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UNDERSTANDING CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY THROUGH GUIDELINES

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ABSTRACT

Corporate social responsibility has become important issue for business firms. Researchers are also taking much interest to develop new studies related to CSR concept. This paper aims to understand the meaning, concept and core issues of corporate social responsibility through guidelines issued by ISO and Government of India.

Key words: Business firm, (CSR), Environment, (ISO), National Voluntary Guideline

Introduction

Corporate social responsibility has increasingly become a very important activity of business firms at national and international level. As globalization accelerates and large corporations serve as global providers, these corporations have progressively recognized the benefits of CSR in their business. The term CSR itself came into use in early 1970s, but it was fully recognized by late 1990s. In general, it is social behaviour of a business firm. It is primarily related to conduct business in responsible manner and contribute to development of society and environment. It implies that business firms fulfill their goal as well as societal goal.

Merely, the motive of business is to earn profit (maximize revenue) by providing goods and rendering services to customers with maximum satisfaction. But, when a social value or attribute is added to these, it creates a positive impact on customers, even if they are paying price for this. This premium price is a gain not in the financial term but in non-financial term such as creating a good position in mind of consumers. It is therefore, necessary to understand the corporate social responsibilities of organization. CSR is also said to be the expectation of society e.g. fair operating practices, consumer protection, controlling fraud and corruption, contribution towards sustainable development.

Business firms irrespective of their size (whether small, large, profit earning, NGOs) are more aware of their impact on society and environment. Thus, it can be concluded that CSR refers to business firm to maximize profit through customer satisfaction without causing society and environment any harm or adverse impact.[1]

CSR[1] is also associated with names say good corporate citizenship[2], corporate governance[3], corporate sustainability[4], sustainable development[5] etc. But meaning behind these terms remains the same, companies earned profit for the benefit of all. Thus, CSR is a profit motivated as well as socially motivated activity.

Most researchers found that CSR has played a vital role in business strategy. It benefits in both short run (increase in sales) and long run (consumer loyalty).

The purpose of this discussion is to understand concept and core issues of Corporate Social responsibility with respect to International standards and their analogy to National Guideline of Government of India.[2]

This paper is theoretical in nature. The information is collected from secondary sources such as printed literature; websites of the companies and other public bodies.
International standards for CSR refer to ISO 26000 Guideline on Social Responsibility. It provides guidance to business firms to contribute sustainable development and makes trade between countries easier and transparent. On the other hand, Ministry of Corporate Affairs, Government of India released National voluntary guidelines on social, environmental & economic responsibilities of business. The objective of this guideline is to give a direction for to a stable business.

Over the past year, CSR linked to philanthropy which includes charity and donation. A part of a profit is given by company towards development of society. This will increase the reputation of the company. In other words, company fulfilling the social goal which actually benefited to society not company. CSR is a path to manage business; it is not an option to do business, but it is about the way in which businesses is managed. [9]

Although, business firms aware about CSR, but at what extent they consider it into their business strategies. Business firms conduct their business in responsible manner; therefore, guidelines on CSR were developed. The respective guidelines are ISO 26000 and National Voluntary guideline

International Standard ISO 26000: 2010, Guidance on Social Responsibility

ISO (International Organization for Standardization) is the largest developer of standards in the world. It provide harmonized, globally relevant guidance for all types of organizations whether public or private based on international consensus and encourage implementation of best practice in social responsibility worldwide.

This guideline underlying principles, core subjects & issues, recognizing social responsibility and engaging stakeholders and integrating and communicating social behavior throughout the organization's activities and decisions.[3]

ISO 26000 is important for sustainable business for organizations i.e. the aim of organizations is not only to satisfy the customers but also take care of the environment. It helps organizations to operate in social responsible manner. It assists organizations in contributing sustainable development and encourages them to go beyond legal compliance as a part of their social responsibility.

It introduces the seven principles and core subjects of social responsibility that are discussed below:-

Principles of social responsibility:

1. Accountability: An organization should be accountable for its impact on society, economy & environment. It is answerable to those affected by its decision & activities, for wrongdoing practices in business and takes appropriate actions to prevent them from being repeated.

2. **Transparency:** This principle suggests that organization should disclose accurate, factual, transparent, complete and timely reports to its stakeholders. This shows openness in decisions and activities of business firms that affects the stakeholders, but is does not mean that proprietary information be made public.

3.**Ethical Behavior:** An organization should behave ethically with the principles of right and good conduct.

4. Respect for stakeholder interest: Stakeholders have expectations and this create interest in the organization. It is a responsibility of business firms to respect and respond towards these interests which is affected by their decisions. It should also take into account the relationship stakeholders with the firm and contribution for sustainable development.

5. Respect for the rule of law: It is expected that a business firm always complies with all applicable laws and regulation as they are. It should keep itself informed about all legal obligations and periodically reviews.

6 .Respect for International norms of behavior: A business firm should respect the international standards or principles which are acceptable universally and exercises these into their business practices.

7. Respect for Human rights: Human are the most important resources of a business firms. It should make efforts to promote and protect the human rights in and outside the country.

It addresses seven core subjects of social responsibility. In other words, it can be called seven pillar of social responsibility, which depicted in following figure:

Source: **-** ISO 26000 Guidelines on Social Responsibilities

This international standard is neither intended nor appropriate for certification. If anyone offers to certify to ISO 26000 or any claim would be a misrepresentation.

1. **Organizational Governance:** Governance implies direction or control that is one of the prominent functions of management. The failures or collapses of large corporations in various countries, which was involved in

accounting fraud during 2001-2002 has raised the question on governance. Since then governance became too important of organizations.

2. **Human rights:** It refer to basic rights that all human beings entitled such as rights to life, liberty, equality, freedom of expression, right to work, food, attainable standard of health, education, social security. A business firm is obliged to contribute towards these rights.

3. **Labour practices:** Workers and employees are internal stakeholders of the firm. Business firms should follow labour rights as required by law. It should provide equal opportunities and participation in decision making process to their employees.

4.**The environment:** Business firms decisions and activities effect environment or natural habitats. To reduce their adverse impact on environmental, business firm should adopt an integrated approach that take into consideration economic, social and environmental implications.

5.**Fair operating practices:** It is concerned with ethical and responsible business practices. Business firms should support and promote anti-corruption and fair competition activities.

6. **Consumer issues:** Consumer is most important stakeholder of firms who consume and use products & services of business firm. It is the responsibility of firm to provide accurate information, promote sustainable consumption regarding product & services and protect health and safety of their consumers.

7.**Community involvement and development:** Community involvement and development both are integral parts of sustainable development which support to building a relationship with society. Business firms should try to address social issues like poverty; promote health and education, environmental sustainability, development of vulnerable or discriminated groups etc.

Along with principles, it also highlights two fundamental practices of social responsibilities- Recognizing Social Responsibility and Identification of and engagement with stakeholders. Business firms have involved in many various activities, which directly or indirectly affects stakeholders. Engagement creates dialogue between the business firms and their stakeholders. It can be referred as two-way communication process, which helps in building good and long-term relationship with its stakeholders.

On the other hand, the Indian Ministry of Corporate Affairs has also released Voluntary Guidelines on Social, Environmental & Economic responsibility of business in 2009. It is the first step towards the concept

of Business responsibilities in India. The guidelines emphasizes that businesses have to become responsible actors in society, so that their every action leads to sustainable growth and economic development.

The guidelines also consider learning from various international and national practices, norms and frameworks, and provide a distinctively “Indian approach” for all businesses with respect to size and nature. All businesses refer to business operated in India including MNCs and Indian MNCs, which operated, or planning to operate or invest in other part of world works accordingly this guideline. It encourages business firms and their vendors, suppliers, partners, distributors to follow these guidelines as well.

The adoption of this guideline will increase competitive advantage/strengths, improves reputation through positive worth of mouth, increase ability to attract and retain consumers and manage their relation with investor and society.

It introduces nine principles along with core elements of responsible business practices in India and these Principles and Core elements are integral to business strategy and operations, which discussed below:

1.Business should conduct and govern themselves with Ethics, Transparency and Accountability: Business firms should conduct their business in ethical way and promote the adoption of this principle throughout their business practices.

2.Provide safe product service and contribute to sustainability throughout their life cycle: business firms should work towards improvement of quality of life. It should assure safety and optimal of resource use over the life cycle of product. Design manufacturing process and production that are sustainable.

3.Promote wellbeing's of all employees: business firms do not neglect their employees and workers. It should provide equal opportunity at work place and maintain workforce diversity. It will help to increase employee morale and participation in business activites and decrease turnover rate.

4.Respect the interest of stakeholder and be responsible: Stakeholder include consumers, suppliers, competitors, investors, government, society, and environment. They have expectation from business firms. It is the responsibility of firms to respect the interest of their stakeholders and also give special attention to stakeholders in underdeveloped area.

5.Respect and promote human rights: Business firm always respect and promote human rights across the value chain and sphere of influence.

6.Respect, protect and restore environment: Business firms should try to address such issues global warming, biodiversity conservation and climate change to contribute in development of environment.

7.Engaged with public and regulatory policy in a responsible manner: Business firms should operate within the specified legislative and policy frameworks prescribed by the Government.

8.Inclusive growth and equitable development: Business firms should invest in products and technologies that promote wellbeing's of society and minimizing negative impacts on environment. This principle indicates that both social and economic goals followed together can bring inclusive growth and equitable development.

9.Provide value to their customer and consumer in a responsible manner: Business firms should disclose information truthfully and factually to their consumers. It should make product & service that meet the need & expectation of consumers, which provide higher satisfaction to them and create values too pleased consumers.

The international standard provides guidance on putting social responsibility into practice in organization. It includes understanding the social responsibility, integrating social responsibility throughout an organization, communication related to social responsibility, improving and reviewing progress and performance and evaluating voluntary initiatives for social responsibility.

An organization has relationship between its stakeholders and society and recognizing the core issues and subjects of social responsibility and on organization's sphere of influence.

Indian Union Ministry of Corporate affairs' National Voluntary Guidelines on CSR helps the organizations to integrate principles and core elements into organization practices and ensure that engagement with stakeholder on continuous basis.

Conclusion

This study found that both guidelines have their own advantages. It could be said that ISO 26000 is an exhaustive guideline that has broader scope and applicable to all countries. It defines every term and definition related to social responsibility and help in understanding the issues, principles and core elements of social responsibilities. In short, it is a comprehensive guideline on social responsibilities of business firms.

Where, National voluntary guideline is good initiative towards responsible business in India. As compare to ISO 26000, its scope too narrow or we can say it is a brief of ISO 26000.

In addition Government of India passed companies Bill 2012 which basically deals with CSR. It defines CSR which measures it in terms of rupee under section 135. A company must spend some portion of their profit after tax (PAT). According to section 135 (1) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Borad consisting of three or more directors, out of which at least one director shall be an independent director. It became mandatory for companies to spend on CSR if applicable.

Limitation

This study was based on guidelines on social responsibility and this paper is theoretical in nature.

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