Corporate Social Responsibility: Understanding CSR in Layman’s Language and Its Use for Goodwill Creation

Rishish Mishra, Research Scholar, School for Management Studies, Babasaheb Bhimrao Ambedkar University (A Central University), Lucknow, India
Dr. Kushendra Mishra, Associate Professor, School for Management Studies, Babasaheb Bhimrao Ambedkar University (A Central University), Lucknow, India

Abstract
Business of a business is to do business but the objectives of business are not limited up to earning profits and getting financial position. The term “Corporate Social Responsibility” (or CSR as we will call it throughout this paper) claims to the corporate sectors and business industries to understand and think about it because it has been the most talking issue in recent times and is very emerging tool at present times. Some Indian companies believe that following the laws & regulations of companies act fulfills their need for social responsibility. This paper is an attempt to change the mindset of such companies and explain the meaning of CSR in Layman’s language to give a better and easy understanding of CSR activities and revealing many other potential opportunities. Attracting the leaders and readers of corporate industries, small scale industries and in government industry for participation. To aware and attract upcoming scholars of higher education and in academia in the CSR related field. Hence it is an initiative to let them all know that what actually CSR is and what can be the role of corporate sector in society welfare through sustainable, transparent business process and social activities. Also explore that how CSR can be used as a tool for goodwill creation for MNCs as well as SSI.

Keywords: Layman, SSI & MNC, Goodwill, Sustainability, Social Activities

Introduction
“Organizations, like individuals, can only survive, sustain and grow with the support and goodwill of the local communities” - Shri. Dhirubhai H Ambani.

Corporate Social Responsibility or Corporate Conscience or Corporate Citizenship or Sustainable Business or Responsible Business—all these are different name with the same aim. While there may be no single universally accepted definition of CSR, each definition that presently exists supports the impact that businesses have on society at large and the societal expectations of them. CSR is an issue that has been very much heard but very less understood. Different minds have given different name with different concept. Some called it “Charity” and some named it “Donation” while many others took it as “Doing well for all.” In general people have created their own perception of CSR in a simple and easy way and defined it as the responsibility of business for society and social activities rather than providing goods and services. Now the question is that does the CSR really meant for all those things which have been said above or it is more than just doing well. For that we need to understand that CSR has been the most talking terminology in recent times among corporate world, commercial communities and industries including Multi-National Companies, Small Scale Industries, Private Business Organizations as well as Government PSUs and Non-Governmental Organization and many more are involved in some kind of CSR activities.

CSR is for all companies falling under the criteria decided by Companies Act of India 2003. Various studies have come up with the conclusion that CSR has been an influencing factor for both the business decision process and consumers buying process because it represents the image of the company among the customers and that image works as goodwill for the company therefore SMEs in India have come forward to adopt the concept of CSR and participate in social activities but these efforts have not been optimally delivered. One main reason is the fact that CSR activities depend on the profits of an SME and any fluctuations in profits can affect the capability to continue their contribution for CSR. Some companies very smartly planned their CSR activities strategically that all the CSR activities were done for the company employees and their families such as providing medical facility, children’s education assistance etc. and that benefited their own human resource and employees became more loyal and motivated towards the company which increased the goodwill of the company. It is not wrongs but somehow unethical because CSR means serving society not personal benefit. Now the question comes why this happened, may be because many SMEs are either unaware or less understand the actual use of CSR as a goodwill creation tool or are still miser of spending money on philanthropic activities and find no use of it. They have to take it as a win-win situation by understanding it in a layman or common people language.
Objectives Of The Study
a) To explain the meaning of CSR in Layman’s language.
b) To give a better and easy understanding of CSR activities focusing to small entrepreneurs.
c) To explore the ways of using CSR as a goodwill tool.
d) To attract coming scholars of higher academia for further research.

Methodology
The research is descriptive and judgmental in nature. It is based on secondary data which is sourced from review of past researchers, economists, various national and global agencies, journals, articles and other reports

Literature review
The World Business Council for Sustainable Development (WBCSD): defines the Corporate Social Responsibility as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

The European Commission: describes CSR as “the responsibility of enterprises for their impacts on society”. To completely meet their social responsibility, enterprises “should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders.”

United Nations Industrial Development Organization (UNIDO) says that Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (“Triple-Bottom-Line-Approach”), while at the same time addressing the expectations of shareholders and stakeholders. In this sense it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, will directly enhance the reputation of a company and strengthen its brand, the concept of CSR clearly goes beyond that.

Simeon Scott (2007) explained five bases or themes arising from definitions of corporate social responsibility (CSR): first is the responsibility to the community and society; and then promoting democracy and citizenship; reducing poverty and the inequality between rich and poor; employee rights and working conditions; ethical behavior.

<table>
<thead>
<tr>
<th>What CSR is Not</th>
<th>What CSR is</th>
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<tbody>
<tr>
<td>Donation of Funds</td>
<td>Doing Well for all</td>
</tr>
<tr>
<td>More Production</td>
<td>More Protection</td>
</tr>
<tr>
<td>Loss</td>
<td>Intangible Profit</td>
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<tr>
<td>Charity</td>
<td>Creativity</td>
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<tr>
<td>Compensation</td>
<td>Rehabilitation</td>
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<td>Done by the Society</td>
<td>Done for the Society</td>
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<tr>
<td>Not Compulsory</td>
<td>But Necessary</td>
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Understanding CSR with 4C’s-

Customers Mind- What conduct do customers expect of the company?

Competitors Mind - How can social activities differentiate the company’s image and create a competitive advantage?

Corporation Mind - How does social challenges and opportunities affect the company’s vision and strategies?

Civil Society and Government Mind- How can the company partner with civil society and government to innovate and reach to the society?

What Indian Law Says About Corporate Social Responsibility-

According to the Schedule VII (Section 135) of Companies Act 2003 of India- The CSR provisions within the Act is applicable to companies with an annual turnover of 1,000 crore INR and more, or a net worth of 500 crore INR and more, or a net profit of 5 crore INR and more. Also companies require to set-up a CSR committee consisting of their board members, including at least one independent director. The Act encourages companies to spend at least 2% of their average net profit in the previous three years on CSR activities. The following activities are related to CSR Activities-

a) Eradicating extreme hunger and poverty.

b) Promotion of education.

c) Promoting gender equality and empowering women.

d) Reducing child mortality and improving maternal health.

e) Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases.

f) Ensuring environmental sustainability.

g) Employment enhancing vocational skills and Social business projects

h) Contribution to the various government funds for socio-economic development and relief and funds for the welfare of the backward classes of the society.

How CSR Works as a Goodwill Tool & How Relevant it is for SSIs and Small Entrepreneurs

It is true that small entrepreneurs and small scale industries cannot establish a separate division for CSR activities because it will require a good amount of finance and human resource. But it can be done by promoting the CSR activities. Company can take the responsibility of education of one child of every employee. It will lead to motivate the employee towards the work and make them more loyal.

Collaboration can be done with NGOs working in the concern field and financial help can be provided for constructing schools, scholarship programs, fellowship programs, access to education, connected healthcare or any physical support can also be given such as providing stationaries, uniforms, sanitation and foods.

Now entrepreneurs have to make sure that all the CSR activities done by them gets advertise and promoted for better image building of the organization which will increase the goodwill and market value and will create a positive impact on the stakeholders as well as target customers.

Advertising the CSR activities will attract the rivals to promote such activities because they will take it as a competition strategy and the civil society will get benefited by their competition. This will lead to a win-win situation for both the companies and society because it is a give and take process and neither of them can survive without supporting each other.
Some Corporate Examples of CSR-

Table 2. Corporate Examples

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<thead>
<tr>
<th>Firms/Activities</th>
<th>Health</th>
<th>Education</th>
<th>Environment</th>
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<td>TCS</td>
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<td>INFOSYS</td>
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<td>BABAJ AUTO</td>
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ITC has developed its business with a vital strategy and made major efforts in the social activities by introducing ITC e-Choupal to improve the knowledge standards of rural communities.

Infosys Foundation which is a philanthropic department of Infosys Technologies Ltd., started Computers@Classroom initiative and donated 2567 computers to various institutions across India.

Wipro: The women of Wipro (WOW), council of the company have taken various initiatives to empower feminism in organization. Focusing few CSR activities related to environment, education and energy conservation.

State Bank of India being one of largest public sector bank has made donations sum of Rs. 8.11 crore to different Relief Funds and also to NGOs/Trusts/Societies for their projects with social guidelines. In recognition of its role to Rural Community Development, the Bank was awarded the prestigious Reader’s Digest Pegasus Corporate Social Responsibilities Award 2007.

Conclusion

The concept of CSR has gained importance with the emergence of globalization and industrialization. This brings the awareness among the investors and customers related to the protection of environment and welfare of the society. In the fast moving and emerging economies like India where there are unlimited potentials and opportunities for doing well, CSR cannot be ignored by the corporates. Earlier we have been raising and solving the issues like labor laws, factory acts and child labor. But we can see the transformation of culture where he employers and employees are working together with a common goal and a change in the view of organizations from the state of “Philanthropy” to “Stakeholder participation”. Now the business of a business is no more just doing the business and earning profits and financial positions. Now it has become earning the goodwill, market value, customers loyalty.

In conclusion, the finding of this study provides a view of seeing the CSR not just as a responsibility but as an opportunity especially for those business communities.
who have been taking it as a compulsion of law. CSR has given them a technique to hit the two targets with a single shot i.e. earning customers and market value by adopting the concept of corporate social responsibility.

References


