

DELVING INTO A NEW APPROACH OF CSR- RESPONSIBILITY TOWARDS COMPANY STAKEHOLDERS

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ABSTRACT

Business Ethics and Corporate Social Responsibility are now-a-days recognized as an important aspect of corporation's decision making process. It is apparent that business houses centre their activities with the objective of earning larger gains. However, making profits is not the sole function of the business. It performs number of activities within the society and therefore, it needs to take care of those who are instrumental in securing its existence and survival. Recently, there is much concern in the business-and-society literature and in the general press on whether business fulfills its social sole responsibility. Business ethics, corporate social responsibility and corporate governance movements have been developed in recent decades as responses to a growing sense of corporate wrongdoings. Today, more and more interest is being given to the application of ethical practices and a responsible behavior in business dealings and implications. Thus, the study delves into a comprehensive understanding of how business ethics and corporate social responsibility evolves as concept and the reason that encourages company in India to be socially responsible. The paper also attempts to throw a light on the conceptual scheme of replacing the corporate social responsibility with the idea of company stakeholder responsibility, thus assigning a new and different meaning to CSR.

Keywords: Ethics, Ethical Behavior, CSR, Code of Conduct, Business Ideology, Stakeholder interest.

INTRODUCTION

Ethics commonly means rule or principles that define right and wrong conduct. It may be defined as:

“Ethics is a fundamental trait which one adopts and follows as a guiding principle of basic dharma in one's life. It implies moral conduct and honorable behavior on the part of an individual. Ethics in most of the cases runs parallel to law and shows due consideration to others rights and interests in a civilized society. Compassion on the other hand may induce a person to give more than what ethics might demand”

Recently, there has been an increasing awareness and more importantly interest in the field of Business Ethics. This trend was appreciated in the present stage of globalization. Ethics in business can be considered as system of moral principles dealing with right and wrong. Ethics is basically an area dealing with moral judgments regarding voluntary human conduct. Moral judgment requires moral standards by which to judge human conduct. Moral standards are also related to moral obligations, or the duty to do what we consider to be 'right' and 'proper'. The main objective of ethics is to define the highest good of man and set a standard for the same. In doing so, Ethics has to deal with several inter-related and complex problems which are psychological, legal, commercial, philosophical, sociological and political in nature.

In any organization, from the top management to employees at all levels, ethics is considered as everybody's business. It is not just only achieving high levels of economic performance, but also to conduct one of business's most important social challenges, ethically. Ethics in business is nothing but the do's and don'ts by the business users in business. It is based on a set of moral and ethical values. These values must be absolute - that is, you must take them seriously enough to have priority over any human

rationalization, weakness, ego, or personal faults. When all else fails, you will always look back to these core values to guide you or take you through. A moral or ethical statement may assert that some particular action of certain kind is right or wrong, which may offer a distinction between good and bad characters or dispositions; thereof, may propound some principle from which more detailed judgments of these sorts might be inferred – instance one ought to always aim at the general happiness or try to minimize the total suffering of all sentient beings, or ... That it is right and proper for everyone to look after himself. All such statements express first order ethical judgments of different degrees of generality (Mackie, 1977). If we examine the current literature on ethics, the focus is on lines given by philosophers, academics and social critics. However, leaders, managers and engineers require more practical information about managing ethics. Ethical management in the workplace holds tremendous benefit to all including engineers, managers, organizations and society. This is particularly true today when it is critical to understand and manage highly diverse groups, with different values at the workplace and operating in globalize economic conditions of Socrates and Plato guidelines for ethical behavior (Moore, 2004). Ethics involves learning what is right or wrong, and then doing the right thing -- but "the right thing" is not nearly as straightforward as conveyed. Most ethical dilemmas in the workplace are not simply a matter of yes or no, on situation? Business Ethics denotes not only how the business interacts with the world at large, but also their one-on-one dealings with a single customer, resulting in the business justification in terms of economic, ecological and social spheres. Today, we live in an age where businesses and society are more connected and interactive than ever before. The triple bottom line approach has been, and remains, a useful tool for integrating sustainability into the business agenda. It has now become imperative that sustainability forms an integral part of strategic planning of contemporary business organization. Many ethicists consider emerging ethical beliefs to be legal principles, i.e., what becomes an ethical guideline today is made into a law, regulation or rule. Therefore following law of the land is one of the basic virtues of ethics. In fact, Values, which guide us how to behave, are moral values, values such as respect, honesty, fairness, responsibility (Spence, 2003). Many of these values are self-evident to the intuition of our higher nature. It is widely acknowledged today that Gandhian philosophy, particularly Gandhi's Doctrine of Trusteeship played a pivotal role in the shaping of the contours of modern corporate ethics.

The liberalization and globalization being sweep changes in the concept of doing business, but the major by-product like corruption, favoritism and nepotism, deterioration of human values, series of scam in business, government policies and society are also produced in the 21st century. There is a loss of faith in instruments of society. Business houses are becoming big with control of large resources, human, financial and technical but their surviving purposes to society are always having the doubtful values. At one side business enterprise are coping up with intense emerged competition and on the other side they are violating the principles of proper public conduct. In the wake of mounting scandals corporations, all around the world are adopting ethical conduct, code of ethics. They are excellent organizations, which have shown a spurt of activity towards evaluation of goals, concepts, values management and conduct. There is at present a growing recognition among corporate leaders that corporate social responsibility has to be based on an enduring ethical foundation. Ethics today is very wide segment. It is simple and counter-intuitive leading to truth, of course, not everything that is true, is obvious or simple. However, after this, brief, on ethical management and ethics in general, the paper delves to its main objectives of ethics in CSR. The study and examination of CSR is generally referred to the corporate world specially in taking decisions in the field of business. Thus, the purport of this paper explores the different objectives, method, ways and means which the Business organization must discharge their social responsibilities. To exist and operate within the social structure they must fulfill their social obligation along with economic obligations.

THEORETICAL FRAMEWORK

Davis and Blomstrom (1975) in their paper examined the corporate social responsibility as social responsibility is the obligation of decision makers to take actions which protect and improve the welfare of society as a whole along with their own interests. It suggests two active aspects of social responsibility—protecting and improving. To protect the welfare of society implies the avoidance of negative impacts on society. To improve the welfare of society implies the creation of positive benefits for society. In the modern systematic study, Davis (1975) anticipated the following five propositions regarding social responsibility of business houses: The first proposition states that social responsibility of business arises from business social power. He emphasizes the concern about the consequence of business actions that affects interests of others. Because of these consequences, the businesses responsibility towards the community arises. The second proposition states that business has to operate as a two-way open system with the open receipt of inputs from the society and open disclosure of its operations to the public. The third proposition says that the social cost as well as benefits of an activity, product or service after thoroughly consideration and calculation should decide whether to continue a product or stop its production. The fourth proposition states that the social costs of each activity, product or service should be priced into it so that the user has to pay for the effects of his consumption on society. The fifth and final proposition is that beyond social costs international business institutions as citizens have responsibilities for social involvement in areas of their competence where major social needs exist. Hereby Davis outlines the basic principles for developing socially responsible policies. Robin and Reidenbach (1987) have shown stakeholders policies can be integrated into the making of organizational strategy. The authors have applied the social responsibility perspective in the planning process by using the image of an average family for developing values within an organization. Based on this logical background the authors have shown the imbibing of values like empathy, care and concern in functioning of the organization. McGuire (1963) explained the social responsibilities in context vis-à-vis economic and legal objectives. He asserts that the idea of social responsibility supposes that the corporation has not only economic and legal obligations, but also certain responsibilities to society which extend beyond these obligations. Although this statement is not fully operational either, its attractiveness is that it acknowledges the primacy of economic objectives side by side with legal obligations while also encompassing a broader conception of the firm's responsibilities. Chakraborty (1991) highlighted the beautiful and deep roots of Indian ethos from which the managers and business leaders can develop a system of values. From this systematic knowledge of values and ethos, the responsible stakeholders' policies can be developed. Garret (1989) has used the due care theory for increasing the responsibilities of business towards the stakeholders. The theory is based on classical factionalism of Plato and Aristotle according to which it is the responsibility of the management to take care of others 'needs and serves them. Sharpin (1989) has used the concept of public firm in which the management is an agent to all factor suppliers and not the shareholders alone. As each stakeholder group has interest in a public firm and can monitor the agent, the public firm tries to carefully administer its contracts with all stakeholders. Here author's states that this can be achieved through the development of socially responsible stakeholder policies. Wokutch (1990) presented the Japanese style of corporate social responsibility especially in terms of occupational safety and health practices of the Japanese firms. Because of the personnel philosophy, Japanese corporations, which give importance to the human resource, the occupational health and safety procedures are integrated to the core of the production system. This integration includes high meetings, emphasis on training activities, pursuits of zero accident standards and effective dual emphasis on behavioral and engineering orientations to promote safety and health among workers and managers. Anand (2002) studied social responsibility initiatives as building block of corporate reputation in the Indian context. He analyzed the reputation from a stakeholder perspective. Reputation of a firm contributes in positioning a firm's identity in a proper and more attractive way. This has been proved in the case of socially responsible Indian firms are also considered to have good reputation. Biggs and Ward

(2004) tried to link Corporate Social Responsibility, good governance and corporate accountability through an institutional framework. They found that it is necessary to integrate public governance and CSR activities for better results. Further they left that corporate must create a more inclusive agenda through a value framework and showing and caring. Ultimately, firms must have a multi-stakeholder outlook to frame their CSR policies. Lockwood (2004) explained the critical role of the HR function in organizations playing the leading part and educating these firms regarding the importance of CSR, while at the same time strategically implementing sound HR management practices that support the company's business and CSR goals. According to him, firms must shift from first and second generation social responsibility practices of out risking a firm's business success in the name of CSR and move over to third generation CSR practices where a firm addresses significant societal issues, such as poverty and cleansing the environment and the HR function must lead this shift.

PURPOSE OF THE STUDY

The purpose of the study is to contribute towards the understanding of business ethics and Corporate Social Responsibility particularly in context to the modern business practices. An attempt has also been made to delve into a new aspect of conceptual scheme of replacing the "Corporate Social Responsibility" with the idea of "Company Stakeholder Responsibility" and thus assigning a new and altogether different meaning to corporate social responsibility.

ORIGIN OF THE CONCEPT—CORPORATE SOCIAL RESPONSIBILITY

Explicitly, the CSR Voluntary Guidelines (2009) have very rightly provided that—government systems of a company should be underpinned by Ethics, Transparency and Accountability. They should not engage in business practices that are abusive, unfair, and corrupt or anti-competitive. CSR is a concept, whereby, companies integrate social and environmental concerns into their business operations and in their interaction with their stakeholders (employees, customers, shareholders, investors, local communities, government), on a voluntary basis. CSR is closely linked with the principles of Sustainability which argues that enterprises should make decisions based not only on financial factors such as profits or dividends, but also based on the immediate and long-term social and environmental consequences of their activities.

There are varied the concepts of CSR. It originated in the 1950s when American corporations rapidly increase in size and power, and continued during 1960s and 1970s when the nation was confronted with social problems of poverty, unemployment, race, relations, urban blight and pollution. And in 1980, Corporate Social Responsibility involved the beyond code of conduct reporting and started taking initiative in NGO's multi stakeholders ethical trading. To be clear, Archie Carroll's four part analysis will focuses on the types of social responsibilities to specify argued what business has. Business depends upon society for the inputs like manpower; resources, money etc. The very existence, survival and growth of any firm depend upon its acceptance by society and its environment. Apart from the four-part definition attempts to place economic and legal expectations of business in perspective by relating them to more socially oriented concerns. These social concerns include ethical responsibilities and voluntary/discretionary (philanthropic) responsibilities.

He analyses, to begin with is Economic Responsibilities. It may seem odd to call it an economic responsibility a social responsibility, but, in effect, that is what it is. First and foremost, the American social system calls for business to be an economic institution. That is, it should be an institution whose orientation is to produce goods and services that society wants and to sell them at fair prices—prices which society thinks that, the true values of goods and the services delivered must provide business with profits adequate to ensure its perpetuation and growth, of course, with a reward to its investors

This is followed by Legal Responsibilities. Just as society has sanctioned our economic system by permitting business to assume the productive role mentioned above, as a partial fulfillment of the social contract, it has also laid down the ground rules—the

laws—under which business is expected to operate. Legal responsibilities reflect a view of—codified ethics in the sense which embody basic notions of fairness as established by our lawmakers. Business is bound by Law for the benefit of society.

With this, comes Ethical Responsibilities. Ethical responsibilities embody the range of norms, standards, and expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, to protection moral rights. In one sense, changes in ethics or values precede the establishment of laws because they become the driving forces behind the very creation of laws and regulations. In another sense, ethical responsibilities reflect newly emerging values and norms that society expects business to meet, even though they may exhibit a higher standard of performance than that currently required by law.

Finally the four-part analysis is the Discretionary Responsibility. Discretionary responsibility is those that impose expectations for responses that exceed ethical responsibilities and are truly proactive kinds of actions on the part of an enterprise. The best example of this is Ronald McDonald House –these houses are located near hospitals and permit the families of ill children to stay near them without paying the prohibitive costs of long stays in a hostel. This program is a discretionary and proactive responsibility that benefits society at large. Thus, the analysis of Archie Carroll, elaborates four kinds of responsibilities, where in the concept of CSR is construed.

The evolution of CSR in India has followed a chronological evolution of 4 thinking approaches given in the table:

TABLE : CSR MODEL

SN	Model	Time Period	Area of Focus	Pioneer
1	Ethical	1930-1950	Businesses to volunteer to manage their business entity as a trust held in the interest of the community i.e. the promotion of—trusteeship	Gandhiji
2	Statist	1950-1970	State ownership and legal requirements to decide the corporate responsibilities	JawaharLal Nehru
3	Liberal	1970-1990	Corporate responsibility is confined to its economic bottom line i.e. limited to private owners. This implies that it is sufficient for business to obey the law and generate wealth, which through taxation and private charitable choices can be directed to social ends.	Milton Friedman and Theodore Levitt
4	Stakeholder	1990-present	Expects companies to perform according to—triple bottom line approach which essentially measures an enterprise's performance against economic, social and environmental indicators	Edward Freeman, Robert Ackerman and Archie B Carroll

Source: Altered Images: *The 2001 State of Corporate Social Responsibility in India Poll*, a survey conducted by Tata Energy Research Institute.

TABLE : List of CSR Innovations of India's Leading Companies

Issue	Company	Action
Community Development	Hindalco	Asian CSR award for its Integrated Rural Poverty Allevation Program
Corporate giving	Indian Oil Corporation	Dedicating 0.75% of net profit to community development Initiatives
Health	Larsen and Toubro	One of first corporate to launch an HIV/AIDS program
Gender Equality	NTPC	One of the few organizations to have policy for the grant of paternity leave
Environmental Management	BHEL	All BHEL units are certified to the ISO 14001 environmental Management System
Water	Hindustan	Reduced flushing, WC is estimated to save 2 billion litres

Conservation	Sanitaryware	of water
Energy Conservation	Reliance	Energy conservation measures, are saving, the company Rs 1,150 mn per annum
Human Capital	Infosys	Pioneering evaluation of human capital using an education index for its employees
Disclosure	TISCO	First Indian Company to publish a sustainability report in line with Global Reporting Initiative guidelines

Source: Compiled from published data on companies website

A NEW CSR—COMPANY STAKEHOLDER RESPONSIBILITY

Corporate Social Responsibility has outlived its usefulness, because it is flawed in two respects. First, it promotes the “separation thesis,” the idea that business issues and social issues can be dealt with separately. This endorses the destructive idea that the underlying structure of business is either not good or is morally neutral. A stakeholder approach acknowledges the intertwined nature of economic, political, social, and ethical issues. Centered in the practice of management, it provides the manager with a pragmatic framework for action. The second flaw with Corporate Social Responsibility is its focus on corporations. Social responsibility does not only apply to corporations—it applies to all organizational forms. A stakeholder approach applies as much to an entrepreneurial start-up and to a mid-sized closely-held firm as it does to a corporation with diffuse ownership. Based on a stakeholder approach, a distinct CSR—Company Stakeholder Responsibility—outlines a new capability for organizations to develop.

Ten Principles for Company Stakeholder Responsibility

1. Bring stakeholder interests together over time.
2. Recognize that stakeholders are real and complex people with names, faces and values.
3. Seek solutions to issues that satisfy multiple stakeholders simultaneously.
4. Engage in intensive communication and dialogue with stakeholders not just those who are “friendly”.
5. Commit to a philosophy of voluntarism—manage stakeholder relationships yourself, rather than leaving it to government.
6. Generalize the marketing approach.
7. Never trade off the interests of one stakeholder versus another continuously over time.
8. Negotiate with primary and secondary stakeholders.
9. Constantly monitor and redesign processes to better serve stakeholders.
10. Act with purpose that fulfills commitments to stakeholders. Act with aspiration toward your dreams and theirs.

CONCLUSION & SUGGESTION

Business today no longer exists only to maximize profits. They exist and operate for a number of reasons one of which should be the welfare of the society in which they operate and grow. As the business has the irreversible impact on the society, hence the business should be socially responsible, socially conscious and they should carefully consider the social and ethical implications of their decisions. If the motive of the business is to earn profit only then profits can be earned in various ways even the profit can be earned in a dishonest manner e.g. black-marketing, hoarding, adulteration etc. But these type of acts degenerate business into misleading the public. Hence, profit motive of business must go in line with the service motive, to fulfill social obligations for social welfare. In the words of Late PM LalBahadurShastri,

“Too often the community views the businessmen’s aims as selfish gain rather than advancement of the general welfare. That impression can be removed only if business is fully alive to its social responsibilities and helps our society to function in harmony as one organic whole”.

From the above discussion it can be suggested that:

- Professional bodies should make some initiatives in this regard to ensure disclosure of ethical information to the community at large.

- Step taken towards the social responsibility should be standard.
- Decisions taken by the organization's authority should be evaluated ethically and for this purpose an expert should be appointed.
- Organization should focus not on the results rather than on the process of achieving that result.
- Everyone in the organization should participate in the formulation of mission statements.
- Rethink Recheck and Reapply process should be adopted for any unethical decision.
- Each and every modern business organization should have their respective Code of Ethics.

The Indian tradition and heritage, its culture and philosophy, its ethos and values is like an ocean. If we can apply even a few drop of water from the ocean to the management of the modern organization, we will be able to do great service, not only for ourselves or organizations, but also for our future generations.

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