

II - DIMENSION

Corporate Social Responsibility



Series : Rise

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CSR-call of the time

- **License > To Operate.**
- **Innovation > Is a huge benefit to a company and society.**
- **Cost savings > A way to cut costs by optimum use of resources. (energy, labor, environment, skilled work force, uninterrupted supply of raw material, construction & process.)**
- **Brand differentiation > Brand differentiation. Establishment of competitive edge over others.**
- **Long-term thinking > CSR is an effort to look at the company's long-term interest and ensuring that the company's future is... well... sustainable.**
- **Increased Customer Interest > CSR as an underused tool for business-to- customer communication, creates confidence among consumers that what they are paying for is rational. There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers.**

- **Globalization** > The modern communication tools have made the people more connected and aware in their life and business. Society & business has crossed the regional, national and international boundaries. Countries and people have become intertwined and mutually dependent. And together we face a number of challenges such as environmental problems, poverty, terrorism, human rights and economic issues. So we should together focus more on sustainable development and the fight against these challenges and should bring more and more people in the mainstream of the developmental process as well as create an opportunity for them to have access to basic amenities.
- **Societal Expectations** > The social expectations on CSR of businesses are increasing day by day, various developments that occurred in the last decade created a new environment, according to which companies will be held responsible for a variety of bad impacts on society during their normal course of business.
- **Government & Regulatory Compliances** > It is expected by the government that business sector should meet the social and environmental objectives for inclusive growth. The recent amendment in law is the tool of CSR governance.
- **Demands for Greater Disclosure** > Growing demand for corporate disclosure from regulators, stakeholders, customers, suppliers, employees, communities, investors, and activist organizations.

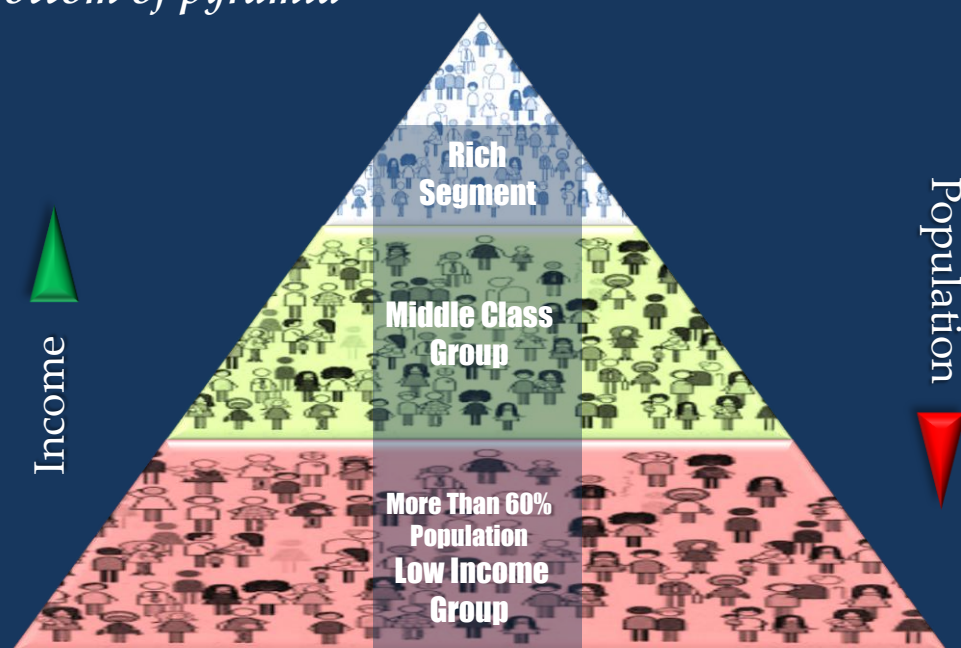
- **Growing Investor Pressure** > Investors are changing the way they assess companies' performance, and are making decisions based on criteria that include ethical, social & environmental concerns.
- **Competitive Labor Markets** > Employees are increasingly looking beyond paychecks and benefits, and seeking out employers whose philosophies and operating practices match their own principles. In order to hire and retain skilled employees, companies are being forced to improve working conditions. High moral and self esteem gives pride to them and the enable corporate to retain them for longer periods.
- **Supplier Relations** > As stakeholders are becoming increasingly interested in business affairs, many companies are taking steps to ensure that their partners conduct themselves in a socially responsible manner. Some are introducing codes of conduct for their suppliers, to ensure that other companies' policies or practices do not tarnish their reputation.
- **National and international regulations** > International Labor Organization (ILO)convention, OECD, Socially Responsible Investment (SRI), the SA8000 Social Accountability scheme, UN Commission on Human Rights & The Companies Act 2013(INDIA) are some of the regulation/guidelines aimed at regulating CSR practices.
- **Social & Environmental Activist Pressure** > Awareness of social & environmental losses due to erroneous practices compelled NGO, CSO to come forward to fight for the cause.

CSR & Business

Many companies think that corporate social responsibility is a peripheral issue for their business and customer satisfaction is more important for them. They perceive that customer satisfaction is now only about price and service, but they fail to point out on important changes that are taking place worldwide that could blow the business out of the water. This change is named as social responsibility, which is an opportunity for the business.

According to the following pyramid defined by C.K. Prahalad (An eminent scholar & professor of Michigan business school) the power in any sense lies at the bottom of pyramid, therefore if you want to get success whether in business or in any other field you cannot ignore the bottom of pyramid.

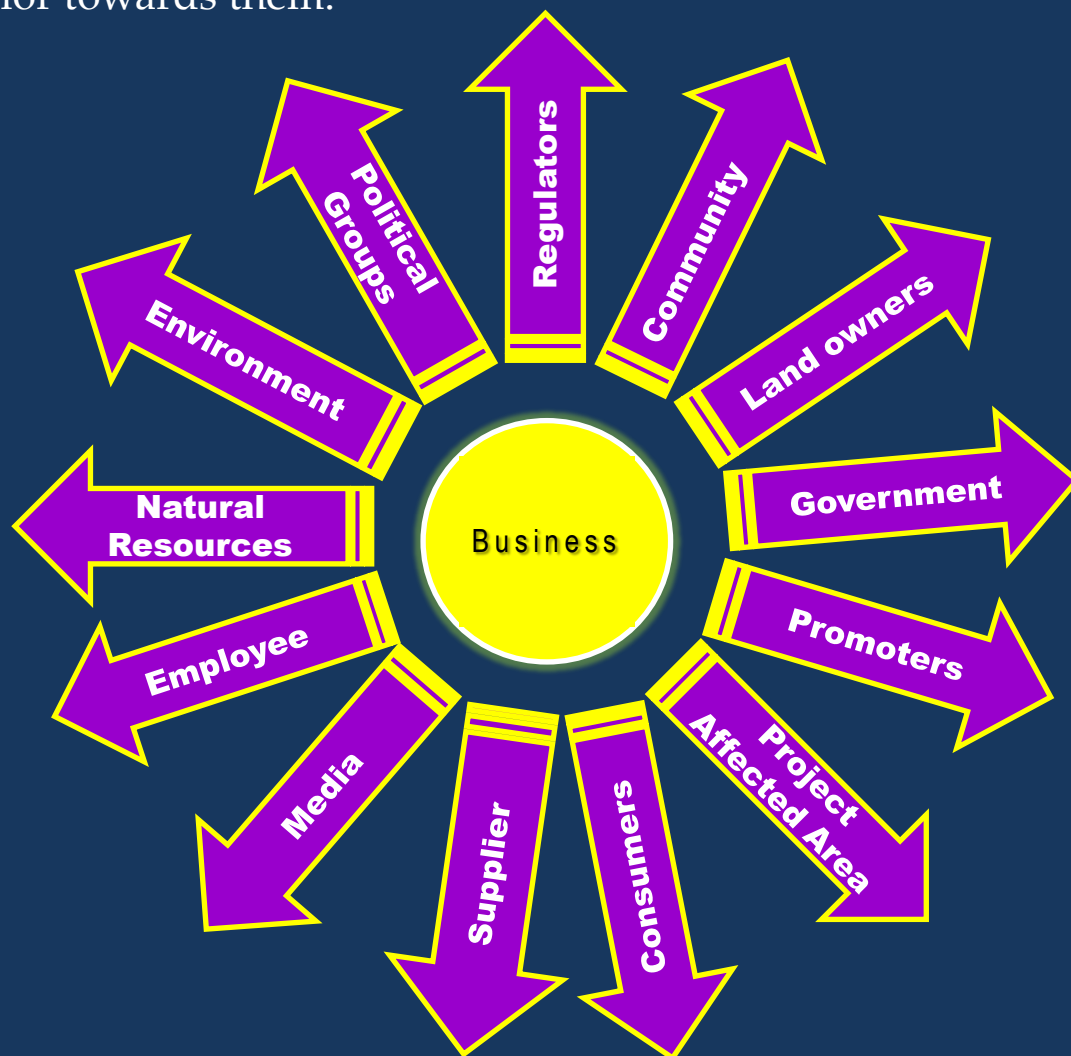
Business & bottom of pyramid



The Fortune At The Bottom of Pyramid C. K. Prahalad

CSR & Society

Corporate Social Responsibility is Corporate Commitment to Society. Business is the cornerstone of prosperity in society & companies create the resources that permit social development and welfare along with profit maximization. So you can say that society is integral part of any business and business owes responsible behavior towards them.



Why Business Need to Be Responsible?

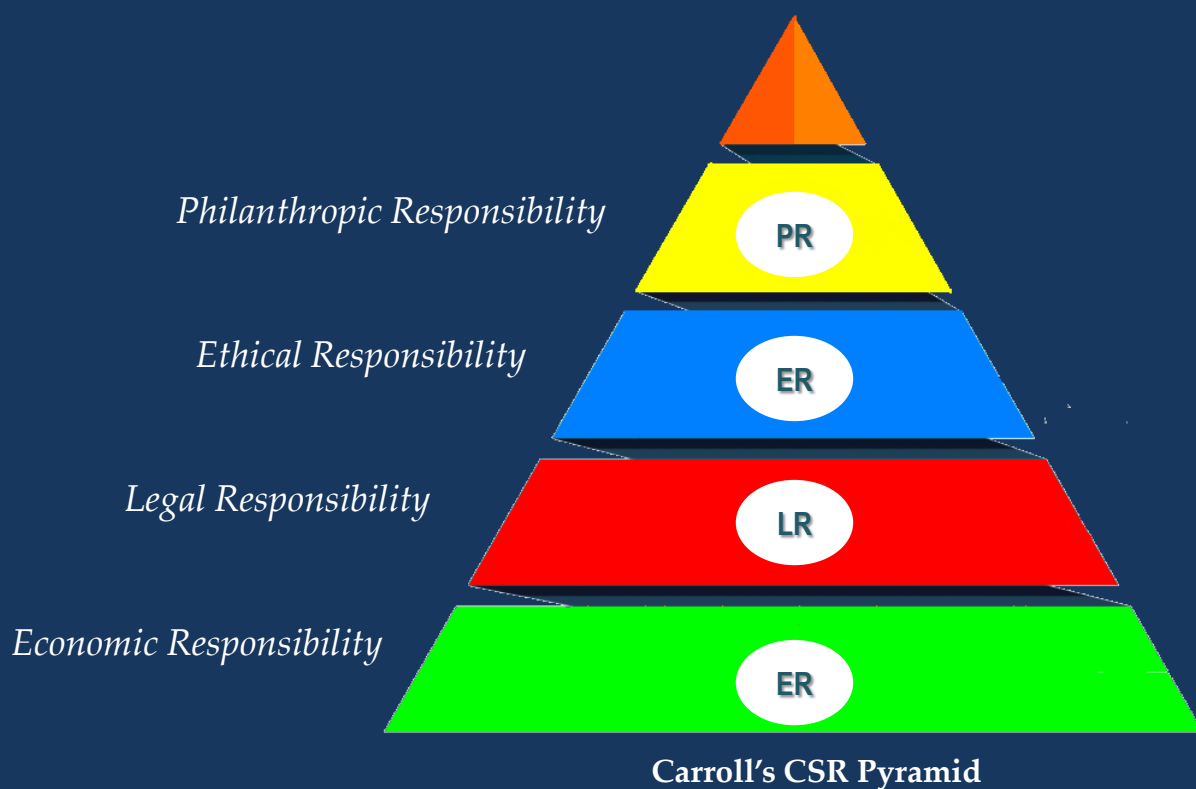
- Businesses cannot exist unless customers exist.
- Businesses run as long as the customers are satisfied.
- Gaining customer satisfaction for long term through quality products and services.
- Since businesses can earn profit from society, they expect a part of the profit should be spent for the betterment of the society at large.
- A business of today must run its activities to sustain in the long run.
- Businesses should operate without jeopardizing the fate of the future generation.
- Long run relationship with the stakeholders can ensure long run sustainability of a business.
- More specifically, CSR involves a business identifying its stakeholder groups and incorporating their needs and values within the strategic and day-to-day decision-making process.

➤ India being a country of vast resources, large pool of talents, democratic setup with approx 50% below poverty line, we cannot close our eyes on extreme poverty, poor education, health, opportunity of skill development, improper rehabilitation of displaced, gender inequality, child mortality, maternal health, polluting environment and neglect of the basic rights of SC&ST etc. These are not the only responsibility of Government but we all, the common man, corporate & government must come together to make a developed society.



Dimensions of CSR

Corporate Social Responsibility is not just for a companies or business houses it is for all business leaders and managers of tomorrow. So they must understand why CSR has become the integral part of any business. Here attempts are made to simplify the CSR in totality.



According to Carroll (1991), “corporate social responsibility involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. To be socially responsible means that profitability and obedience to the law are foremost conditions when discussing the firm’s ethics and the extent to which it supports the society in which it exists with contributions of money, time and talent”. And the different layers in the pyramid help managers see the different types of obligations that society expects from businesses.

Economic responsibility - It concerns the responsibility of business for producing goods and services needed by society and selling them at certain profit. Companies have shareholders who demand a reasonable return on their investments, they have employees who want safe and fairly paid jobs, and they have customers who demand good quality products at a fair price. So, here comes the first responsibility of the business as it is to be a properly functioning economic unit and sustain in business. And this is the base of the pyramid, where all the other layers rest on.

Legal responsibility - The legal responsibility demands that businesses should abide by the law and play by the rules of the game.

Ethical Responsibility - The main concept of ethical responsibility as defined and expressed by Carroll (1991) is that generally expected by society over and above economic and legal expectations. Ethical responsibilities of companies cover its wide range of responsibilities & are not necessarily imposed by law, but they are expected from companies by the public and governments.

Philanthropic responsibility - As it is in the top of the pyramid, actions that fall into the voluntariness are those that you are not required to do but these actions are based in what your company believes is the correct thing to do. They may be based in specific ethical values that your company holds.



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SNPL's social development team

The social development team at SNPL advises clients on the impact that the social development environment may have on their businesses, combining vision, policy and mandate with data analytics to help them develop their strategies for sustainable development and better SROI.

With the social environment expected to remain diverse and at large, risks as well as opportunities to integrate business with inclusive holistic growth of society. At the same time, organizations can benefit themselves by benefitting society, adhering ethics, social policy, regulations and socio economic development with an aim to contribute society, nation and ultimately the world.

The Sociostark team helps clients to identify risks and opportunities in their current and future social development investment for better SROI.

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