

# Corporate Social Responsibility under disguise of Sustainable Development : A Myth or a Reality

<sup>1</sup>Yogesh P. Patel, <sup>2</sup>Charul Y. Patel

<sup>1</sup>Dept. of Accountancy, S. K. Somaiya College of Arts, Science & Commerce  
Vidhyavihar (east), University of Mumbai, India

<sup>2</sup>Dept. of Accountancy, SIES College of Commerce and Economics  
Sion (east), University of Mumbai, India

## Abstract

Corporate social responsibility (CSR) is primarily a corporate governance problem. Systemic organizational failures and negative social consequences are created by corporate governance structures and processes that preclude creativity and enable the exaggerated representation of some values and interests at the exclusion of others. CSR is the latest addition to that, which may have existed long ago with different names. The lack of formal study of this complex subject, which, despite the widespread debate has engendered still lacks a single and broadly accepted definition. In contrast, stakeholder governance models offer political and economic benefits. Still stakeholder collaboration remains fairly underdeveloped and often ineffective. This paper examines the need and the scope corporate social responsibility (CSR) auditing system based on the analysis of current CSR literature and interviews conducted with a number of interested and knowledgeable stakeholders. It also tries to understand whether CSR is practically implemented or it is just a myth. Does it really serve the very purpose for which it has been created or is it one of another disguised means to attain the name, fame, popularity and through that the last but not the least aim of Profit – which is the only end business's truly work for.

## Keywords

Sustainable Development/Growth, total responsibility management Corporate Social Responsibility.

## I. Introduction

“Corporate social responsibility must not be defined by tax planning strategies alone. Rather, it should be defined within the framework of a corporate philosophy which factors the needs of the community and the regions in which a corporate entity functions. This is part of our cultural heritage. Mahatma Gandhi called it trusteeship. I invite corporate India to be a partner in making ours a more humane and Inclusive Growth based on what I describe as a Ten Point Social Charter...first, we need to have healthy respect for your workers and invest in their welfare...” - Indian Prime Minister, Manmohan Singh in 2007.

A lot of debate has been heating up on this topic. It has now become a favorite of the corporates and is finding prominent places in the marketing strategies of most reputed business giants ever since these astute planners have discovered this dormant ‘bhramasra’ with a wide usability like

- To outsmart other very smart competitors
- To gain customers trust
- To market the product and/or service
- And most importantly, for satisfying the most basic Indian urge: flaunting

This hot flavor of the corporates is none other than the CSR or the Corporate Social Responsibility. Also, it has now found a prominent place as an entire chapter in the B-school textbooks and in some cases an entire textbook itself so that the future

czars of the corporates can market the products and/or services more ‘ethically’ and within the boundaries of ethical business practices set by their weaker and less astute, may be less luckier cousins.

## II. CSR – The Hot Topic

Corporate social responsibility (CSR), also known as corporate responsibility, corporate citizenship, responsible business, sustainable responsible business (SRB), or corporate social performance, is a form of corporate self-regulation integrated into a business model. Ideally, CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure its adherence to law, ethical standards, and international norms. Business would embrace responsibility for the impact of their activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, business would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. Essentially, CSR is the deliberate inclusion of public interest into corporate decision-making, and the honoring of a triple bottom line:

## III. People, Planet, Profit.

The practice of CSR is subject to much debate and criticism. Proponents argue that there is a strong business case for CSR, in that corporations benefit in multiple ways by operating with a perspective broader and longer than their own immediate, short-term profits. Critics argue that CSR distracts from the fundamental economic role of businesses; others argue that it is nothing more than superficial window-dressing; others yet argue that it is an attempt to pre-empt the role of governments as a watchdog over powerful multinational corporations. Corporate Social Responsibility has been redefined throughout the years. However, it essentially is titled to aid to an organization's mission as well as a guide to what the company stands for and will uphold to its consumers.

CSR can be understood in terms of corporate responsibility, but with greater stress upon the obligations a company has to the community, particularly with respect to charitable activities and environmental stewardship. Corporate and social responsibility is sometimes described as being a tacit contract between business and a community, whereby the community permits the business to operate within its jurisdiction to obtain jobs for residents and revenue through taxation. Additionally, the community expects the business to preserve the environment and to make the community a better place to live and to work through charitable activities.

CSR basically is a set of (no benchmarks yet available) duties and responsibilities a business entity should fulfill toward the society. It may come in the form of a school or of a self-service group or in any other mode through which it helps the poor and underprivileged to make them achieve a level of self sufficiency and /or helps the environment (ideally!)

Business for Social Responsibility (2001) speaks of CSR in the following terms:

“Socially responsible business practices strengthen corporate accountability, respecting ethical values in the interests of all stakeholders. Responsible business practices respect and preserve the natural environment. Helping to improve the quality and opportunities of life, they empower people and invest in communities where a business operates.”

So CSR is as much about not polluting and being concerned about people being displaced when an industrial unit is set up beyond legal compliance as it is about supporting health or education programme. Today, CSR reiterates the notion that development is not the exclusive responsibility of the government. Business, too, has a legitimate and responsible role to play. Corporate Houses have also laid great emphasis on respecting the entire development process. This means being participative, not prescriptive, creating independent rather than dependent communities and focusing on the excluded and the powerless.

Currently, European companies seem to be adopting offices of corporate environmental and social responsibility more often than U.S. companies. It should be noted that some business ethics organizations believe that corporate responsibility encompasses all responsibilities that a company has to all of its stakeholders, which includes ethical, social and environmental responsibilities.

There are but, different school of thoughts on CSR. Some view it as a mere selfless disposal of duties towards the society the business entity is flourishing in and some perceive it as a long term brand building and marketing investment with impeccable positive brand equity and gains it provides to the business entity. There are different views of different honchos and different modes of dispersing.

The Lever brothers including the William Hesketh Lever, way back in 1925 (having 282 operating companies, over 5 continents and employing 60,000 people) did something much ahead of their times and contemporary thinking: they made 18,000 employees the profit sharers of the company and also developed a state-of-the-art housing colony for the employees in 1905. This can also be tagged as a CSR by the then prevailing standards of employee care and most importantly, the vision for the same.

Recently what the chairman of a famous Indian automobile giant remarked was depressing not because of its content but more because it was coming from a man holding such a revered position and authority. This corporate czar puts CSR to be the

“Functions necessary to prevent a firm's bankruptcy and all the strategies for long term branding building”

The more perturbing fact is that most of his contemporaries today seem to think alike.

But that is only one aspect. Ultimately in such a CSR philosophy, most of the benefits and gains get steered towards the company itself and the society receives only a miniscule part of them. When the core ideology of dispersing the CSR is business, pressure from the environment and markets, it (CSR) is reduced merely to just another strategy implemented for company's own sake only. But on the other hand when CSR is done keeping in view the gains and benefits of the society at the front and it is followed as the core aim then it (CSR) comes out and acquires a full fledged form that in itself encompasses the benefits of the society as well as its positive ripple effects on the brand(s) too. Companies, like individuals, are each a separate entity. Their survival in a society gives out a ripple effect. They effect

and are affected by their direct and indirect environments. Though the companies are the epicenter of business activities that move with the core aim of making money and raising the bar of the bottom line continuously year after year, they owe a part to the society too. The environment they derive their resources from as well as the society they get the ever rising bottom line from now demand a sizable amount of company's time and resources.

Another major Indian automobile giant has done CSR in its right spirit: opening schools, educational institutions and hospitals for the upliftment of the rural areas and helping the poor and the backward to become self sufficient. Though all these activities do not directly contribute to the balance sheet of the company, they do contribute a lot in the long term brand building. Also, the employees feel an innate urge to try and perform their part of CSR and to become an asset for the society and the environment. This is the right spirit of the CSR wherein the social aspect is the core aim, not the firm's profits. Also, unlike what most companies are doing, the funds for the CSR activities should come from firm's profit and this cost must not be passed to the customer, for it would simply mean a sort of covert diversification by the company into the “welfare business”. For example if a firm makes a profit of INR 80 crores, the funds should come from this only rather than increasing the price of the product to fund CSR and passing the entire cost to the customer.

Thus a good CSR policy is one that is helping the people and the environment primarily and brand building is just one byproduct, rather than vice-versa which is now prevalent. Also, CSR operates at 2 levels, an individual level and the societal level and both compliment each other.

#### **IV. Whether a Myth or reality - A view**

These days, corporate social responsibility (CSR) is common currency but a “currency” that is rather devalued. The phrase is so over- and poorly used that it begins to lose any meaning. Any proper definition of CSR would require a categorical standard of values. This is lacking. In fact CSR now means many different things to many people. It has often become a convenient vehicle for companies to boast of their “social achievements”, distributing awards to countless business heroes, trumpeting their contributions to charities and lauding their own “struggles” for noble causes ranging from the elimination of child hunger to the preservation of endangered species – and even to the welfare of their employees. The financial scandals in a number of major companies have led to demands for “accountability”. In fact, various corporations have used CSR for damage limitation and in order to avoid regulation, often through public relations operations aimed at restoring their tarnished image. According to a recent survey in the United States, only 18 per cent of Americans still have confidence in their top executives. This is the biggest loss of consumer and investor confidence since the Great Depression of 1929. Corporate social responsibility is often about image. Yet it could be about more than that. But for CSR to get beyond the stage of fine words and good intentions, not to mention parts of marketing strategies, more will have to be demanded of companies.

First, it must be clear that, despite all the talk about the voluntary nature of CSR, companies do actually have binding responsibilities vis-à-vis society, the countries in which they operate and the workers they employ. International labour standards and labour legislation must be respected by all companies, and governments have a duty to ensure their full

implementation, including respect for the rights of workers. Freedom of association and the right to collective bargaining, enshrined in two of the fundamental Conventions of the ILO, are not mere options. They are international obligations. Indeed, the ILO Declaration on Fundamental Principles and Rights at Work, unanimously adopted in 1998, makes clear that all ILO member States have an obligation, by the sole virtue of their membership of the Organization, “to respect, to promote and to realize” workers’ fundamental rights, defined as: freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation. And this whether or not they have ratified the relevant Conventions. Yet the latest annual survey published by the International Confederation of Free Trade Unions (ICFTU) clearly shows the great deficit in the implementation of the principles of freedom of association. It details abuses in 134 countries. More than 200 trade unionists were killed in the course of one year and thousands were sacked for legitimate trade union activities. There can be no legitimate claim that corporate social responsibility will ever take the place of governments’ securing full observance of workers’ fundamental rights, through legislation and law enforcement. And CSR must be more than mere adherence to law. It should ideally make a real input to social progress and overall development. According to many of its proponents, CSR is about the impact of companies on society’s needs and goals. The point is well taken. But this is not at all the same thing as trying to redefine society’s expectations in line with CSR. Respect for democratic institutions and processes should therefore be central to the concept. Independent trade unions are democratic institutions and the only legitimate voice for workers.

Hence, CSR might be useful if it opens up the possibility for workers to define and defend their own interests. As ICFTU General Secretary Guy Ryder points out in his contribution to this issue of Labour Education, “Corporate social responsibility is useful if it provides the space for workers to protect their own interests – and damaging if it tries to fill that space.” In other words, it is not the mission of companies unilaterally to decide what is good for people whom they can make no claim to represent. Workers’ solidarity and collective representation should be recognized and taken as an important means of consultation and decision-making. Workers need legitimate power, not the human resources management concept of “empowerment” and subordination. Similarly, where fundamental workers’ rights are fully respected, sustainable development – often referred to as an objective by CSR promoters and a key concern for trade unions – is also much more likely to be achieved. Organized workers are able to speak and act freely in both the workplace and the community. Participation by workers and their unions in addressing issues related to the environment is a powerful force for progress in terms of both the quality of development and its more quantitative aspects.

Democracy remains the best guarantor that social and environmental issues will be addressed in a progressive manner. And besides legislation, the voluntary initiatives most likely to succeed are those that rely on the strengths of democracy by engaging other stakeholders, including through tripartite initiatives, use of non-binding instruments and various forms of partnership and agreements. Indeed, one of the few solid indicators of the impact, if any, of CSR would be the corporate

practice of constructive industrial relations and the negotiation of agreements with trade unions. This is actually difficult to assess and puts clear limitations on the claims of the emerging social audit industry (see article by Philip Hunter and Michael Urminsky on page 47). In the absence of free trade unions and a collective agreement, there is no way to guarantee or verify that freedom of association exists. As one of our contributors stresses, “the group that is best capable of monitoring practices at the workplace is the one that labor standards seek to protect: workers and their trade unions”.

Certainly, one of the merits of corporate social responsibility is to have made it plain that in the era of globalization, national or local social dialogue is no longer sufficient. Improvement in the quality of life and in working conditions requires global social dialogue in addition to efforts at national and regional levels. Talking to oneself, as many companies have done through the adoption of unilateral codes of conduct intended to revamp their image, is not dialogue. Hiring consultants or “social auditors” ostensibly to verify (or rather justify) one’s behaviour is not dialogue. Social dialogue requires talking with – and listening to – legitimate interlocutors.

Global framework agreements between multinational corporations and global union federations (GUFs), a visible sign of global social dialogue, are gradually becoming more common. This is a welcome trend which could take corporate social responsibility one step further towards the social responsibility of business. Framework agreements are voluntary in the same sense that collective bargaining is, but they are legitimate and commit the parties to common principles. Good global industrial relations also provide a sensible way to solve problems, based on the recognition that conflict exists between workers and employers. In the interest of both parties, progress depends on dealing with conflict in a satisfactory manner rather than trying to suppress or ignore it.

## V. Conclusion

The future of corporate social responsibility is not in replacing government responsibility. In fact, CSR will fully realize its potential only when it operates on internationally recognized standards. Global rules do not need to be invented. ILO core labour Conventions providing for full respect of freedom of association, the right to collective bargaining, non-discrimination in pay and employment, and the prohibition of forced labour and of child labour, are universally recognized as benchmarks. CSR begins with acceptance of all of them, spreading them throughout the companies and their suppliers, having a positive attitude towards trade unions and engaging in an active social dialogue. The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy is a particularly relevant instrument for promoting the social responsibility of business. It was adopted by governments, employers and trade unions working jointly in the ILO. It seeks to maximize the positive contributions that investment by multinational enterprises can make to economic and social progress and help resolve difficulties to which such investment may give rise. The OECD (Organisation for Economic Co-Operation and Development) Guidelines for Multinational Enterprises are government expectations for good corporate practice, primarily addressed to enterprises based in the countries that adhere to them. But the Guidelines apply to worldwide operations of companies based in adhering countries. And more countries are now in the process of adhering to them. The Guidelines

are comprehensive, with chapters covering general policies, disclosure of information, employment and industrial relations, environment, combating bribery, consumer interests, science and technology, competition and taxation. The ILO Declaration on multinationals and the OECD Guidelines are the only instruments in the area of corporate social responsibility that are based on universal principles and standards.

Although the scope and underlying purpose of CSR as it is practiced everywhere still remains contentious, there is a growing consensus that CSR is highly contextual. Developing countries present dissimilar institutional, cultural and social contexts from the ones in developed countries.

In different settings, there is much potential for varied tendencies and thus acceptable practices in developed countries might not be interpreted in the same way in a developing country. For instance, according to recent findings from TNS Automotive, the world's largest automotive research company, emerging markets such as Thailand, India, and China rate automotive companies higher in regards to corporate social responsibility than mature markets of the West. The study attributes this to the general public's high ratings of the automotive sector in emerging markets for generating jobs and improving quality of life. For mature markets, consumers rate the automotive sector poorly on job generation and impact on the environment. Therefore, the strategies for corporations in improving their reputation for corporate social responsibility vary depending on market maturity. The people-centric approach in CSR makes the CSR practices of Indian business unique, while India shares with other developing countries in its CSR experiences and practices certain attributes that come with the process of development, such as a distinct set of CSR agenda challenges and the deployment of CSR as an alternative to government. Such an approach has led Indian companies to respond to some country-specific challenges such as lack of skilled labor and increased pressure to go green in a unique way.

These are the yardsticks against which the contribution of corporate social responsibility initiatives towards social justice and their meaningful impact on the world of work and on improving the quality of life of workers, if any, will be measured. And hence their relevance, or not, to trade unions.

Given the immense challenges in India, some Indian companies have cultivated competencies to better deal with the challenges and understand the environment in which they are operating. A strong focus on people and community – including fostering inclusive growth, workforce development, diversity at workplace, training and a better community environment beyond money and fringe benefits – has brought some positive signals. The human factor is said to be essential for differentiation in a highly competitive market. In order to prosper and progress, corporations must internalize and act upon the new realities of economic, demographic, social and organizational changes. The competencies and workforce development strategies that Indian companies have employed as a part of their CSR to deal with the enormous challenges in India might provide them with confidence and familiarity, especially when they go global and compete with other multinationals which have faced relatively easier circumstances. Third world multinationals often suffer from misperceptions about developing countries. There is an impression that the developing world is exclusively a theater of tragedy in which poverty and human misery figure prominently in almost every scene. This paper is not necessarily arguing that all the Indian companies have developed such attributes which could give them an edge over the West, but rather that some companies in developing nations might be able to offer

some good practices which the West can borrow. Therefore, we need to be careful in applying Western typologies of CSR to non-Western situations. The ways in which people interpret experience, define problems and shape solutions are likely to be profoundly influenced by the cultures in which they live. Examining a variety of contexts including indigenous CSR practices in developing countries would contribute to the existing research and make it less narrow. Practices from developing countries can be a source for more powerful generalizations in the field. It is also worth remembering that in some cultures it is believed that doing good deeds in a discreet way is more desirable and rewarding than for publicity. Ratan N. Tata, "We do not do it for propaganda. We do not do it for publicity. We do it for the satisfaction of having really achieved something worthwhile."

Corporate Social Responsibility (CSR) has found widespread acceptance in the West. In India, however, acceptance levels are not so high despite changing mindsets. Traditionally, the belief was that the role of the company towards development was to write out cheques. We have tried hard to show that this is not necessary, that there are many resources which the company has and are relevant to development.

Shankar Venkateswaran in his book, 'The business of social responsibility' wrote:

"Islands of prosperity cannot survive in a sea of poverty "

The sea will ultimately engulf the islands. Society's expectations from business are increasing and therefore, being socially responsible provides certain advantages.

Therefore unless Companies gives back to the land and people from which it has taken so much, unless it looks beyond business and enables the disadvantaged communities to fend for themselves, act as a catalyst of socio-economic development issues like growing poverty, unemployment, lopsided development would continue to haunt Companies. Global industrial history and statistics prove that the Companies which survived the test of times are those which never compromised on issues of ethics and 'Corporate Social Responsibility'.

"Social responsibility begins where the law ends" - Keith Devis

I would like to end my paper by talking about a very great man, the Father of our nation Mahatma Gandhi. Mahatma Gandhi was no bleeding heart socialist. He was a hardnosed realist who brought the world's greatest empire to its knees with the sheer force of moral authority. Today as Corporations world over scamper to incorporate "inclusiveness" in its agenda, it is worth noting the Father of our Nation's prescient observation on Corporate Governance, decades before the concept itself was born.

"The rich are the trustees of the Nation's wealth" - Father of our nation, Mahatma Gandhi

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CA Yogesh Patel received his B.Com. degree from K. J. Somaiya College, University of Mumbai, Mumbai in 1994, the M.Com. degree also from University of Mumbai, Mumbai, in 2000, and cleared FINAL CA FROM ICAI, India in 1997. PRESENTLY WORKING AS A FULL TIME LECTURER IN S.K. SOMAIYA COLLEGE OF ARTS , SCIENCE & COMMERCE,

Vidhyavihar, Mumbai since 1998. HEAD OF DEPARTMENT OF ACCOUNTANCY AND ASST. PROF. since 2009. He intends to do his Doctorate in field of Cost Accounting.



CS Charul Patel received her B.Com. degree from S.P. College of Commerce, University of South Gujarat, Surat in 2001, the M.Com. degree also from University of South Gujarat, Surat 2003, and cleared FINAL CS FROM ICSI, India in 2003. Currently working as ASST. PROFESSOR, DEPARTMENT OF ACCOUNTANCY AT SIES COLLEGE

OF COMMERCE & ECONOMICS, SION, MUMBAI SINCE 2005. She intends to do her Doctorate in field of Accounting and Finance.