

Corporate Social Responsibility (CSR): A Brand Building Initiative

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Abstract

Corporate social responsibility today is performance driver of a successful communication campaign of the corporate world. Organizations are using CSR activities to enhance their corporate image which in turn directly affects the customer perception of the organization. Organization are adopting measures that are internally fair and of benefit to the larger community. To signify responsible corporate behavior, codes of corporate ethics, corporate social & environmental reporting is established. Organizations with better reputations enjoy competitive edge over those with lower reputation. Now a day's concerns arise regarding the role of appropriate actors in disbursing the corporate social responsibility. A vital question today is "who should assume responsibility for workers and do nations shape the practice of CSR in a global economy? (Townsend and Stohl, 2003)". Role of CSR as strategic partner to gain competitive edge is greatly emphasized. Recent research have identified non-market forces, social issues and CSR as key areas of business strategy; CSR is emerging as tool to increase corporate reputation. The diversity of issues included in CSR range from the environmental aspects of air, water and habitat pollution to employee & human right abuse in unfair labour practices and dangerous products sold to consumers. CSR activities can be divided into four categories namely legal, ethical, economic & discretionary. Corporate social responsibility is an attempt at "Conducting a responsible business, in achieving commercial success in ways that honour ethical values and respect people, communities and conserve the natural environment". The corporate social responsibility operate on the principle of social responsibility, responsiveness and outcomes.

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Introduction

Objectives of Study

To study the corporate social activities and their impact on society.

- To study the expectation of different stake holders.
- To study the relationship between the use of CSR activities as promotional measures.
- To identify CSR based promotional activities targeted to influence consumer psyche and perception regarding the organization.



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- To decipher the reason behind corporate preference for some areas of CSR while neglecting the other areas.
- To analyze the CSR based Advertisements.
- To study the legal reforms relating to CSR & its impact on corporate activities.

CSR Defined

CSR does not have a single universal definition. It is linked to sustainability, stakeholders and ethics. CSR is regarded as "the commitment of business to contribute to sustainable economic development, working with employee, their families, the local community & society at large to improve their quality of life (World Business Council for Sustainable Development, 2000)" The European Commission (EC) defines CSR as "the responsibility of enterprises for their impact on society". They "should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operation and core strategy in close collaboration with their stake holder." Keith Davis defined Social Responsibility as "businessman's decisions and actions taken for reasons at least partially beyond the firms direct economical or technical interests". The meaning of corporate social responsibility has been changing from the days of industrial revolution. Business can succeed only if t organizations maintain good relationship with all their stake holders employees management, share holders, consumer suppliers, creditors, competitors' and community. Employees and management are known as internal stake holders. According to Freeman and Reed stake holders may be:

- Any group of people who have a stake in the business.
- Those who are vital to the success & survival of the organization.
- Any group that is effected by the activities of the organization.

In the past Corporate responsibility has taken the form of codes of conduct written by public relation department, without serious involvement of employee or other stake holders and without any process for monitoring and verification of implementation. Too often it has been measured in term of charitable contributions, consultation with stake holders chosen by the corporation and corporations own definitions of "best practices" with regard to worker safety or environmental impact. Today corporations are considered to be social

institution. They need to win social acceptance for their survival. They need to be socially responsible as they influence the society's life styles. They need to be socially conscious and consider the social and ethical implication of their decisions. The issue of corporate responsibility has come into focus through industrial revolution. As the world business environment is changing the requirement for success and competitiveness are also changing. As a result large corporations are emphasizing the maintenance of strategic relationship with different section of society. In the process the corporate social responsibility is gaining importance.

The CSR Initiatives

The CSR initiatives vary from company to company. Some of the initiatives are as follows:-

1. Rural Development
2. Health Care
3. Education
4. Vocational training
5. Community development
6. Environment
7. Woman empowerment
8. Road safety
9. Traffic related activities
10. Safety or training related.

Legal Aspect of Corporate Social Responsibility

Indian Companies Act 2013 has introduced several new provisions like CSR which will change the face of Indian corporate business. Ministry of corporate affairs has already notified section 135 and schedule VII of the companies Act as well as the provisions of the companies (Corporate Social Responsibility Policy) Rule 2014 (CSR Rules) which has come into effect from 1st April 2014. The CSR provisions within the Act is applicable to companies with an annual turn over of 1000 crore INR & more or a net worth of 500 crores INR & more or a net profit of five crore INR and more. The Act encourage companies to spend at least 2% of their average net profit of organization in the previous three years on CSR activities. They can also make the annual report of CSR activities in which they mention the average net profit for the three financial year & also prescribed CSR expenditure but if the company is unable to spend the minimum required expenditure the company has to give the reason

in the Board Report for non-compliance to avoid penal provisions. The qualifying company will be required to set up a CSR committee of the Board of Director consisting of three or more directors. It shall recommend to the Board, a policy which shall indicate the activities to be undertaken, expenditure to be incurred & monitor the CSR policy. The indicative activities which can be undertaken by a company under CSR have been specified under schedule VII of the Act. Under the companies Act preference should be given to local areas where the company operates. Company may also choose to associate with two or more companies for fulfilling the CSR activities provided that they are able to report individually. Further as per CSR Rules, the provisions of CSR are applicable to Indian as well as to branch and project offices of a foreign company in India.

Corporate Social Responsibility & Employees Expectation

A legal contract of employment governs the relationship between the organization & the employees. This relationship is considered to be important by society, because employees contribute their efforts towards the development of the organization, which in turn improves society. It is the responsibility of the organization to meet workers expectation of wage, benefits and security. Most Japanese Corporation provides security to their employee by offering life time employment. Some specific responsibilities of organizations towards their employees are:

- To provide adequate Compensation
- To provide working conditions that respect each employees health and dignity.
- To be honest in Communication with employees and open in sharing information.
- To listen to and where possible act on employees suggestions ideas, requests and complaints.
- To engage in negotiation when conflict arises.
- To avoid discriminatory practices and guarantee equal treatment and opportunity regardless of gender, age, race and religion.
- To protect employees from avoidable injury and illness in the workplace.
- To encourage and assist employees in developing skills and knowledge that are required to accomplishing the task.

Skills and knowledge of employee really count

so treating employees badly will inevitably hurt the companies in long run.

Management's Role

The role of the management involves in balancing the multiple claims of different stake holders. According to stake holder theory an organization should not be given preferential treatment to any stake holder group over other. Therefore the task of management is to keep the relationship among the stake holders in balance. When these relationships become imbalance, the survival of the firm is in jeopardy. The World Business Council for Sustainable Development has rightly observed CSR as "the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce & their families as well as the community and society at large".

CSR Promotional Programs of Indian Corporate

This concept is popular among FMCG firms like Hindustan Uniliver Ltd, ITC Ltd, & the Procter and Gamble Co. (P & G). They advertised their products by declaring that a certain percentage of sales on select items will be used towards a social cause. ITC's Aashirwad brand of Wheat, Sunfeast biscuits and Classmate stationary have supported rainwater harvesting afforestation and rural education through cause marketing while HUL'S SurfExcel & Pond's cream promoted education through scholarship and fought for woman's empowerment through a collaboration with the United Nations Development Fund for woman (UNIFEM). The "happiness campaign" of Coca Cola has a positive message to convey of healthy relation and better living. Honda Siel Cars India Ltd's brand message "Nature rides with Honda" which is supported by a T.V. commercial that speaks of its safety features and fuel conservation.

Even fuel Companies like HP are advertising to save fuel by cutting the engine at traffic signals. Hawells India Ltd uses the back of auto-rickshaws to spread its message "Save Energy, Save Earth". Tata Tea Ltd, believes that one of the best ways to connect with consumer is to address issues that matter to them. The company tied up with the Jaago India foundation for an online initiative targeting youth on social and environmental issues. The tie up with Jaago India Foundation is considered as a "Long term CSR initiative" by the Tata Tea. Tata

has also launched a campaign called “Jaago Re” which includes a 40 seconds television commercial and six smaller ones, along with in initiatives on print, radio and out door media.

McDonalds’s campaign highlights the company’s community involvement, environmental initiatives and its track record in “people development” Life buoy’s “Swasthya Chetna” was a five year health and hygiene education program initiated by Hindustan Liver Limited (HLL). Aircel went for a high decibel multimedia Campaign-“Save our tigers” attempting to raise awareness about the low count of tigers in India.

encourage employees to participate are shown to increase employee moral & a sense of belonging to the company.

Conclusion

The roots of CSR lies in philanthropic activities (such as donation, relief work etc.) of corporations, globally the concept of CSR now encompasses all related concepts such as triple bottom line, corporate citizenship, strategic philanthropy shared value , corporate sustainability and business responsibility.

Table 1: CSR Investments & Initiatives

S.No	Area	Product name	Activities
1	Health care	Life Bouy	Svastha ache hai Campaign
2	Education	Tata Tea	Jago India foundation to sensitize community
3	Community Development	Surf Excel, HLL,ITC,P&G	Daag ache hai Campaign % of sales to Social Cause
4	Environment	ITC, HUL, Aircel Pepsi Co, Mc Donalds	In collaboration with UNIFEM. Save our Tigers Campaign Drop of joy waste management. Environment initiative.
5	Woman Empowerment	ITC, Amul	E Choupal Economic inclusion
6	Traffic Related Activity	Honda CL Car Ltd, HP	Nature rights with Honda Fuel Conservation.

Finding

Organization have used CSR investments in branding themselves as responsible & responsive organization Corporate sector have focused on thematic areas like community development, environment and woman empowerment. The organizations are investing in initiatives that reflect their primary activity which can be used to promote their products. In fact companies like Coca Cola and Pepsi are seen investing in projects like Water Conservation and afforestation to replenish the water reserves for the depletion of which they are being criticized. CSR initiatives are used by Corporates to show their level of social sensitization. As the stake holders become vocal of their expectation good CSR practices can only bring in greater benefits. Community is an important stake holder. Companies have started realizing that the “license to operate is no longer given by government alone, but also communities, who allow to maintain the license”. There are certain innovative CSR initiatives emerging where in companies have invested in enhancing community livelihood by incorporating them into their supply chain. CSR is also playing a vital role in enhancing corporate reputation. Several human resource management studies have linked a companies’ ability to attract retain and motivate employee’s with their CSR commitments. Intervention that

The concept of CSR rest on the ideology of give and take. Companies take resources, in the form of raw material, human resource etc from the society. By performing the task of CSR activities they are giving something back to the society. CSR needs to address the wellbeing of all stakeholders including share holders. The CSR approach is holistic & integrated with the core, business strategy for addressing social & environmental impact of business. The practice of CSR in India still remains within the philanthropic space but has moved from institutional building to community development with communities becoming more demanding, CSR is getting more strategic in nature than philanthropic. Companies are reporting the activities they are undertaking in their websites, annual reports, sustainability reports & even publishing CSR activities. The reporting requirement mandated by the government of India, including CSR is by the SEBI which issued a circular in 13 August 2012 mandating the top 100 listed companies to report their ESG initiatives. The Business Responsibility Report requires companies to report their performance on the nine National Voluntary Guidelines (NVG) principles. Other listed Companies have also been encouraged by Securities & Exchange Board of India (SEBI) to voluntarily disclose information on their Environmental social governance (ESG) performance in the Business Responsibility Report (BRR) format. The companies Act 2013 through it’s

disclosed or explains mandate is promoting greater transparency. Community engagement should be incorporated into corporate decision making and management activities. However, it will be amusing to observe when CSR will go beyond communities & philanthropy in future.

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