CSR- An Image Building Tool

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Abstract

This paper gives an overview of Corporate Social Responsibility which can enrich the brand value of an organisation through ethical and social actions. Considering today’s scenario CSR has evolved gaining importance over time because of the growing interest of people regarding social and environmental issues. Companies have their own set opinions on CSR, some feel that CSR need not be forced on them as businesses are meant for maximising profits and not philanthropy, while others feel that enforcing CSR has added several benefits for themselves as well as the society. The Government initiatives to promote CSR, the employees contribution, involvement of the companies and society's views are taken into consideration. The positive impact on stakeholders through CSR is also viewed in this paper. The model discussed connects CSR to image and can be applied by corporate to make successful implementation of CSR in their organisations.

Key words

Corporate social responsibility (CSR), Image building, social accountability, Corporate governance.

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Introduction

Corporate Social Responsibility is an integral part of business strategy whereby companies act with responsibility towards social and environmental concerns in their business operations and interactions with their stakeholders. Thus through CSR companies aim to achieve balance of economic, environmental and social imperatives simultaneously addressing the expectations of shareholders and stakeholders. In the earlier times Organizations were considered only as profit maximizing entities but with changing times and a more aware society many companies have felt they could strike a chord with their stakeholders through their CSR activities. CSR is basically a tool for organizations to carry out diverse activities to fund and resolve social problems and to fulfil their commitment towards society. It also allows the organizations to generate and assign the resources in effective and efficient way (Petrick & Quinn, 2001). So it is one of the best tools to gain competitive advantage (Porter & Kramer, 2002). CSR initiatives and actions are not only about charity but about transforming these ideas into useful business strategies. CSR driven efforts do not only relate to make a contribution by donating money but it speaks of incorporating societal and moral practices into business strategies that help the consumers in building an optimistic brand image. CSR may seem confusing as it may imply engaging an NGO at times, may involve charitable donation at other times and could also imply ethical treatment of the employees, but in truth CSR involves all of them.

The Indian scenario on CSR

Companies Bill- 2011 got a nod from Lok Sabha on 18th December 2012 and the bill was finally passed in the Rajya Sabha on 8th August 2013 making it mandatory for profit making companies to follow CSR norms. While highlighting the features of the Bill Minister of State for Corporate Affairs Sachin Pilot said India would become the first country to mandate corporate social responsibility (CSR) through a statutory provision. As per the new law, CSR spending would be the responsibility of companies like their tax liabilities. The Bill, with 470 clauses, seeks to make CSR spending compulsory for companies that meet certain criteria. Firms having Rs.5 crore or more profits in the last three years have to spend on CSR activities. One of the major proposals is that companies have to mandatorily spend 2 per cent of their average net profit for CSR activities.

Companies that do not follow the CSR norms will have to give explanations or disclose reasons in their books, lest they would face action or penalty.

The proposal leaves it to the discretion of individual corporations to determine the manner in which the amounts are deployed for CSR activities. Schedule VII of the Companies Bill directs companies to include in their CSR Policy any of these i.e:
• Eradication of hunger and poverty
• Education promotion, Employment-enhancing vocational skills
• Promotion of gender equality, empowering women, reducing child mortality and improving maternal health
• Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases
• Ensuring environmental sustainability, Social business projects;
• Contribution to the Prime Minister’s National Relief Fund or any other fund set up by the Central Government or the state governments for socioeconomic development, and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women

Corporate Social Responsibility and its connect with Image building of the Company.

Image of the company in simple terms can be described as perception in the minds of the stakeholders on the business. Image is what a company conveys about itself, its business, ethics, governance, culture and professionalism. An organisation can integrate community interests into its core values and discharge social commitment and in turn generate a positive image in the minds of the people. Image perceivers are the employees, consumers, vendors, financiers and public at large.

Coca cola launched its anti obesity campaign drawing attention to low calorie drinks and the need for people to take obesity seriously considering the hazards it could cause to ones health. Hershey contributed to CSR by declaring to source 100 percent certified cocoa for its global chocolate product lines by 2020 and in this process aims at eliminating child labour commonly practised in the cocoa regions of West Africa. Walmart as one of its CSR measures has announced that by 2017 it promises to buy 70 % of its goods from suppliers using sustainability index. These are examples of how companies are communicating about themselves to benefit the society and at the same time create a positive image in the minds of its stakeholders.

CSR and social accountability

Social Accountability suggests accountability to the people. For long-established industrial entities, such as the Birlas and the Tatas, concepts of trusteeship and nation building have been alive in their operations long before CSR become a popular cause. So also leading Indian companies with strong international shareholdings, such as Hero Honda, HUL, ITC, and Maruti Udyog, where local dynamics fuse with the business standards of the parent or partner. Public sector companies like BHEL (Bharat Heavy Electricals Ltd), HDFC (Housing Development Finance Corporation), NTPC (National Thermal Power Corporation), and ONGC (Oil and Natural Gas Corporation) follow social obligations as an integral part of their business despite the march of privatisation. The modern novel companies like Dr Reddy’s, Infosys, Ranbaxy, and Wipro, are constantly on a positive image building drive. Social Work professionals with their knowledge to serve society and expertise can help address this challenge by considering different options and developing creative approaches to CSR into the company.

CSR and Corporate Governance
Good governance is more about values than rules. Disclosure, accountability, transparency, board diversity, and risk management are the most critical areas of connection. CSR is an external expression of those values. The huge loss in value suffered as a result of recent corporate scandals has drawn attention to what can happen to companies that fail to address CSR issues. The Economic Times (ET) Corporate Governance survey uses six parameters to evaluate the rank of the organization. They are (1) accounting quality (2) Value creation focus (3) fair policy and actions (4) Communications (5) Effective governing board (6) Reliability. Companies that live a value-based approach can generate employee pride, motivation, and dedication with positive benefits on employee productivity and ultimately financial performance.

**CSR and Ethical Human Resource management**

A landmark international CSR study of human resource practitioners conducted by the Society for Human Resource Management (SHRM) in 2006, reveals that CSR practices must ensure employee morale, loyalty, retention, health and safety, employee development and diversity. Charity begins at home and if organisations practice ethics in their internal systems, it is sure to form the “most preferred organisation” image in the minds of employment seekers.

**CSR and Environmental protection.**

The inbuilt mechanisms must be such that organizations can monitor as well as ensure protection and sustainability of the environment. Cognizant voices “To everyone at Cognizant, responsibility to the environment isn’t merely a response to compliance requirements or popular fashion; it’s a business imperative. We’re committed to being industry leaders in minimizing our environmental impact”. The Bhopal gas tragedy in 1984 shook the world with poisonous emissions that led to death, disability and disease, a live example of lapse in governance. General Electrionics did not care to clean up the Hudson River after contaminating it with organic pollutants and the company continues to fight the legal battle disowning the loss caused to environment. There are today many environmentalists and NGOs that work towards conserving nature. Companies have to be conscious about their responsibility towards protection of earth on which they stand and if this care and concern is integrated into their system, CSR for environmental protection follows.

**Recommendations**

There are various means for companies to engage in CSR and the returns are immense and the goodwill it creates in the minds of the stakeholder is sure to go a long way in productivity and progress of the organization. But sensitizing the corporates further to cater to the needs of the lower strata of the society and environmental well being is need of the day. Some Management Institutes like ITM Chennai and a few others have a month long internship with NGOs during which they also carry out CSR Awareness Campaign in companies. Most companies do not have an independently functioning CSR department and so to make it easier organizations can tie up with NGOs for CSR contribution to the society. To show societal concerns organizations can engage in many activities as specified by Company’s Bill 2011. On one hand they fulfill the mandatory disclosure on CSR and on the other hand enhance image of their organisation. Frequent audits and rigid controls by Government can prevent environmental hazards and lapse in corporate governance. Ethical human resource management prima facie has to form an integral part.
of the organization to be successful. More than merely considering CSR to be a mandatory exercise companies must engage in social and environmental welfare activities and couple it with untainted corporate governance.

Conclusion

Currently many corporations globally are showing commitment and accountability towards society, environment and human resource in their organisations but that is not enough for a huge nation as India. Companies follow CSR through the services they offer, the processes they follow, the products they sell and the relationships they maintain with their stakeholders but have they really reached out to solve the enormity of deficiency that exists today in the society is a point that one needs to ponder.

CSR as an image building tool can make corporates to involve in CSR activities, thus making it a channel to success and popularity among masses. Responsibility towards society is a factor that organisations have to sense and follow apart from the profit motive of every business.

Corporates are expected to function with social responsibility coupled with social responsiveness. Government, business and society should work together more closely to improve human accountability. The huge challenge lies in changing peoples thinking and people alone can bring the required change to the society.

References

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