives

Business ethics should address three core issues:

- The values that underpin the way business is done - often expressed in terms such as honesty, integrity and fairness.
- Outlining a code or set of principles that brings together these values into a clear standards statement e.g. outlining acceptable staff behaviors.
- A corporate governance structure that ensures that people and business practices are effectively monitored to ensure compliance with the published principles or code of ethics.

The Institute of Business Ethics (IBE) states that an organisation cannot be genuinely "responsible" without an embedded and inherent culture that is based on ethical values such as trust, openness, respect and integrity (Hopkins, 2016: 84). The IBE therefore believes that a distinction can be drawn between ethics - the way of doing business - and CSR which could be stated to focus on outputs - what is done.

However, it is argued that such a spilt between CSR and ethics is artificial. A company is unlikely to be able to operate on truly ethical principles if the nature of its business is damaging to the environment and/or ignores the social welfare of the communities it engages with (e.g. working conditions for people from less developed countries). Ethical codes and principles in an era of globalisation are not limited to the one company and governance structures and underpinning commercial mechanisms often extend these obligations into the supply chain. CSR has therefore provided a mechanism to link corporate ethical aspirations and standards to clearly articulated and measurable business objectives. This is further reinforced by the adoption of voluntary standards and the creation of trade bodies that use CSR reporting mechanisms to introduce more ethical concerns into supply chain practices.

Fair Trade Partnerships provide a good example of how these more ethical concerns form core elements of some CSR strategies adopted. Such ethical CSR approaches can also create a social dynamic that delivers a direct business benefit. For example, Starbucks customers see the consequences of their coffee purchasing choices, noting that they are helping to make a positive and enduring difference to disadvantage producers (Johnson et al, 2014). As a result, Starbucks more ethical CSR approach delivers a critical point of business differentiation helping to generate an enduring competitive advantage.

B) The Social Contract

Business ethics proposes the concept of a fair and efficient 'social contract' between a company and its stakeholders. This is not a written document, but an ideal relationship rooted in concepts of justice, rationality and built around the development of a consensus. If a company can maintain a good reputation then this means that stakeholders have confidence in both its operations and the way relationships are managed.

The basic tenets of CSR reflect the core conditions of any social contract i.e.

- The interests of all parties are at least consideration.
- All stakeholders are kept informed and not deceived.
- Agreements are reached on a rational and voluntary basis.
- No stakeholders have suffered, been constrained by corporate actions or subjected to unfair power relationships.

Maintaining such a social contract generates key benefits:

- The resulting corporate standards will counteract conduct that could harm legitimate stakeholder expectations of 'well-being'. For example, a major retailer using its corporate size to intimidate suppliers and manipulate relationships is likely to suffer significant reputational damage. A social contract approach would focus on partnerships rather than a purchasing power relationship.

- If the trust associated with a functioning social contract exists, then governance and monitoring costs are likely to be lower. For example, trust across businesses supports the development of cheaper, more efficient quality assurance partnerships rather than a reliance on intensive quality control and inspection regimes.

- The negative social effects of any corporate activities are highlighted more rapidly (thus minimising downstream costs associated with rectification or restoring business reputation). A social contract approach means that the company is not focussed just on basic compliance issues - legitimate stakeholder interests are also addressed. Emerging social and environmental concerns are therefore less likely to be overlooked and corporate reputation will be protected.

C) THE BUSINESS CASE

Many businesses are able to create a clear financial case for CSR, built around the understanding that by doing the 'right' thing for their stakeholders they will, in turn, be doing the right things for the business. These arguments can be presented as follows:

- **Cost and Risk Reduction**. The CSR business case is built around an appreciation of how stakeholders can present possible threats to the business and that its economic interests are best served by mitigating them through social and environmental performance measures. Effective CSR approaches can help avoid/prevent expensive issues such as consumer boycotts and legal liability disputes (e.g. for environmental damage).

- **Competitive Advantage.** In this context, stakeholder CSR concerns are not seen as constraints but as opportunities to be leveraged. For example, Starbucks vision and value statements outline how the ethical and sustainability position of the company provides a key point of differentiation and competitive advantage. Starbucks CSR focus delivers impressive returns - in 2013, the Company served more than 3 billion customers through over 19,000 stores in 62 countries, delivering revenues of $14.9Bn (Starbucks Annual Report, 2013).

- **Reputation**. An enduring competitive advantage is secured by enhancing and protecting the reputation and legitimacy of the company through well-publicised CSR policies and objectives. Companies will seek social or environmental certification (such as FSC and Fair Trade Partnerships) in order to develop their business positioning and access to markets (and therefore future sales and profitability) in the minds of both consumers and the wider supply chain.

- **Synergistic value creation**. This challenges the traditional interpretation of value being limited to one company. The intent is to create 'win-win' business outcomes by engaging numerous stakeholders (such as those in the supply chain) to develop shared CSR approaches and linked objectives. Examples could include developing a shared packaging standard between all businesses in the supply chain, thus reducing direct and redundant costs whilst also meeting environmental CSR objectives.

Challenges to CSR Initiatives in India:

There are a number of challenges a company would face while implementing its CSR activities.

Some of these challenges are as follows:

1. Lack of Community Participation:

Inadequate communication between the company and the community limits the scope of conducting CSR activities. In addition, due to inadequate knowledge of CSR among communities, coupled with poor communication, problems escalate. There is a general deterrence to participation by the community.

2. Narrow Perception of CSR Initiatives:

Many NGOs and government agencies presume that companies involved in CSR activities are only interested in funds. This de-motivates companies to initiate and implement CSR activities.

3. Transparency Issues:

Challenges may also be caused by the commonly-held view that there may be a lack of transparency on the part of local implementing agencies, and that they do not make adequate efforts to disclose information on the progress of social programmes that have been initiated.

In addition, companies and funding agencies are particular that audit mechanisms, impact assessment, and the utilization of their funds must be well-recorded and shared among stakeholders. Such a perceived lack of transparency negatively impacts the process of trust-building between companies and local communities.

4. Need to Build Local Capabilities:

One of the reasons for lack of transparency is inadequate local capabilities. There is a need for building the capabilities of the local NGOs as there is a serious dearth of trained and efficient organizations that can effectively contribute to the ongoing CSR activities initiated by companies. This also limits the ramp up, scope, and size of CSR initiatives. Similarly, there are also challenges with respect to reaching remote and rural areas, the inability to assess and identify the real needs of the community and work with the corporate sector to ensure successful implementation of CSR activities.

5. Lack of Consensus on Implementing CSR Issues:

There is a lack of consensus amongst local communities, agencies, government bodies, and companies while implementing CSR projects. This lack of consensus often results in duplication of activities by corporate houses in their areas of intervention. This results in a competitive spirit between local implementing agencies rather than a collaborative approach.

These challenges can be handled by companies by better planning and coordination. Large companies and trusts are well-geared to draw support and create success through such initiatives. A strategic analyst must view CSR as a strategy to normalize the environmental factors of business and solicit harmony through well-intended programmes.

ENTERPRISE SOCIAL RESPONSIBILITY

Enterprise undertaking social responsibility is not a business posture, but is the result of market economy development in some stage, is the inner demand of enterprise and self-conscious action. Enterprise social responsibility has become a new competition after the talent, technology and management, is the important variable effected enterprise sustainable development

The meaning of enterprise social responsibility With the meaning of the corporate social responsibility(CSR), because the social development is changing all the time, different culture background, different development level's country and different development stage in the same country, all have the distinct meaning. Academia and enterprise field still haven't a uniform definition to this conception, scholars from all around the world put forward respective perspectives from different views.

Depending upon their view of competitive positioning a business can adopt or consider a range of attitudes towards CSR. These can include:

- An extreme view (which can be argued to have led to the major corporate failures of the last twenty years) is the '**laissez-faire'** approach. Here the focus is on legal compliance built around the maximization of profit, payment of taxes and the provision of employment. CSR is seen as being an issue for lower/middle management (at best) and the company is likely to be defensive when challenged by external agencies about CSR concerns. External stakeholders are 'briefed' rather than engaged (if at all). CSR is not a core issue for the leadership of the business.

- **Enlightened self-interest**. CSR is seen as a market opportunity given the interests of consumers and competitors. Leaders therefore support the introduction of business systems to capture good practice and are prepared to interact with a broader stakeholder community. When external CSR pressures are experienced (such as consumer concerns over the treatment of suppliers), the company will react to maintain its markets and competitive positioning.

- **Stakeholder interaction.** Sustainable business practices are seen to be critical to the maintenance of any competitive advantage. Companies therefore set clear targets that are not limited to economic aspects (such as market share) - environmental and social objectives reflecting broader CSR concerns are also included. This is often referred to as the '**triple bottom line**' CSR is considered to be a Board-level issue, with comprehensive reporting/monitoring structures and the leadership are seen/required to act as CSR 'champions'. This proactive approach is often reflected in the development of a partnership approach to stakeholder engagement.

- **Shaper of society.** The rationale for the business is likely to be built around social and market change, placing CSR considerations at the heart of the business model. CSR is seen as being both an individual (employee) responsibility as well as a corporate concern, which is likely to be reflected in the values outlined for the organization. The business is likely to build numerous multi-organizational alliances involving stakeholders to shape and develop the CSR agenda. As a consequence, the leadership is often considered to be inspirational or visionary as they seek to articulate the 'better future' proposed within the business strategy.

CSR Framework:

Companies have a greater responsibility towards the environment. In the present era, there are many consultants and experts who are helping companies inside and outside to be socially more responsible. There are four influential frameworks that are primarily used by the companies. These frameworks have been developed over a period of time. They are:

A) The CSR Pyramid

(1) Economic Responsibility

- Every business is engaged in economic activities.
- So, the prime social responsibility of every business should be economic responsibility.
- Hence they should sell products and service which can satisfy the need of the society.

(2) Legal Responsibility

- The company should comply with the political and legal environment of the country.
- The company should consider protecting the environment.

(3) Ethical Responsibility

- This type of responsibility expects a certain type of behavior or conduct from the company.
- This behavior may not be documented by law.

(4) Discretionary Responsibility or Philanthropic Responsibilities

- These are voluntary actions taken by the entities in case of natural calamities, helping poor people etc.
- They help them by providing a charitable contribution, education activities etc.
- It prevents investments of charitable funds into speculative activities.

B) THE TRIPLE BOTTOM LINE

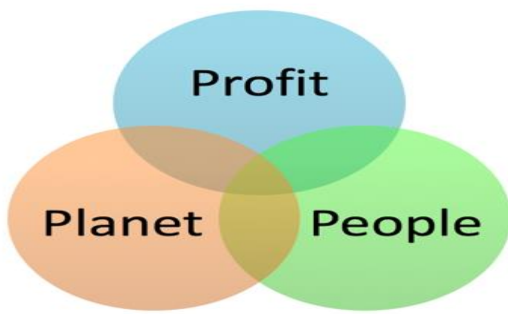
The triple bottom line (TBL) is a framework or theory that recommends that companies commit to focus on social and environmental concerns just as they do on profits. The TBL posits that instead of one bottom line, there should be three: profit, people, and the planet. A TBL seeks to gauge a corporation's level of commitment to corporate social responsibility and its impact on the environment over time.

Understanding the Triple Bottom Line

The Full Cost of Doing Business

In finance, when we speak of a company's bottom line, we usually mean its profits. Elkington's TBL framework advances the goal of sustainability in business practices, in which companies look beyond profits to include social and environmental issues to measure the full cost of doing business.

Moreover, the TBL tenet holds that if a company focuses on finances only and does not examine how it interacts socially, that company cannot see the whole picture, and thus cannot account for the full cost of doing business.



According to TBL theory, companies should be working simultaneously on these three bottom lines:

A. **People: -** "People" considers employees, the labor involved in a corporation's work, and the wider community where a corporation does business. Another way to look at "people" is, how much does a company benefit society? A triple bottom line company pays fair wages and takes steps to ensure humane working conditions at supplier factories. Triple bottom line companies make an effort to "give back" to the community.
B. **Profit: -** While every business pursues financial profitability, triple bottom line businesses see it as one part of a business plan. Sustainable organizations also recognize that "profit" isn't diametrically opposed to "people" or "planet." The business that strengthens the economy it is part of is one that will continue to succeed in the future, since it contributes to the

overall economic health of its support networks and community. Of course, a business needs to be aware of its traditional profits as well.

For example, Swedish furniture giant IKEA reported sales of $37.6 billion in 2016. The same year, the company turned a profit by recycling waste into some of its best-selling products. Before, this waste had cost the company more than $1 million per year. And the company is well on its way to "zero waste to landfill" worldwide.

C. **Planet/Social Measures/Environment: -** Social variables refer to social dimensions of a community or region and could include measurements of education, equity and access to social resources, health and well-being, quality of life, and social capital. Public opinion has dictated that enterprises that harm the environment should also bear the cost, and you can bet businesses are taking notice. The "planet" piece of the triple bottom line indicates that an organization tries to reduce its ecological footprint as much as possible. These efforts can include reducing waste, investing in renewable energy, managing natural resources more efficiently, and improving logistics.

   For example, Apple has invested heavily in environmental sustainability. Its massive U.S. data centers are LEED certified. In 2016, the company announced that 93 percent of its energy comes from renewables. These actions have nudged other tech giants like Facebook and Google toward using more renewable energy sources to power facilities.

C) Shareholder Value Theory

- Shareholder Value Theory (SVT) builds on Friedman's view (outlined above) in that making profits is the overriding corporate purpose and that social activities (outside those set in law such as pollution control or minimum wage legislation) should only be considered if they contribute to increasing shareholder value.
- SVT is underpinned by **Agency theory**, where the owners (shareholders) are seen as the principal and the managers act as their agent (Ross, 1973). These managers owe shareholders (as the providers of business capital) a 'fiduciary duty' to maximize profitability. As a suitable incentive, the economic interests of these managers are often closely aligned to those of the stakeholders (e.g. through salary and bonus payments linked to share value).

- The core SVT argument is that the market is superior to individual organizations when allocating resources and that with the manager acting as agent improved financial performance can be achieved. The market, through shareholders, acts as an effective mechanism to incentivize managers appropriately. Where managers 'fail' (i.e. if the market perceives that they could secure better financial returns) mergers and takeovers result.
- As a consequence, it could be argued that CSR is a significant threat to SVT as it introduces broader concerns. However, the theory can be seen to balance these potentially competing interests when social responsibilities can be turned into business opportunities. It is this aspect that moves attitudes from the stark 'laissez faire' approach to one of more enlightened self-interest (as outlined above).
- Given the nature of past corporate failings and the resultant reputational damage, it is now generally accepted that in some cases meeting certain social interests can contribute to maximizing shareholder value. Most large companies pay significant attention to CSR, publishing appropriate strategies and targets. This has also supported the emergence of the concept of Strategic Corporate Social Responsibility (SCSR).
- SCSR attempts to focus on those CSR activities that yield substantial business-related benefits, with any measures pursued having to demonstrate how they support core corporate objectives. In essence, a clear cost-benefit analysis is required (Crane, McWilliams, Matten, Moon & Siegel, 2008). However, such attempts to develop an ideal or appropriate level of CSR (i.e. one that still maximizes shareholder value) can be seen as cynical and self-serving by the broader stakeholder community.

D) Stakeholder Theory

Stakeholder Theory argues that a business should be managed for the benefit of a much broader stakeholder base, including entities such as customers, suppliers, employees, communities and relevant special interest groups (such as Trade Unions and environmental charities) as well as shareholders. In protecting the legitimate interests of stakeholders, the leadership of a company is also protecting future business competitiveness by recognizing and understanding the environment it operates within.

As per this approach, valuing the stakeholders will add the value to the firm. Primary stakeholders are investors, employees, stakeholders and customers. Secondary stakeholders include media and civil society organizations.

Seven principles of stakeholder management have been proposed:

- Managers should acknowledge and monitor the concerns of all legitimate stakeholders, taking their interests into account when making decisions and conducting business operations.
- Managers should effectively engage stakeholders about their concerns and contributions and the risks they assume through their involvement in the business.
- Business processes and behaviors should consider the concerns and capabilities of each stakeholder group.
- There should be a fair distribution of the benefits and burdens of corporate activity between stakeholders, taking into account their capabilities, risks and vulnerabilities.
- Managers should work cooperatively with stakeholders to ensure that any risks or harm arising from company actions are minimized (with appropriate compensation if necessary).
- Corporate activities that prejudice inalienable human rights (such as the right to life) are clearly unacceptable to all stakeholders and must be avoided altogether.
- Managers need to acknowledge the conflicts that can exist between their own role (as corporate stakeholders) and their legal and moral responsibilities to all stakeholders. Issues should be openly addressed involving third parties where necessary.

ENVIRONMENTAL ASPECTS OF CSR

Environmental aspect of CSR is the duty to cover environmental consequences of a particular company's operations, products and facilities. The major ingredients of environmental CSR are elimination of waste and emissions, maximizing energy efficiency and productivity and minimizing practices that may adversely affect utilization of natural resources by coming generations. Sustainability and carbon footprint occupies an increasingly important position on the corporate agenda around the world. Growing number of companies are realizing the importance of environmental initiatives in business development.

Decrease in energy and raw material usage combined with reduced emissions and waste generation can tackle the environmental challenges facing the world. Leading IT companies, like Microsoft, Adobe, Apple and Google, are investing in renewable sources of energy that can generate power directly on-site. Clean manufacturing practices and energy-efficient design of equipment are also hallmarks of environmental sustainability.

Some of the major aspects of environmental sustainability.

1. **Role of Packaging:**

   Packaging is an important concern for consumers, particularly those who are interested in converting to eco-friendly buying behaviors. Packaging plays a great role in environmental sustainability by protecting products, preventing waste and enabling efficient business conduct. Reduction in the amount of packaging and use of eco-friendly packaging material provide an attractive opportunity to promote environmental sustainability.

   Sustainable packaging is a relatively new addition to the environmental considerations for CSR. Companies using environment-friendly packaging materials are reducing their carbon footprint, using more recycled materials and minimizing waste generation. Companies that highlight their environmental initiatives to consumers can increase sales as well as boost product reputation.

   For example, Cisco outsources all of its manufacturing and has over 600 suppliers. To avoid any problems, Cisco's packaging team undertakes a painstaking process to create more effective and environmentally friendly packaging. In 2012, the company eliminated 757,000 pounds of paper and plastic waste for one product line alone. For its total shipments during 2012, Cisco reduced its use of cardboard, plastic and paper by as much as 466 metric tons.

2. **Role of Clean Energy:**

   Deployment of renewable energy systems can make a big impact on CSR activities of companies as clean energy is one of the best methods to mitigate climate changes. Decentralized power generation using renewable resources is rapidly gaining popularity among world's top companies. Most of the world's largest companies, like Microsoft, Apple and Google, are adopting renewable energy as it makes good business sense to lower emissions, diversify energy supply, mitigate fuel cost and above all portray a green image.

   World's leading IT companies are rushing to develop renewable energy projects to power their giant data centres, Google has entered a 10-year deal with utility company Grand River Dam Authority to supply 48 MW of wind power to its Oklahoma data center. Apple's data center in Maiden (North Carolina), which draws staggering 20MW power, will run entirely on solar energy and biogas. Likewise, to meet tremendous energy needs, Adobe has invested in alternative energy sources that can generate power directly on-site, such as wind turbines and fuel cells at its California facilities. Microsoft has also unveiled plans to utilize biogas generated from wastewater treatment facilities to power its research center at Wyoming.

3. **Role of Environmental Reporting:**

   Environmental reporting, voluntary as well as mandatory, is also getting prominence in the context of corporate social responsibility. Environmental information like greenhouse gas emissions, waste generation, energy consumption, use of transport can improve the transparency of industrial activities, thereby, providing a powerful tool to fight environmental degradation. Business can save significant in areas like use of raw materials and supplies, reduction in waste, water, energy use, transport, travel and packaging.

EVOLUTION OF CSR IN INDIA

India has the world's richest tradition of Corporate Social Responsibility (CSR). The term CSR may be relatively new to India, but the concept dates back to Mauryan history, where philosophers like Kautilya emphasized on ethical practices and principles while conducting business. CSR has been informally practiced in ancient times in form of charity to the poor and disadvantaged. Indian scriptures have at several places mentioned the importance of sharing one's earning with the deprived section of society. We have a deep rooted culture of sharing and caring.

Religion also played a major role in promoting the concept of CSR. Islam had a law called Zakaat, which rules that a portion of one's earning must be shared with the poor in form of donations. Merchants belonging to Hindu religion gave alms, got temples and night shelters made for the poorer class. Hindus followed Dharmada where the manufacturer or seller charged a specific amount from the purchaser, which was used for charity. The amount was known as charity amount or Dharmada. In the same fashion, Sikhs followed Daashaant.

Here, we can understand that the history of CSR in India runs parallel to the historical development of India. CSR has evolved in phases like community engagement, socially responsible production, and socially responsible employee relations. Therefore, the history of Corporate Social responsibility in India can be broadly divided into four phases:

PHASE I: The first phase of CSR was driven by noble deeds of philanthropists and charity. It was influenced by family values, traditions, culture and religion along with industrialization. Till 1850, the wealthy businessmen shared their riches with the society by either setting up temples or religious institutions. In times of famines, they opened their granaries for the poor and hungry. The approach towards CSR changed with the arrival of colonial rule in 1850. In the Pre-independence era, the pioneers or propagators of industrialization also supported the concept of CSR. In 1900s, the industrialist families like Tatas, Birlas, Modis, Godrej, Bajajs and Singhanias promoted this concept by setting up charitable foundations, educational and healthcare institutions, and trusts for community development. It may also be interesting to note that their efforts for social benefit were also driven by political motives.

PHASE II: The second phase was the period of independence struggle when the industrialists were pressurized to show their dedication towards the benefit of the society. Mahatma Gandhi urged to the powerful industrialists to share their wealth for the benefit of underprivileged section of the society. He gave the concept of trusteeship. This concept of trusteeship helped in the socio-economic growth of India. Gandhi regarded the Indian companies and industries as "Temples of Modern India". He influenced the industrialists and business houses to build trusts for colleges, research and training institutes. These trusts also worked to enhance social reforms like rural development, women empowerment and education.

PHASE III: In the third phase from 1960-1980, CSR was influenced by the emergence of Public sector undertakings to ensure proper distribution of wealth.

The policy of industrial licensing, high taxes and restrictions on the private sector resulted in corporate malpractices. This led to enactment of legislation regarding corporate governance, labor and environmental issues. Still the PSUs were not very successful. Therefore there was a natural shift of expectation from the public to the private sector and their active involvement in the socio-economic growth. In 1965, the academicians, politicians and businessmen set up a national workshop on CSR, where great stress was laid on social accountability and transparency.

PHASE IV: In the fourth phase from 1980 onwards, Indian companies integrated CSR into a sustainable business strategy. With globalization and economic liberalization in 1990s, and partial withdrawal of controls and licensing systems there was a boom in the economic growth of the country. This led to the increased momentum in industrial growth, making it possible for the companies to contribute more towards social responsibility. What started as charity is now understood and accepted as responsibility.

In the current scenario in India, the new companies act amended in December 2012 mandates the corporate to spend 2% of their average net profits of the last three financial years towards CSR. This is applicable for companies with a turnover of 1000 Cr/ PAT of 5 Cr/ or net worth of 500 cr. The new bill replaces the Companies act 1956 and emphasizes carrying forward the agenda of Corporate Social Responsibility.

EXAMPLE

1) XYZ Limited has a turnover for last three years, as mentioned below:

2016-17	2017-18	2018-19
1200 Cr	**1250 Cr**	**1080 Cr**

The company makes a net profit of 3%, 4% and 5% during these three years, respectively. Find out the amount of CSR expenditure that the company is required to spend as per section 135 of the companies Act, 2013.

Ans- CSR is covered under Section 135 of the Companies Act 2013. It is applicable to every company registered under the Act. If a company qualifies for any of the following criteria, then it has to compulsorily undertake CSR activities: -

A net worth of Rs 500 Cr. or more

Or a turnover of over Rs 1,000 Cr.

Or a net profit of 5 Cr. in a financial year.

The amount of expenditure for CSR has to be a minimum of 2% of avg. net profit of the last 3 preceding financial Years. This is the prescribed CSR spend. In the above example, the net profits (3rd criteria) for three years is –

(1200 x 3%) + (1250 x 4%) + (1080 x 5%)

= 36 + 50 + 54 = 140 Cr

As per the prescribed norms, the amount of expenditure for CSR has to be a minimum of 2% of avg. net profit of the last 3 preceding financial Years.

2% of 140 Cr. = 2.8 Crores

Hence, the amount of CSR expenditure that the company is required to spend as per section 135 is Rs.2.8 Crores