Corporate Social Responsibility (CSR): Bridging the Gap Between Business Objectives and Social Good

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Abstract:

Corporate Social Responsibility (CSR) is an ever-evolving concept during its developmental phase. It has been acknowledged as a way for businesses to contribute to sustainable development by implementing specific strategies to become economically, socially, and environmentally responsible. It is crucial to raise awareness among future generations as well. According to the World Business Council for Sustainable Development, CSR is defined as "the continuous commitment of businesses to ethical behavior and contribution to economic growth, while also enhancing the quality of life for employees, their families, local communities, and society as a whole." CSR typically deals with issues such as labor rights, community development, stakeholder rights, ethical business practices, supplier relationships, human resource management, health and safety standards, human rights, and environmental conservation. Adhering to CSR principles enables industries to establish greater credibility, improve their brand image, foster stronger community relationships, enhance employee loyalty, increase profitability, and boost investor confidence.

Keywords: CSR, Business, Social Audit, Ethical Standards

Corporate Social Responsibility (CSR) is a constantly evolving concept in its developmental stage. It has been recognized as a means for businesses to contribute to sustainable development by implementing specific strategies to become economically, socially, and environmentally responsible. It is imperative to raise awareness among future generations as well. The World Business Council for Sustainable Development offers a definition of CSR as "the ongoing commitment of businesses to ethical behavior and contribution to economic growth, while also enhancing the quality of life for employees, their families, local communities, and society as a whole." CSR typically addresses issues such as labor rights, community development, stakeholder rights, ethical business practices, supplier relationships, human resource management, health and safety standards, human rights, and environmental conservation. Adhering to CSR principles allows industries to establish greater credibility, improve their brand image, cultivate stronger community relationships, boost employee loyalty, increase profitability, and enhance investor confidence.

Companies that adhere to Corporate Social Responsibility (CSR) principles are held accountable for their actions to various stakeholders including customers, employees, suppliers, shareholders, communities, and the environment. These companies strive to achieve a balance between economic, social, and environmental objectives, thereby enhancing their credibility with shareholders and stakeholders. CSR aligns with related concepts such as Corporate Sustainability, Corporate Accountability, Corporate Responsibility,

Corporate Citizenship, and Corporate Stewardship.

One significant aspect of CSR is the promotion of sustainable practices. These practices involve not only implementation but also the development of systems for planning, execution, and evaluation, along with rigorous monitoring to ensure compliance with established standards. Corporate Accountability includes the evaluation of all plans, processes, policies, and programs, with the company being responsible not only for its own actions but also those of all entities in its value chain. Enhanced accountability enhances the company's reputation, credibility, and trust among stakeholders. There is a growing emphasis on quality standards and certifications, making transparency crucial for improving social, economic, and environmental performance. CSR represents a commitment by companies to incorporate societal welfare into their strategic decision-making. It is imperative for companies to make ethically sound decisions that contribute positively to social welfare.

Businesses are increasingly integrating sustainability into their business plans and connecting results to the Sustainable Development Goals (SDGs). Contrary to the majority of governments and civil society organizations, corporations do not instantly connect sustainability to their goal or simply read the SDGs and sign on. They undergo a conscious evolutionary process. First, there needs to be a gradual recognition of the significance of environmental, social, and governance (ESG) issues to the company's commercial interests. This helps people comprehend the importance of the sustainability as a whole and, for certain businesses, helps them recognize how certain SDGs align with their corporate objectives.

Embedding Sustainability:

Companies embed sustainability in their corporate strategies through three mechanisms:

- The initial step is strategic integration. This happens as the corporate strategy shifts from concentrating just on creating value for shareholders to providing value for all stakeholders. It entails integrating ESG into the corporate plan combined with financial rewards.

- Operational Integration involves identifying and communicating specific, measurable, time-bound goals to hold the company accountable for the strategy. By including stakeholders in identifying and addressing sustainability issues that are most likely to have an impact on the business and where the firm can make a difference, companies are able to identify their major impact areas.

- Organizational Integration is a complex process that extends from the boardroom to the loading dock. It involves strong thought leadership from the board and senior company executives and buy-in all the way down the line. At the governance level, companies execute this function through a board committee on sustainability, an executive providing oversight on sustainability, and/or cross-functional sustainability management.

Historically Corporate Social Responsibility can be divided in terms of following three generations:

The initial generation of CSR contributed in philanthropic activities which consisted of mainly charitable donations

towards social, economic and related causes as part of corporate citizenship strategy. There are various instances in which Indian family-owned business houses like TATA's have contributed to social causes like rural development, education, rehabilitation, health and sports activities of employees for the downtrodden. The other Indian Companies like the Birla's, the Mahindra's, the Godrej Group, TVS Group, the Bajaj's have contributed in philanthropic activities like opening schools, colleges for education, hospitals, dispensaries for the sick and age-old homes etc. Added to this, is the engagement in the philanthropic activities for social and hence sustainable development by banks, PSU's and new companies like Infosys, Wipro and others.

The second generation of Corporate Social Responsibility Witnesses Companies engaged in social responsibility as a long-term business strategy. It is developed as a regular practice rather than once in a while approach pertaining to social, economic and environmental matters.

The third generation would require greater emphasis of companies/financial institutions in alleviating poverty and environmental degradation. This requires a concerted effort by leadership Companies to remold entire market to undertake sustainability measure rather than individual initiatives of Companies. CSR now addresses issues like business ethics, human rights and labor rights with further expansion in financial and environmental domain. The two basic approaches of CSR have been discussed below. Triple Bottom Line Approach of CSR To maintain Corporate Sustainability and exercise measures for Corporate Social Responsibility the concept of Triple Bottom line (TBL) is

acquiring importance among Corporates. The term has been introduced by John Ellington in 1997. The concept of Triple Bottom line (TBL) emphasizes that Companies in addition to making profit which is the economic bottom line, they should also contribute to two non-economic bottom lines namely environmental and social (ICSI, 2007). This requires planning, implementing and evaluating business activity in terms of their impact on profitability (economic), social and environmental dimensions. It is required to apply the concept of Triple Bottom line (TBL) due to the following reasons:

1. Growing consumer awareness towards corporate social behavior
2. Increasing demands for greater transparency.
3. Regulatory environmental framework
4. Responsible media
5. Growing Corporate Social Response

Thus, the Triple Bottom-line approach aims to address the three dimensions of sustainable development simultaneously. Moreover, any firm which is committed towards Corporate Sustainability and Corporate Social Responsibility should consider the following principles.

i) Environmental principle - the rate of absorption of natural resources should be according to its carrying capacity and renewability.

ii) Social principle - Companies should consider the human and social

Social Audit:

Social audit can be defined as the process of evaluating the social costs resulting from various negative factors that impact employees and laborers within an organization.

These factors may include health issues such as exposure to polluted water, occupational diseases caused by inhaling toxic gases, visible welding fumes, excessive noise affecting hearing, and depletion of non-renewable energy resources. Additionally, social audit assesses whether the benefits of economic development have reached marginalized groups in terms of employment opportunities and the development of underprivileged areas and housing for employees. It is crucial in social auditing that the social benefits outweigh the social costs. Corporate entities are monitored by whistleblowers such as labor unions, consumer groups, environmental activists, and legislators to ensure they align with their social objectives. Social audit also involves identifying social responsibilities and disclosing them in annual financial reports and Corporate Sustainability reports. By quantifying social costs and benefits in monetary terms, social audit aids in measuring social responsibilities like social welfare activities, environmental protection measures, and product safety precautions. Ultimately, social audits analyze various aspects of an organization to evaluate, document, and enhance its social performance, serving as a robust tool for promoting social accountability and uncovering instances of corruption or irregularities in management and finances.

- Records of charitable contributions
- Volunteer events
- Transparency within the organization
- Work environment
- Salaries and wages of the workforce

Following conclusions about Corporate Sustainability can be drawn from these definitions:

Firstly, corporate sustainability means that in order to sustain itself companies should maintain its competitiveness thus preserving the firms' entity.

Secondly, the firm should also retain its profitability i.e., economic sustainability with social and environmental sustainability.

Thirdly, Companies should assimilate into its business operations: sustainable processes, products and procedures in order to include environmental and social dimension thus emphasizing the 'triple- bottom-line concept.'

Hence, from these conclusions we can ascertain that an integration of the macro sustainable development concept and the management discipline approach to corporate sustainability and corporate social responsibility is essential.

In various disciplines, Sustainable Development has become a crucial issue. Within the realm of Corporate Management, the concept of corporate sustainability has gained significant importance as well. The degradation of the natural environment, caused by pollution, climate change, ozone depletion, and loss of biodiversity, has prompted environmentalists and management experts to consider sustainability on a larger scale. Two approaches to sustainability have been developed, known as the weak and strong sustainability approaches. The weak sustainability approach suggests that natural capital can be substituted with other forms, whereas the strong sustainability approach asserts that different forms of capital are complementary and not perfect substitutes, and therefore cannot be interchanged. Sustainable development faces numerous challenges, including planning, implementation,

and overcoming barriers in the execution process.

Corporations have responded to the call for sustainable development through corporate sustainability and corporate social responsibility. Within this broader framework, concepts such as the Triple Bottom Line and Hierarchical Model have emerged. The Triple Bottom Line approach urges businesses to consider not only profits (the economic bottom line) but also two additional bottom lines: environmental and social. The Hierarchical Model suggests that meeting environmental standards at the company level involves making trade-offs between economic and social considerations. Companies have recognized the importance of social audits, which involve assessing social costs and benefits. When making comparative evaluations, it is essential that social benefits outweigh social costs.

Furthermore, ethics have been incorporated into corporate social responsibility and sustainability practices. Ethical companies adhere to a specific code of conduct, demonstrating social responsibility and sustainability in their actions.

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