**CORPORATE SOCIAL RESPONSIBILITY**

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**ABSTRACT**

In recent years, there has been much academic interest in the social role of companies and ethical aspects of their businesses. Not only scholars of different fields such as economic, political, or social sciences deal with business ethics. Many entrepreneurs, politicians, and communication agencies have paid great attention to this topic as well. However, neither corporate social responsibility nor corporate citizenship find consideration in modern business historiography. Thus we lack a clear understanding of the evolution over time and what this issue meant to specific companies. Anglophone terminology dominates the practical and scientific—non-historical—approach and implies that the origins of instruments and measures are to be found beyond the Atlantic. This paper will argue that corporate social responsibility is not a new phenomenon but a concept that has developed over time with different accents.

**KEYWORDS:**

Economic, Political, social, science, Entrepreneurs, Politicians, Communication, Historiography

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**INTRODUCTION:**

As a field of inquiry, corporate social responsibility (CSR) is still in an embryonic stage. The study of CSR has been hampered by a lack of consensus on the definition of the phenomenon, unifying theory, measures, and unsophisticated empirical methods. Globalization has also added to the complexity of CSR issues to be addressed.

Despite these concerns, there is still some excellent research on this topic, which we have gathered in this volume. Specifically, the volume contains findings from numerous experts in a wide variety of social science disciplines and fields in business administration, who have summarized the body of CSR literature and also outlined an agenda for additional research.

Given that we have included many perspectives on CSR, readers with a specific ideological or disciplinary orientation will encounter chapters that correspond with their view of CSR. At the same time, they will also be exposed to new perspectives on CSR.

We suspect that most business schools academics who teach courses in CSR or who conduct research on this topic will find the conclusion that firms can ‘do well by doing good’ quite appealing. Neoclassical economists will also accept this argument, especially if it can be framed in such a way as to justify the existence of a rational, economic justification for ‘doing good’

On the other hand, those academics who advocate government intervention in the realm of CSR may ‘dislike’ the positive relationship between doing good and doing well, because it obviates the need for additional regulation vis‐à‐vis CSR. Conversely, they will support the notion, which was discussed in several chapters, for additional discretionary spending on CSR by business.

We hope this heterogeneity in perspectives and paradigms results in rich discussion and additional interdisciplinary research on this topic. From a practitioner standpoint, there may be very different reactions from US businesses (which emphasize stockholder rights) and non‐US businesses (which may emphasize a balance of stakeholder rights). Some mutual understanding may lead to more consistency of CSR actions globally.

The authors in this volume provide insights on many concepts and descriptions of the state of knowledge and practice of social responsibility over a wide range of countries and regions. With that in mind, we review some of the important contributions of this volume.

## Defining Corporate Social Responsibility and Related Concepts

In addition to having no consensus definition of CSR, there are multiple related concepts and terms that are sometimes used interchangeably with CSR. CSR is typically used to consider and or evaluate the effects of business on society, beyond the traditional role of seeking to maximize profits. These may include such effects as support of charitable and educational organizations, hiring and training of hard‐core unemployed, non‐discrimination in employment, improved workplace safety, development of green technologies, use of non‐animal testing processes, increased consumer protection, and transparency in reporting. Definitions of CSR can be found in this volume in the chapters by Carroll; Dunfee; Frederick; Mackey, Mackey, and Barney; Orlitzky; and Salazar and Husted.

The definition of CSR often depends on motivation, that is, whether an effect such as the development of a green technology was motivated by a concern for the environment or simply as a means to reduce the cost of environment compliance (deceasing costs and increasing profits). Motivation is inherently unobservable, (p. 570) therefore a related concept, corporate social performance (CSP), which is defined in terms of observed CSR policies, processes, and outcomes, was developed. This concept has several weaknesses, not least of which is its reliance on the concept of the ill‐defined CSR. However, many researchers have used this concept, rooted in sociology, to test the relationship between firms doing good (CSP) and doing well (corporate financial performance or CFP). Definitions of CSP are found in chapters by Melé and Orlitzky, while definitions of CFP are found in chapters by Carroll and Orlitzky.

While also sometimes used interchangeably with CSR, corporate citizenship (CC), which has its roots in political science, is a broader concept than CSR. It considers the role of corporations as social institutions and their ability to respond to non‐market pressures, especially in a global context. In this volume, discussions of CC are found in the chapters by Frederick, Melé, Orlitzky, and Windsor.

Another related, but not synonymous concept, is that of socially responsible investing (SRI), which has roots in religion, ethics, economics, and political science. SRI differs from the other concepts addressed in this volume, because it is a way for stakeholders to control the socially responsible behavior of managers by determining the incentives for such behavior. A definition of SRI is found in the chapter by Kurtz.

## Reviewing and Expanding Perspectives on Corporate Social Responsibility

A dominant perspective in CSR research and practice is the business case, which has its roots in economics, especially the theory of the firm. The business case is that firms ‘do well’ (financially) by ‘doing good’ (acting responsibly). The mechanism by which ‘doing good’ is translated into ‘doing well’ has been open to discussion, both from a theoretical perspective and based on a critique of the empirical evidence. Kurucz, Colbert, and Wheeler address the means by which firms benefit by ‘doing good’ and argue for ‘building a better case’, which ‘would extend beyond the economic’ in their chapter.

Another economic concept, agency theory, has been used to argue against managers engaging in CSR. This perspective, advanced by [Friedman (1970)](http://www.oxfordhandbooks.com/view/10.1093/oxfordhb/9780199211593.001.0001/oxfordhb-9780199211593-e-028#oxfordhb-9780199211593-bibItem-1920), asserts that managers who engage in CSR are acting in their own self‐interest, rather than in the interest of shareholders (the owners of the firm). Therefore, CSR is not good business practice. Salazar and Husted extend this analysis by outlining an agency theory model, where the pursuit of CSR can be an appropriate business practice.

An alternative theory is that of stakeholder management, which has its roots in ethics (rights and justice). Stakeholder theory posits that many stakeholders, not just shareholders, are affected by the actions of firms, and therefore also have rights. (p. 571) The chapters by Melé and Carroll constitute an in‐depth analysis of stakeholder theory.

A more extensive and inclusive theory of CSR (sometimes referred to as CC) has its roots in political science and argues that business firms are citizens, with both rights and responsibilities. The responsibilities of firms include both the economic and social welfare of other citizens. This concept extends the responsibilities of firms beyond those of stakeholders to all citizens. This conceptualization is especially important in developing countries where the governments might not offer protection of human rights and there may be insufficient regulation of environmental, employment, and consumer impacts. A discussion of these issues is found in the chapters by Frederick, Levy and Kaplan, Melé, Millington, Scherer and Palazzo, and Visser.

## Levels of Analysis

One of the most challenging aspects of developing a unified theory of CSR is that studies of this phenomenon have been conducted at numerous levels of aggregation: individual actor (manager or employee), organization, industry, nation, region, and global. Each of these levels of analysis is represented in this volume.

Individual actors are at the center of the controversy surrounding CSR. While firms may be legal entities and may be thought of as having identities and citizenship rights, it is individual managers who make decisions about firms' actions, including allocating resources to CSR. Several motives for engaging in CSR have been recognized, including personal preference, career enhancement, stakeholder coercion, moral leadership, reputation building and profit enhancement. Mackey, Mackey, and Barney examine the correlation between managers' commitment to socially responsible causes and the activities of the firm, while Salazar and Husted propose a model for creating incentives for managers to engage in CSR. Windsor's chapter is devoted to examining how responsible management is taught.

Most CSR studies have been based on the firm as the unit of observation. This is entirely appropriate, since most CSR‐related decisions are made at the corporate level. Furthermore, while there is substantial turnover among senior managers, large firms continue to operate and affect our lives. It is also easier to identify actions with the firm rather than with individual decision‐makers. Carroll presents a comprehensive history of firm‐level CSR. In examining the business case for CSR, Kurucz, Colbert, and Wheeler analyze the creation of firm value through CSR. Kurtz examines the foundations of SRI and how shareholders can affect the behavior of the firms they own, that is, the role of shareholder activism in promoting CSR by the firm.

**IMPORTANCE:**

Corporate social responsibility (CSR) has become one of the standard business practices of our time. For companies committed to CSR it means kudos and an enhanced overall reputation – a powerful statement of what they stand for in an often cynical business world.

The establishment of a CSR strategy (sometimes referred to as a sustainability strategy) is a crucial component of a company’s competiveness and something that should be led by the firm itself. This means having policies and procedures in place which integrate social, environmental, ethical, human rights or consumer concerns into business operations and core strategy – all in close collaboration with stakeholders.

For companies, the overall aim is to achieve a positive impact on society as a whole while maximising the creation of shared value for the owners of the business, its employees, shareholders and stakeholders. Not so long ago, the European Commission defined CSR as “the responsibility of enterprises for their impacts on society”, a succinct and distinct summation for sure.

A 2015 study by the Kenexa High Performance Institute in London (a division of Kenexa, a global provider of business solutions for human resources) found that organisations that had a genuine commitment to CSR substantially outperformed those that did not, with an average return on assets 19 times higher. Additionally, the study showed that CSR-orientated companies had a higher level of employee engagement and provided a markedly better standard of customer service.

And yet, despite the positivity and optimism that CSR brings to the corporate table, companies do not always accept their responsibilities in this area in good heart, with a fair number admitting to having adopted CSR mainly as a marketing gimmick. In some cases, firms may have been coerced into adopting CSR and did so with insufficient enthusiasm and vigour, leaving many of them to ponder what they could and should have done differently.

For those considering CSR as a strategic option the question to ask may very well be this: is the CSR payoff always worth the outlay?

**Establishing a CSR programme**

The factors driving companies to pursue a CSR agenda are fairly consistent across the corporate world; however, once a company makes the decision to adopt CSR orientated activities, a plan (involving a lot of engagement with employees, managers, suppliers, NGOs and others) must be implemented to carry out the agreed CSR programme.

Within the pages of its CSR Implementation Guide the International Institute for Sustainable Development (IISD) outlines what it considers to be the six key components which go towards a coherent CSR plan: (i) CSR Assessment; (ii) CSR Strategy; (iii) CSR Commitments; (iv) Implementation Plan and Actions; (v) Verification and Evaluation of Results, and (vi) Refinement. “Perhaps most important, however, is an underlying commitment to multi-stakeholder engagement as a foundational pillar to any credible CSR program,” says Jason Potts, a senior associate with IISD’s sustainable markets and responsible trade initiative. “CSR is fundamentally about ensuring that companies forward broader public objectives as an integral part of their daily activities and this can only be ensured with the appropriate communication channels with stakeholders.”

“CSR policies need to be considered as a core and inseparable component of the overall service or product offering.”

For Klara Kozlov, head of corporate clients at the Charities Aid Foundation, every company’s situation is unique, with many different models in existence which can help organisations to achieve their CSR aims. In turn, this preponderance of choice has led to many companies recognising that they are defined by what they do, not just what they give. “Companies are not solely providing a financial contribution but are increasingly unlocking their intellectual assets and the power of their people to achieve a positive impact,” claims Ms Kozlov. “Ultimately, coherency comes from clear purpose, programmes of work which are authentic to and valued in the business and an acceptance that it is critical to business performance.”

Tobias Webb, founder and managing director of the Innovation Forum, is clear on what a CSR programme, or a sustainability strategy, should accomplish. “It comprises re-evaluating how the company thinks about its impact, engaging stakeholders beyond shareholders and coming up with a plan to improve the impact of the business on society and seize business opportunities and make cost savings as a result,” he attests. “This would involve a lot of planning and engagement with employees, managers, suppliers, NGOs, perhaps academics and others, to figure out where and how this is best done.”

**CSR resistance**

Cynics suggest that companies often develop a CSR agenda not because of an altruistic desire to assist in curing the ills of society, but for reasons more akin to a box ticking exercise. Whatever the consensus, some organisations either implement their CSR programme with a distinct lack of heart or resist adopting a CSR policy altogether.

In the opinion of Mr Potts, if a resistance to CSR policies does exist, it usually stems from the notion of allowing external stakeholders to directly influence corporate policies and strategies, an idea that is largely antithetical to the basic mindset under which many, if not most, corporations operate. “An honest adoption of CSR often requires a serious reformulation of corporate purpose and decision-making structures,” advises Mr Potts. “Such change also implies, and rests upon, the adoption of a corporate culture which actively encourages employees to consider how the company might be able to do better in the world. When CSR policies are adopted without simultaneous tools for stimulating and allowing deep change, one can expect similarly soft results in terms of CSR outcomes and impacts.”

**CONCLUSION:**

The first responsibility to society is to operate at a profit, and only slightly less important is the necessity for growth. The business is the wealth-creating and wealth-producing organ of the society. Management must maintain its wealth-producing resource intact by making adequate profits to offset the risk of economic activity. And it must beside increase the wealth-producing capacity of these resources and with them the wealth of society.

"Corporate social responsibility is a hard-edged business decision. Not because it is a nice thing to do or because people are forcing us to do it... because it is good for our business"
 **Niall Fitzerald, Former CEO, Unilever.**