

Practices of Corporate Social Responsibility: A Paradigm Shift From Economic To Community Perspective

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Abstract: Globalization and development agenda has changed the structure and adaptation of production and economic institutions. Multinationals are seen to indulge in development process in India. It is a recent phenomenon. The governmental measures have often been inadequate to address the vast majority of population who live in villages which are underdeveloped and suffer from acute social problems. The companies and their CSR programs emerge as an important agency for societal development where the multinational corporation achieves unprecedented economic and political power under capitalist globalization. Hence, large corporation has started to intensify their CSR engagement under pressure of changing societal expectation where, CSR is defined as integrating social concern in the business operation on a voluntary basis with stakeholders. Such an approach of CSR from a societal perspective is less focused in research since capitalist globalization have created disturbances in fundamental social justice where CSR attempted to solve the problems of social injustice by behaving in socially ethical terms. The present paper attempts to frame a debate on the issue in the new area of research in current sociology of CSR from a social perspective and defining it as corporate commitment to ethical behaviour particularly in relation to social justice and engulfing a dimension beyond philanthropy. The paper utilizes secondary sources of data collection. The sociological analysis and conceptualization assist in understanding the underlying logic of governance that rests on a market line representation where along with the government, large corporations getting into notions of authority and exercise corporate social power. Thus, the social dimension of corporate social responsibility is a changing paradigm of globalization in society.

Keywords: Corporate social responsibility, Globalization, corporate citizenship, Stakeholder.

I. INTRODUCTION

The advent of globalization and international trade has brought about a heightened interest in corporate social responsibility (CSR) in recent years with an increased business complexity. The discourse regarding globalization includes the global corporation, where globalization is implied the intensification and diffusion of the capitalist mode of production due to easier and faster movement of capital. The multinational corporations are predominantly dominant in capitalist production and ideology. Globalization has created bigger companies in terms of turnover and profit which in recent times have been found to be invested on society for development thereby bringing a harmonious balance between business and society. There is the pressure and prominence of global corporation and expectations of socially responsible involvement of large corporation. On the other hand, globalization has changed the way issues are debated as it has created new demands and expectations for business. A large number of companies use CSR as a strategic approach to gain public support for their presence in global markets. Hence, the CSR related business role in ensuring sustainable development has gone from being a small attempt by companies to protect them from external pressure to an integrated business approach under globalization. Globalization has an enormous effect on society and business life which can be manifested in a number of different ways where transnational corporation on social regulation has become an emerging trend and necessity in a globalized world.

Globalization can be defined as a process of intensification of cross-border social interaction due to declining cost of connecting distant location through communication and the transfer of capital goods and people leading to growing transnational interdependence of economic and social actors. And corporate social responsibility is understood in a globalized context where large multinationals prioritize not only their shareholders but also the benefit the stakeholders. In this context CSR is defined as the integration of business operations and values whereby the interest of all stakeholders including investors, customers, employees and the environment are reflected in the company's policies and actions. Community stands as the most important stakeholder. In today's global economy, it is critical for companies to embrace social and environmental responsibility in order to meet the demands of their investors, employees and communities they serve. Social responsibility is a condition for their long term survival and sustainability. And as globalization accelerates, large corporations have progressively recognized the benefits of providing CSR programmes in their various locations.. The prioritization of CSR social issues to be undertaken and the implementation of programs differ in terms of company and are addressed as per the need of the local context. Social responsible investment help promote corporate social responsibility.

Globalization to a great extent promotes this evolution of corporate social responsibility all over the world. For multinational corporate, globalization not only brings more opportunities and benefits for multinational corporate, but also makes multinational corporate adapt to the changing environment and accept the unprecedented challenges in the global level, industrial level and other levels. Multinational corporate reconsiders the fact that the moral, ethical, environmental and social issues should be incorporated into the process of decision making on business strategies and operations. The firms incorporate social, environmental and moral issues into the process of their decision making and take the rational responsible behavior and activities, which brings more and more profits for their shareholders and interests for their stakeholders in the long term. CSR brings sustainable development at a global level. The World Business Council for Sustainable Development (WBCSD) says that “CSR is the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large” Moreover, the most recent annual review of Global Compact also contributes to the terminology of this literature and uses “corporate sustainability” interchangeably with corporate responsibility. Hence, it is this close relationship between the institutions of global governance and corporations aims to shape the business-society relationship in the era of globalizations.

II. RESEARCH METHODOLOGY

Corporate social responsibility is to some extent viewed as one of the considerable forces to solve the negative consequences of globalization and the existing global problems. Keeping the problem solving approach and addressing people social issues by the multinationals, the present paper focuses upon the practice of CSR towards community development. CSR has been a business policy under the Company' Act 2013 where they address the social issues of the society by spending 2% of their net profit. This has made the multinationals to go for a people centric approach and help towards community development especially rural areas through health care, education, infrastructure, women empowerment, agriculture development, sustainable livelihood etc. the present study is carried by secondary sources of data and an attempt has been made to show the paradigm shift made by the multinationals from economic to social perspective through practicing CSR.

III. RESULTS AND DISCUSSION

3.1 Conceptualizing CSR from Economic to Social Sphere

In India recently, multinationals are seen to indulge in development process. The governmental measures have often been inadequate to address the vast majority of population who live in villages which are underdeveloped and suffer from acute social problems. Modern industrialization has a weak state power, resulting in more failure by government, which results in the rise of role of Modern Corporation as an alternative to the path of development. So, the companies and their CSR programs emerge as an important agency for societal development where the multinational corporation achieves unprecedented economic and political power under capitalist globalization (Ronen Shamir, 2005). Moreover, Moon (2004) argues that since 20th century there has been ongoing debate on the role of government and CSR where there has been emphasis on the need for government to actively promote CSR as a response to the social problems cost by corporate actions with a globalised economic context. Economic goal was the target of companies under capitalism.

Milton Friedman (1970) said that the social responsibility of business is to increase profit. Social concern for these multinationals had only secondary importance for many decades. It was only in 1960s that CSR as a stake holding was introduced where focus was shifted from economic dimension to community as an important stakeholder. It is rightly said that organizations must deliver profits to shareholders but also frequently are subject to broader stakeholder interest and the need to demonstrate a balanced business perspective. Capitalism promoted for enhanced profit which itself creates a situation where the pursuit of economic self interest sometimes makes people to even break the business rules to increase the profit. And at the same time a business cannot run in a place by not taking into account the local people in consideration. So, the sociological analysis and conceptualization may help to reveal that the underlying logic of governance is once that rests on a market line representation of the very notion of authority, where government are configured as once source of authority among many which included private authority like corporations. Hence, large corporation has started to intensify their CSR engagement under pressure of changing societal expectation (Jamali, 2008) where, CSR is defined as integrating social concern in the business operation on a voluntary basis with stakeholders (European Commission, 2002). Moreover, earlier corporations were not involved in proper implementation of CSR; rather the approach towards the society was only philanthropic. The role of business in society in the form of philanthropy gives a way to corporation to keep hold on the community through its social welfare activities. But, philanthropy by itself does not necessarily mean that a firm develops broader strategy to compressively assess its impact on society to improve its overall performance towards society. Such long term perspective of economic gain to the society is CSR and not short term philanthropy.

Moreover, there is a discourse analysis to CSR where it reveals the historicity of the multinationals practicing CSR. There has been a shift of basic focus from the economic benefit to the larger altruistic approach of social development. Various companies have been seen to tackle different social issue of contemporary relevance and provide social welfare by problem solving approach. From a postmodern perspective, the debate about the nature of CSR can be seen as a confrontation between competing discourses that reflect different subjective interpretations of the nature and activities of corporations and their effects on human beings and the physical environment. the companies adopt postmodern theoretical position where meaning is created through interpretations of perceptions of the world that are conditioned by our social surroundings and the dominant discourse(s) of that time in which the practice of CSR has changed its focus from economic benefit to social development.

The discourse also depicts a shift of the theoretical conceptualization of CSR from management to other areas. The major field getting involved with CSR debates is management, because of the fact that the roots of the concept is in this field. Yet, recently this topic has been studied by other scholars from different fields such as sociology, political science, and economics. Frooman (1999) presents that the integration of the CSR concept and stakeholder theory depends on the fact that the social unrest in sixties and seventies, in a way, forced the corporations to replace themselves in the society as being more concerned about social issues. Following the needs for replacement and the stakeholder theory, mainstream management literature has devoted itself mostly to pragmatic models, studying the relationship among social responsibility and profitability of the corporation. Thus, the sociological approach to CSR emerged depicting that socially responsible business practices strengthen corporate accountability of empowering people in the communities and practicing corporate citizenship, where a company integrates social concern and improves the quality of life of local community. In this context, CSR can be contextualized into explicit and implicit (Matten and Moon, 2008). Corporate were involved in “corporation relevant social problems” where they solve corporate organization like human suffering, medical cost and compensation paid through workman’s compensation insurance, and hence addressing the implicit CSR. The social dimension is more focused in the explicit CSR performances. This aspect of CSR has been neglected by many companies as they do not take extra initiatives for the common good of society.

Therefore, social initiatives include not only the traditional practice of corporate philanthropy but also can encompass a variety of forms and points of focus, ranging from corporate support for training and educating adults and youth in local communities to nationwide programme helping social welfare in developing countries. There are certain institutional prerequisites for CSR on behalf of civil society, like governmental and legal institution that make business to articulate social values (Matten and Moon, 2008). CSR from a social perspective is defined as corporate commitment to ethical behaviour particularly in relation to social justice. Such an approach of CSR from a societal perspective is demanded because capitalist globalization have been creating disturbances in two fundamental social justice where CSR has tried to solve this problems of social injustice by behaving in socially ethical terms (Sklaier and Miller, 2010). Therefore, companies involved in social context carry out socially responsible behaviour inherent to their way of doing business where social initiatives are often implemented informally or implicitly as a response to local expectation and demands (Morsing, 2005).

3.2 CSR, Corporate Social Performance and Accountability.

Corporate Social Performance (CSP) is a set of descriptive categorizations of business activity, focusing on the impact and outcome for society, stakeholders and the firm itself (Wood, 1991). The related concept of CSP -corporate social responsibility, corporate social responsiveness, and corporate citizenship has been present for about 45 years. In the 1970s, the idea of corporate social responsiveness emerged for replacing ambiguous CSR. Thus in broad outline, CSP concerns the benefits that result from a business organization’s interaction with the larger environment including social, cultural, legal, political, economic and natural dimensions and in order to exist companies should work to increase the benefits and eliminate harm resulting from their activities (Wood, 2010). By integrating social responsibilities, social responsiveness, and social issues, the CSP model provides a valuable framework for overall analyses of business and society.

CSP has a micro-level dimension where it focuses on the interface between the firm and its environment, rather than on the relationship between business as an institution and the society in which it operates. It has a macro-level analysis too by continuing to use social responsibility as the starting point for corporate social involvement. CSP identifies and analyzes society's changing expectations relating to corporate responsibilities, it determine an overall approach for being responsive to society's changing demands, and implements appropriate responses to relevant social issues. It describes the totality of a firm's efforts to meet changing societal conditions and making development of a central paradigm for business and society (Patten, 1992). Griffin and Mahon (1997) investigated how a company is ranked differently when analyzed with different CSP measuring sticks and its implications for the corporate social performance and financial performance relationship.

CSR and CSP are not same although most often they are used interchangeably. The former is the responsibility and focuses on the social responsibility initiatives while the latter is the actual implementation and performance of the companies. CSR is the umbrella term for CSP. The performances are rated and judged which affects the image of the companies, there is also the influence on economic relation of the companies and CSP has many global agencies which enrolls the companies for its ranking and esteems. However, other studies conducted in this field say social performance attributes cannot be measured and compared, from company to company and across industries, in a meaningful way. The use of exclusionary screens, which otherwise seems straightforward, highlights the subjective and often arbitrary nature of such ratings. CSP research ignores aspects of corporate activity that are not easily measurable and is a priori biased against some industries that are more transparent. Moreover, the numerical ratings used by CSP researchers create an illusion of objectivity.

Due to global influence and with communities becoming more active and demanding, there is a discernible trend found in corporate CSR activities that they have gone beyond the community development to more strategic in nature. Hence a large number of companies are now reporting the activities undertaken towards CSR in their official website. Under globalization, the public sector companies are seen to play roles in promoting concept of corporate citizenship, developing market that encourage corporate citizenship, negotiate enforce global principle and goods for business are accountable to civil society. The CSR strategies in different industries reveal that the CSR threshold varies among the firms depending upon the actions of competitors, cultural environment in which it is operating. CSR policy within specific industries and firms is becoming increasingly accepted, but the implementation criterion varies. The CSP of private sector companies and public sector companies also varies. The nature of social issue undertaken by them and the nature of expenditure of the companies towards community as stakeholder varies. More often companies are seen to have a PPP approach which is called private-public partnership in implementation of the CSR programmes. The private sector is seen to have a complex structure for the effective implementation of the CSR whereas public sector is seen to be more towards philanthropic. The private multinational take CSP into their strategic business commitment by having a separate office and appointment of CSR officer to look into the accountability and efficiency of CSP, for example Tata Steel have Tata Steel Rural Development Society (TSRDS), Vedanta company has Integrated Village Development Program me (IDVP).

Companies indulge in accountability and transparency. Corporations are constantly under pressure to be more open and accountable for a wide range of actions and to report publicly on their performance in the social and environmental arenas. They make use of annual report, sustainability reports and attempt publishing CSR reports in various official sources of national and international repute. It is seen that the financial markets investors do place a lot of emphasis on social metrics and as a result use corporate social reports as a major tool for analysis (GRI 2002) where corporate social reporting becomes an important criteria to measure the CSP. Corporate social reporting is defined as the process of communicating the social and environmental effects of organizations economic actions to particular interest groups within society and to society at large. (Gray et al. 1997). Voluntary social and environmental disclosure significantly increased from 1980s to 1990s and corporate social reporting have emerged (Elkington and Hartigan, 2008). Hence, in the present century there has been a greater demand of mandatory and non-mandatory reporting of social responsibility initiatives (Owen, 2003) and the need of transparent and proactive communication of CSR is a key issue of concern. The Corporate social reports are used as symbolic tool rather than reflecting actual responsibility which enhances the corporate legitimacy. The nature of content of the report varies among the companies and places but they are accountable to the society for the CSR expenditure and the broad areas of social issues which are addressed like projects on health, education, environment, sanitation, women empowerment etc. these are the basic social issues undertaken by many companies where 2% of the netprofit should be mandatorily be spend on community development as per the companies Act, 2013 which was enacted by the Govt. on 29th Aug, 2013.

3.3 Corporate Community Development and Social Capital

In India many multinational companies are engaged with community development as a self-regulation integrated into a business model for community development. Most often it is seen that companies have taken a more proactive approach to engaging communities in negotiations from the outset of a project, often a response to previous negative publicity regarding their activities. There are many issues unaddressed or inadequately addressed by the government. These issues involves health inaccessibility, backwardness in literacy, women having no financial independence, infrastructure problem like roads, street lights etc. Corporations are found to carry playing an important roles in solving problems of public concern (Monsen,1974) not neglecting a role in human capital (Nelson, 1996) suitable to achieving a level of social responsibility desired by the society. The selection of a social problem by the corporation depends upon the discretion of the corporation itself. Politically marginalized communities often lack the support of governments, which instead pander to more powerful coalitions and constituencies that may well have an interest in protecting a corporation. Moreover, as business comes to recognize the fundamental interdependence of the social and economic sector and the blurring of local and global distinctions, private-public partnership will become an increasingly common approach to solve social problems (Waddock, 1991).

CSR initiatives being implemented by the Indian companies for rural development have a positive impact in overall development of society and their business. They are seen to develop partnership with NGOs and other governmental schemes for the overall development of the community. Many companies are seen to implement their CSR programs on a strategic manner. They include in the business strategy where they have separate offices to deal with CSR as separate department. It helps to look after the community issues in detail. Many companies prioritize a particular local issue in the community and modify their programs in accordance to the immediate demand of the locality. For overall community development can come with an all round development of health, education, infrastructure etc. Thus, the meaning of CSR has two fold. On one hand, it exhibits the ethical behavior that an organization exhibits towards its internal and external stakeholders. On the other hand, it denotes the responsibility of an organization towards the environment and society in which it operates. It becomes important to identify CSR priorities and the areas of interventions which are meaningful in the context of rural development. On the contrary, if stakeholders observe an opportunistic behavior of the firm, they may decide to sanction it by avoiding cooperating. The ethical code contains indications about the behavioural procedures which must be adopted by the firm in different situations and delineates the procedures to determine whether a violation of the code occurred. The social report compares the intentions expressed in the ethical code and the real behaviour of the firm. Ethical codes and social reports are the main voluntary standards adopted in a CSR perspective which allow the creation of reputation. One such approach of reputation that they indulge is in community development approaches, sensitizing gender development through empowering women folk and community social capital creation.

With the advent of capitalism, multinationals are seen to occupy a insightful place in the society by playing a major role in social capital creation. Their active participation in the community development practices impinges their effort in bringing integration to the village structural conditions. People are found to be more connected towards each other and thereby create a social network system to enhance their social capital especially in the countryside. The companies actively participate for health care development or educational improvement by which they link people from many villages nearby. It often allows the women to enhance their connectivity as they are seen to lack social mobility. Moreover, the companies are seen to provide opportunities for the people to come together for community meetings and discussion as they seek community development programmes in their respective areas. Similarly, health camps, recreation avenues, tutor classes at night, sports and cultural heritage protections are some of the initiatives taken by most of the multinationals through corporate social responsibility towards community social capital creation. The theoretical point of reference for this approach is defined by James Coleman who interprets social capital as a system of social relations which a person can mobilize to realize individual goals. According to this approach, people would partly gather social capital, for example in the shape of link with relatives, and mostly would actively create social capital by striking up friendship and by increasing their social network.

IV. CONCLUSION

CSR approach adopted by the companies is concerned; it is observed that most of the companies have adopted CSR approach into their overall business strategy not philanthropy or welfare. Therefore, they have been successful in achieving the objectives of both business and social development. The sustainable development approach of the company is appreciated by the impact on local development where business is not only for the firm but also for the people around them. The companies produce sustainability reports and maintain transparency and accountability for which they are well recognized for the benefits that they serve. The social report compares the intentions expressed in the ethical code and the real behaviour of the firm.

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