

DOING GOOD IS GOOD FOR BUSINESS

Sonal Trivedi, *Research Scholar, University of Pune, Email id : trivedi.sonal86@gmail.com*

Vinita Choudhary, *Research Scholar, University of Pune, Email id : vinni.choudhary@gmail.com*

ABSTRACT

The public is getting more aware about social responsibility. Thus companies are also taking into account transparency & credibility. Measurement provides a way for you to gauge your progress towards your goals, tracking helps you monitor your progress and continually improve, and reporting allows you to communicate it to staff or other stakeholders. Common examples would be measurement of resources used (energy, water, paper consumption, materials), waste created, greenhouse gases emitted, employee volunteer hours or donations to social or environmental groups. The idea of this study is based on the Forbes survey of 100 companies with best CSR activities. What made them to rank companies on the basis of CSR activities? What a company should do to respond to the community requirement and to benefit from its social performance. First part of paper contains the introduction part which studies the survey conducted by Forbes. The second part of paper studies the instruments on which the evaluation of CSR activity of a company depends. Last part of paper comprises conclusion & recommendation.

Key words : Corporate Social Responsibility, Code of Conduct, governance, stakeholders, standards, transparency, credibility.

DOING GOOD IS GOOD FOR BUSINESS

INTRODUCTION

According to a study by a global consulting firm of New York, the willingness of a person to buy, recommend, work or invest in a company is driven 60% by perception for company and 40% by perception for product. Thus, we choose a brand as per reputation of the company. The consulting firm had also ranked 100 reputed companies by surveying 55000 customers round 15 markets around the world. The companies were analyzed on following dimensions: workplace, governance, citizenship, financial performance, leadership, product/services and innovation. Three of seven category fall under CSR activity i.e. citizenship, workplace & governance. Thus, CSR is a core element in developing reputation of a company and developing trust & goodwill among customers. Hence, a company can improve its goodwill in eyes of customer by involving more in CSR activity.

Forbes has recently ranked 100 companies as per their CSR activity. According to them, top ten companies with best CSR activity are: 1. Microsoft, 2. Google, 3. Walt Disney, 4. BMW, 5. Apple, 6. Daimler – Mercedes benz, 7. Volkswagen, 8. Sony, 9. Colgate – Palmolive, 10. LEGO group. Additionally, the company which is ranked best on the basis of citizenship is “WALT DISNEY”, on the basis of workplace is “GOOGLE” and on the basis of Governance is “BMW”.

In this competitive world, for a company to be present in market as a brand has to improve on its CSR activity. The customers who do not know about company history see a company from the point of view that whether a company cares about local society, is open & honest and who treats its people well.

But just working on CSR activity is not enough, companies are required to present their work in front of stakeholders strategically else their hard work remain unnoticed. Thus corporate should have a visible CSR campaign with the help of social media, as media is perception of public.

LITERATURE REVIEW

From the extensive literature review it has been determined that need of the hour is the development of CSR framework. So that companies can effectively channelize the available resources for social responsibility practices. Inputs for the development of CSR framework has been taken from the literature as study by Carroll (1991) helped us in determining the major contributors required for the development of CSR framework. According to Carroll's CSR pyramid (1999), business should embrace economic, legal, ethical and philanthropic responsibilities. Study by Sharma and Kiran (2012b) showed the importance of case studies for the development of framework. Study by Maon et al. (2009) suggests need for integrative framework of Corporate Social Responsibility design and implementation.

The literature provides a variety of views of researchers regarding CSR definitions and underlying dimensions (McWilliamset et al. 2006). Till now, there is no universally accepted definition, measurement scale, and a universal framework for the CSR concept, though some agreement exists on the potential positive impact (Branco and Rodrigues 2006; McWilliams et al. 2006; Smith 2003). What is needed is that firms must build their corporate values to create an organizational culture that is receptive to change and can sustain a corporate social responsibility strategy over the long run (Maon et al., 2009). Studies by Lewis (2003), Lichtentein et al. (2004), and Nielsen et al. (2009) suggested that society values, new business opportunities, reduced regulatory interventions, customer satisfaction, firms' reputation, and better stakeholder

relationship are acting as different driving forces that are motivating business firms for the implementation of CSR initiatives. On the basis of above discussed literature survey, the CSR framework has been developed as shown in Figures below:

RESEARCH APPROACH

3.1 Context

This research paper is based on the Forbes survey of 100 companies with best CSR activities.

- To deepen the conceptual understanding of corporate social responsibility (CSR) and firms' underlying motivations to engage in CSR;
- To gain insight in existing CSR approaches in an international context;

Research approach and methods

3.3.1 Research approach

Classical approaches to CSR research include the instrumental approach and the ethical approach. The instrumental approach to CSR holds the position that companies engage in CSR only when their underlying motivation is the attainment of financial performance, while the ethical approach to CSR states that companies engage in CSR because it is 'the right thing to do' according to some ethical pathway (Blindheim, 2011). However, these both approaches often fail to recognize the political and institutional mechanisms needed to support responsible business behaviour. Blindheim (2011) suggests focusing on the institutional perspective on CSR which states that the pursuit of the common good –sustainability- does not only depend on economic and social conditions, but also on the appropriate design and functioning of political institutions. Given the focus of our research objectives our CSR research perspective combines descriptive analysis with normative assumptions about the preferred institutional order and about corporate responsibility.

3.3.2 Research methods

- A review of the relevant scholarly literature will be combined with a review of existing CSR schemes to sketch the state of the art of CSR knowledge and experience (this working paper)

MAIN INSTRUMENTS OF CSR

Corporate Social Responsibility (CSR) is a concept whereby companies integrate social, environmental and health concerns in their business strategy (policy) and operations and in their interactions with stakeholders on a voluntary basis. The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of

organizations at a given point in time (Carroll, 1979).

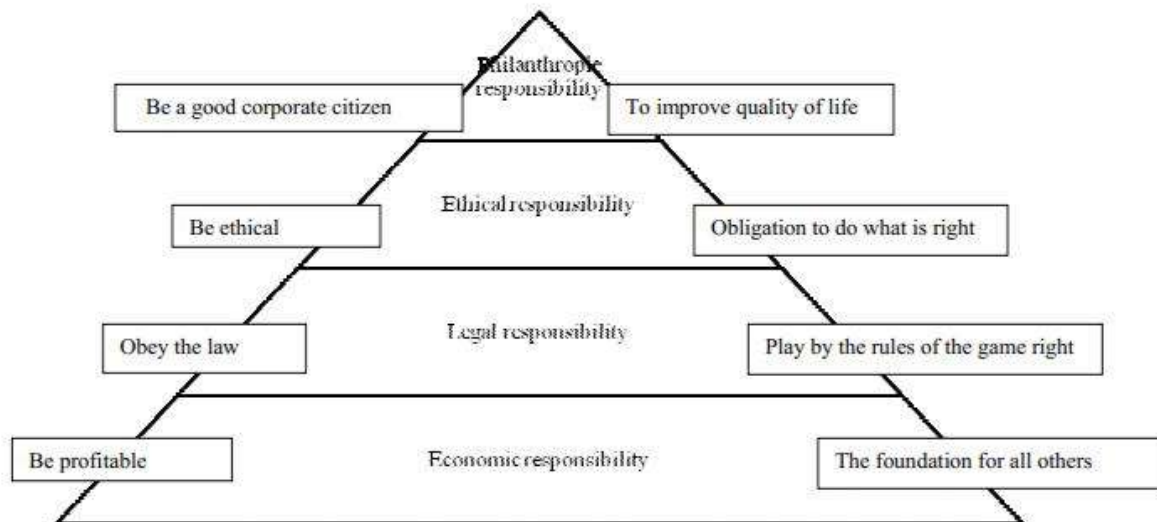
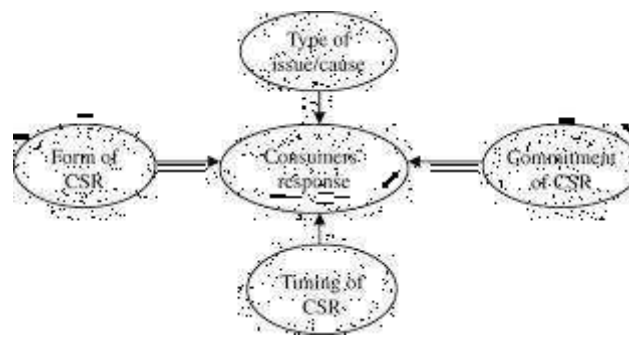


Figure1: The Pyramid of Corporate Social Responsibility (Carroll, 1991)

According to United Nations Global Compact, there are 10 principles in business around the world which can be categorized into:

- Human Rights like OHCHR, ILO, UNEP, UNODC, OECD etc
- Labour Standard like ILO
- Environment Standard like ISO 14000
- Anti-corruption like OECD guidelines, OCEG guidelines

Code of conduct play different role. These standards envisage a high variety of issues, such as human and labour rights, the use of security forces, bribery and corruption especially in countries where public authorities fail to enforce minimum standards, health and safety issues linked to the use of a product and environmental standard. Codes of conduct are important for a corporation to give them a direction and also a corporate can convey right message to their stakeholders.



The comparison of top four companies as per their CSR activity is as follows:

S. No.	Company	Human Rights	Labour Standard	Environment Standard	Anti- Corruption
1.	Microsoft	Member of GLOBAL NETWORK INITIATIVE & ELECTRONIC INDUSTRY CITIZENSHIP COALITION	Have a MS policy for employees	Microsoft first achieved standardization of OOXML through the European-based ECMA industry association	Committed to United States Foreign Corrupt Practices Act
2.	Google	Member of USCIB	Has Google Code of Conduct	Received voluntary ISO 14001, OHSAS 18001 and ISO 50001 certifications.	Google and Google.org, its philanthropic arm, are leveraging technology to increase communications and transparency around government anti-corruption activity
3.	Walt Disney	As per guidelines of United Nations Universal Declaration on Human Rights and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work.	Has code of conduct for employees, for manufacturer and for safety	one-third of The Walt Disney World property as a dedicated wildlife conservation area in perpetuity, to the Disney Worldwide Conservation Fund (DWCF)	Follow U.S. Foreign Corrupt Practices Act (FCPA) and the U.K. Bribery Act.
4.	BMW	United Nations Global Compact & ILO	Fair practice code	BMW Group are guided by the international environmental charter	BMW Group has established a Compliance Organization for lawful conduct & fair competition.

The businesses are also focusing on accountability and transparency through several mechanisms CSR needs to be understood within this context captured in the development oriented CSR framework given below :

Model	Focus	Champions
Ethical	Voluntary commitment by companies to public welfare	M.K. Gandhi
Statist	State ownership and legal requirements determine Corporate responsibility	Jawahar Lal Nehru
Liberal	Corporate responsibilities limited to private owners (Shareholders)	Milton Friedman
Stakeholder	Companies respond to the needs of stakeholders-customers, employees, communities, etc	R. Edward Freeman

SUGGESTIONS :

Companies can set a network of activities to be taken up in a consortium to tackle major environmental issues. It would also provide an opportunity to learn from each other. Everyone in the organisation needs to recognise their own role in promoting CSR. Companies should provide wider professional development activities. Training, conferences and seminars could be organised by companies to disseminate and generate new knowledge and information in this sector. A strong budgetary support would definitely help to grow this sector and research related to respective industry would enhance their organisation's contribution further. Government regulations which are supporting in this direction could attract more response from organisations. All this would also lead to benchmark CSR activities. Companies need to involve their stakeholders in order to build meaningful and long term partnerships which would lead to creating a strong image and brand identity. It is also suggested to review existing policies in order to develop more meaningful visions for the companies and broaden their contributions to reach to local communities.

CONCLUSION

CSR has become core competency for companies. The main instruments of CSR help a company to use its CSR Activity for competitive advantage. Many of companies fail to build goodwill even after carrying out CSR activity because of lack of efficiency, transparency, and credibility; their lack of clear-cut social and marketing objectives; their lack of professional evaluation and promotion. A final recommendation to corporate is to strengthen on how to use CSR activities as an efficient tool for company and society.

REFERENCES:

Ackerman, R. W. (1975), *The Social Challenge to Business*, Harvard University Press, Cambridge, MA

Branco, M., and Rodrigues, L. (2006), "Corporate social responsibility and resource-based perspectives", *Journal of Business Ethics*, Vol.

69 No. 2, pp. 111–132 Blumenfield, M (2008), "Brand rankings find top CUS have one thing in common: they stay true to values", *Credit Union Journal*, Vol. 12 No. 36, p.16

Basu, K. and G. Palazzo (2008), "Corporate social responsibility: a process model of sense making", *The Academy of Management Review*, Vol. 33 No 1, pp.122–136

Carroll, A. B., A (1979) "Three-dimensional conceptual model of corporate performance", *Academy of Management Review*, Vol. 4 No. 4, pp. 497-505

