

Corporate Social Responsibility And Leadership

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INTRODUCTION TO LEADERSHIP

"The superior leader gets things done with very little motion. He imparts instruction not through many words but through a few deeds. He keeps himself informed about everything but interferes hardly at all. He is a catalyst, and though things would not get done well if he weren't there, when they succeed he takes no credit. And because he takes no credit, credit never leaves him."

Lao Tse, Tao Te Ching

Human beings are the most precious part of an organization and management can effectively utilize the capacity of human beings by exercising the authority vested in it and by winning support of the people. It is also the driving force to persuade others to seek defined objectives enthusiastically.

PREAMBLE

The ideas of **CSR** can be discerned from the three words contained within its title phrase: '**Corporate,**' '**Social,**' And '**Responsibility.**' Therefore, in a broader sense, CSR covers the responsibilities corporations (or other for-profit organizations) have to the societies within which they are based and operate. 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.

Therefore, a business' 'society' within which it operates, which defines the number of stakeholders to which the organization has a 'responsibility,' may be broad or narrow depending on the industry in which the firm operates and its perspective.

Corporate Social Responsibility (CSR) is the continuing commitment by business to behave ethically, contribute to economic development, improving quality of life of workforce, their family, local community and society, build a meaningful relationship between the corporate sector and the rest of the society. Business has to adopt practices that ensure ethical, legal, commercial and public expectations. It must be the integrated part of day to day business engaging all stakeholders, strategies to support individual managers to make socially responsible decisions conforming ethical behaviour and law.

✿ Companies are obliged to comply with law, give the community a variety of financial and non-financial ways and take into account the environment and social context in which the business operates.

✿ Shrinking of government resources, distrust of regulations, demand for greater disclosures, increased customers' interests, investors' pressure, competitive labour markets etc are some of the driving forces of CSR.

✿ The concept of CSR involves voluntarily adopted behaviour going beyond legal obligations, practices intrinsically connected to sustainable development and culture incorporated into core business strategies.

Accountability, transparency, conduct in conformity with laws, business ethics, good workplaces and labour relations practices, affirmative actions / good practices, customers' loyalty and satisfaction, environmental benefits and company involvement with community are some of the components of CSR.

Triple Bottom line reporting on resources and market reputation, improved ability to understand business performance and risks, attract quality employees, greater profile for raising capital are few benefits of CSR.

CSR AND LEADERSHIP

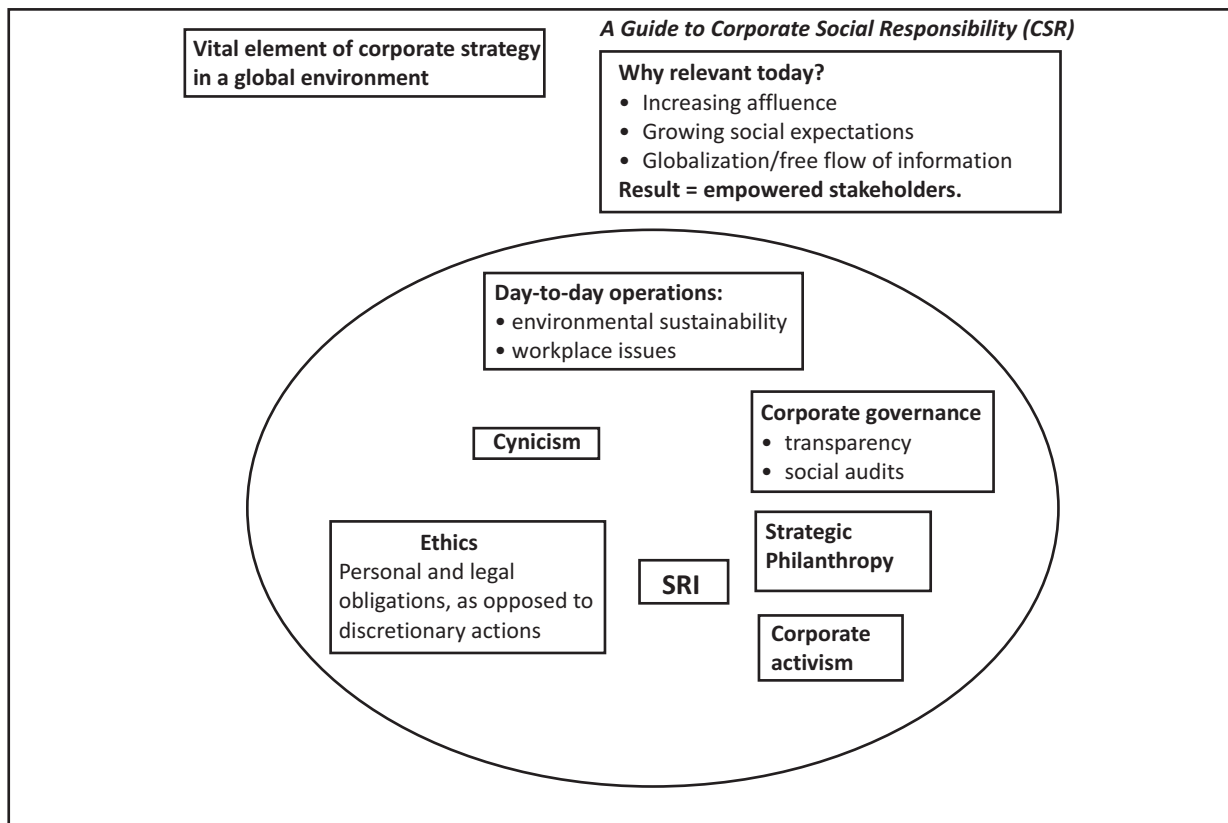
CSR and leadership go hand in hand is infallible. For any business to be successful, it needs to satiate its stakeholders, customers, employees and society at large. This is possible with successful implementation of CSR and for successful

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implementation of CSR, it is necessary for people to work in groups with co-operation which requires effective leadership to recognize that business cannot grow in isolation and needs to respond holistically through a method aimed at lasting improvements in the quality of lives of people at large. There are various reasons to substantiate this fact: some of the reasons are listed below:

1. Leadership is necessary for maintaining integrity in CSR policies, practices and processes
2. Leadership helps in contributing sustainable information society for all
3. Leadership also helps in mutual engagement with staff on work-place issue and environmental impact.

Figure 1: What is CSR?



OTHER DEFINITIONS OF CSR

The notion of companies looking beyond profits to their role in society is generally termed corporate social responsibility (CSR)...It refers to a company linking itself with ethical values, transparency, employee relations, compliance with legal requirements and overall respect for the communities in which they operate. It goes beyond the occasional community service action, however, as CSR is a corporate philosophy that drives strategic decision-making, partner selection, hiring practices and, ultimately, brand development. - **South China Morning Post, 2002.**

The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time. - **Archie B. Carroll, 1979.**

CSR is about businesses and other organizations going beyond the legal obligations to manage the impact they have on the environment and society. In particular, this could include how organizations interact with their employees, suppliers, customers and the communities in which they operate, as well as the extent with which they attempt to protect the environment. - **The Institute of Directors, UK, 2002.**

CSR analyzes the inter-dependent relationships that exist between businesses and economic systems, and the communities within which they are based. CSR identifies the extent of any obligations a business has to its immediate society and provides ideas on how those obligations can be met; it is also used as a tool through which the benefits to a business for meeting those obligations can be identified.

CSR VOCABULARY

CSR is also referred to as:

- ✿ 'Corporate' Or 'Business Responsibility'
- ✿ 'Corporate' Or 'Business Citizenship'
- ✿ 'Community Relations'
- ✿ 'Social Responsibility.'

Closely related concepts that are all contained with the total CSR perspective are:

- ✿ Social And Environmental Auditing
- ✿ Stakeholder Theory
- ✿ Corporate Governance And Business Ethics
- ✿ Environmental Sustainability
- ✿ Strategic Philanthropy (cause-related Marketing)

WHAT CSR IS NOT

It is important to stress that the study of CSR focuses largely on the margins of a business' discretionary actions and obligations. This is rather than any legal or regulatory obligations individuals and corporations face in the day-to-day management of operations within any specific industry. To break these rules and regulations is to break the law. Such infractions are simply actions that are illegal. Of course, adhering to the law is an important component of an ethical organization's ethos, but it is not the primary concern of CSR, which primarily deals with decisions incorporating discretionary actions. CSR is a business strategy and, therefore, represents actions that need to be positively selected, or avoided. CSR advocates belief that there is strategic advantage to a company that makes these choices.

It is also important that CSR focuses on areas of immediate relevance to an organization's sphere of operations. CSR is not about pursuing the CEO's 'pet interest' and 'saving the whales.' CSR should be distinguished from concepts such as 'strategic philosophy' and 'cause-related marketing,' which are valid business strategies and form an element of an organization's CSR policy, but are not a central component of CSR. CSR is a much more holistic approach to business, which is designed to enhance corporate success because of its relevance, rather than represent something unconnected to an organization's core business.

THE ORIGINS OF CSR

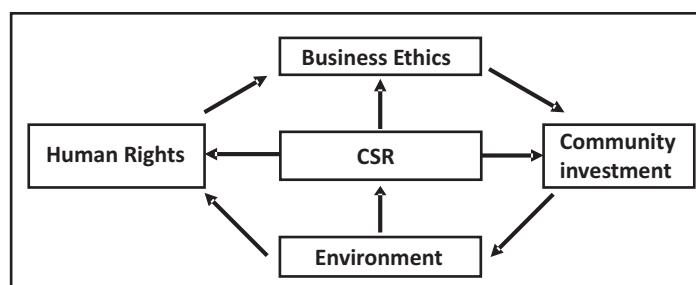
CSR as an issue that has been around since commerce began:

The history of CSR is almost as long as that of companies. Concerns about the excesses of the East India Company were commonly expressed in the seventeenth century. There has been a tradition of benevolent capitalism in the UK for over 150 years. Quakers, such as Barclays and Cadbury, as well as socialists, such as Engels and Morris, experimented with socially responsible and values-based forms of business. And Victorian philanthropy could be said to be responsible for considerable portions of the urban landscape of older town centres today.

In terms of activism aimed at companies perceived as acting against the general interest:

The first large-scale consumer boycott? England in the 1790s over slave-harvested sugar. (It succeeded in forcing the importer to switch to free-labor sources.)...In 1612, English jurist Edward Coke complained that corporations “cannot commit treason, nor be outlawed or excommunicated, for they have no souls.”

Figure 2: Framework of Corporate Social Responsibility (CSR)



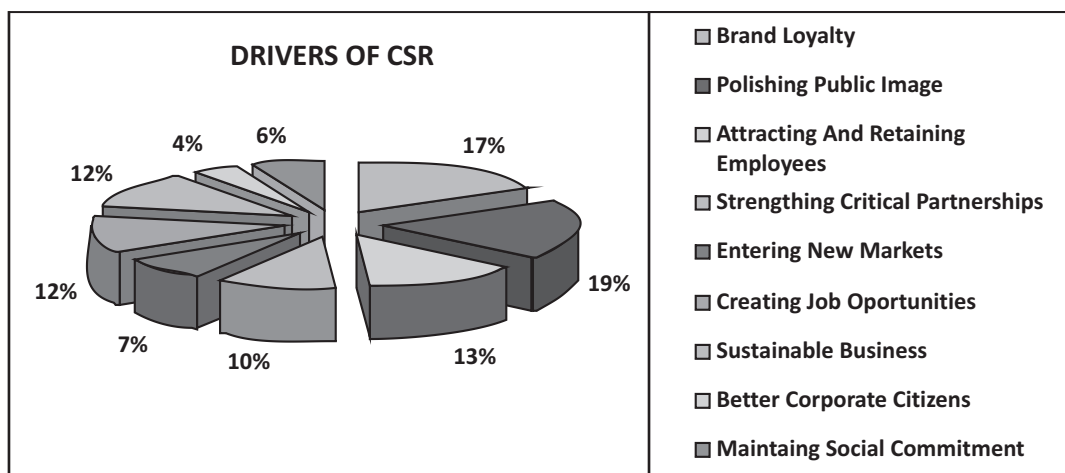
The major drivers of CSR are listed below:

- ✿ New concerns and expectations from citizens, consumers, public authorities and investors in the context of globalization and large scale industrial change;
- ✿ Social criteria are increasingly influencing the investment decisions of individuals and institutions both as consumers and investors;
- ✿ Increased concern about the damage caused by economic activity to the environment;
- ✿ Transparency of business activities by the media and modern information and communication technologies.

CSR AND LEADERSHIP

In today's fast-changing world, an organization ability to successfully operate and hold competitive edge in the marketplace often hinges on its "license to operate" within a community. Establishing a bank of goodwill is, therefore, very important for any business to survive. There are various reasons apart from this for implementing CSR activities. Some of them are listed below:

Figure 3: Drivers of CSR



1. Building brand loyalty.
2. Attracting and retaining quality employees.
3. Strengthening mission-critical partnerships.
4. Smoothing the path for entering new markets.
5. Appealing to the growing number of socially responsible investors.
6. Polishing the public image and enhancing the reputation of corporations.
7. Creating better job opportunities and investing in innovations.
8. For maintaining social commitment and strong connection between business ethics and social aspects.
9. To maintain better relationships between various entities.
10. Sustainable business growth in the long run.
11. To make the employees better corporate citizens.
12. Retaining old customers and attracting new customers.

CORPORATE SOCIAL PERFORMANCE MATTERS

1. To employees.
2. To consumers.
3. To community.
4. To share holders.
5. To media watchers.
6. To special interest groups.

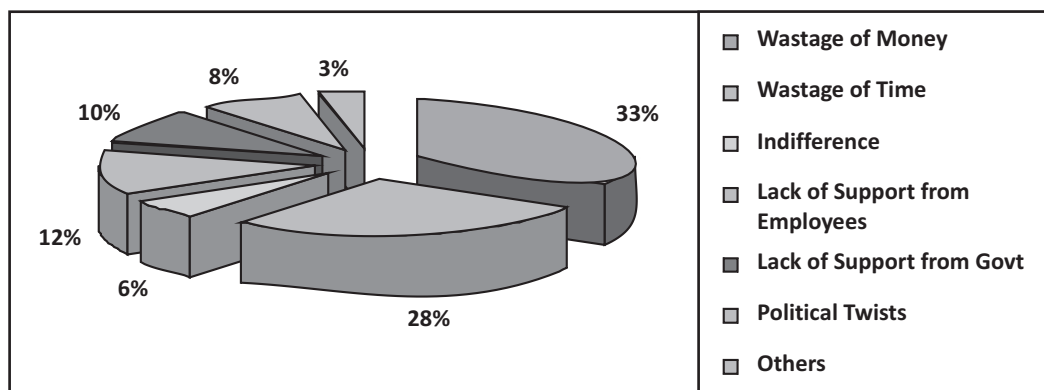
CSR AND LEADERSHIP- PARABLES AND PERCEPTIONS

We shall discuss the different perceptions and views on CSR and Leadership. Some of them being very optimistic, while some being pessimistic. Some of the them are listed below:

1. With increasing focus on social actions; companies will become astute at shielding their actual performance.
2. CSR is not yet on the public's radar screen and there is no clarity around what CSR is and why it is important.
3. CSR will become too prescriptive and get labeled as needless red tape, increasing the cost of business.
4. CSR activities are not always measured monetarily; there are various other ways to implement CSR activities.
5. The crisis in global markets is broadening the discussion of accountability and transparency. In this climate, there is more openness to CSR ideas. CSR will be seen as good corporate governance.
6. Underlying structural drivers will impact large scale companies, such as the value of knowledge workers and other intangible assets, driving companies to take different issues in account.
7. Increasingly, business will see CSR as resulting in increased competitiveness and profitability.

CSR AND LEADERSHIP- STUMBLING BLOCK

Figure 4: CSR and Leadership Stumbling Blocks



1. Some companies think it's the responsibility of the government to deal with all this stuff. They think it's not their role to get involved.
2. Corporations don't really care - they're just out to fleece the poor and the environment to make their obscene profits.
3. Companies think it's difficult to motivate their workers to indulge in such activities.
4. Companies treat it as wastage of many, which if invested elsewhere, can yield returns.
5. Companies mainly focus on short term returns and CSR activities generally yield long term returns.
6. Lack of support from government can also moat CSR activities.

CSR AND LEADERSHIP - HAND IN HAND

This is the new agenda of corporate social responsibility (CSR) or corporate citizenship.

From a trickle, it has become a wave sweeping boardrooms across the world. Astute business leaders have been quick to embrace this new ethos spotting its potential for triple bottom line benefits, profits for the economic bottom line, the social bottom line and the environmental bottom line.

Companies are recognising that in order to institutionalise a commitment to CSR, it is imperative to have leadership buy-in at the highest levels of the organization. Board-level involvement is an indication that a company considers social and environment issues important and can serve to legitimize them throughout the organization. At the same time, that companies' overall CSR performance has come into the limelight, a parallel governance movement has put the structure, composition, and behaviour of corporate boards under scrutiny. Shareholder activists and other stakeholders are demanding that leaders be more active and independent of management, and that corporate boards more accurately reflect a broad range of constituents.

Leaders are expected to be knowledgeable about the full range of issues - social, environmental and financial - that affect the companies on whose boards they serve, and to be proactive in how they address them. While many companies have developed a formal process for raising CSR issues at the board level and incorporating social and

environmental factors into decision-making, anecdotal evidence suggests that still more boards are informally talking about CSR.

Leaders are using a variety of mechanisms to raise CSR issues with their boards and to begin to incorporate it into business strategies and decision-making. Some have established committees that are specifically tasked with identifying and addressing social or environmental issues, or have broadened the scope of more traditional standing committees to include responsibility for CSR.

EXAMPLE A COMPANY WHERE CSR AND LEADERSHIP GO HAND IN HAND

✿ **Caselet:** Infosys Foundation

✿ **Promoted by :** Infosys Technologies

✿ **Trustees:** Sudha Murthy, Sudha Gopala Krishna, Srinath Batni

✿ **Profile:** It was started in 1996 by Infosys Technologies to support the underprivileged in society and enrich their lives. The Foundation began its work in Karnataka, gradually extending its activities to the states of Tamil Nadu, Andhra Pradesh, Maharashtra, Orissa and Punjab.

✿ **CSR Activities**

It is implementing its projects in four focus areas:

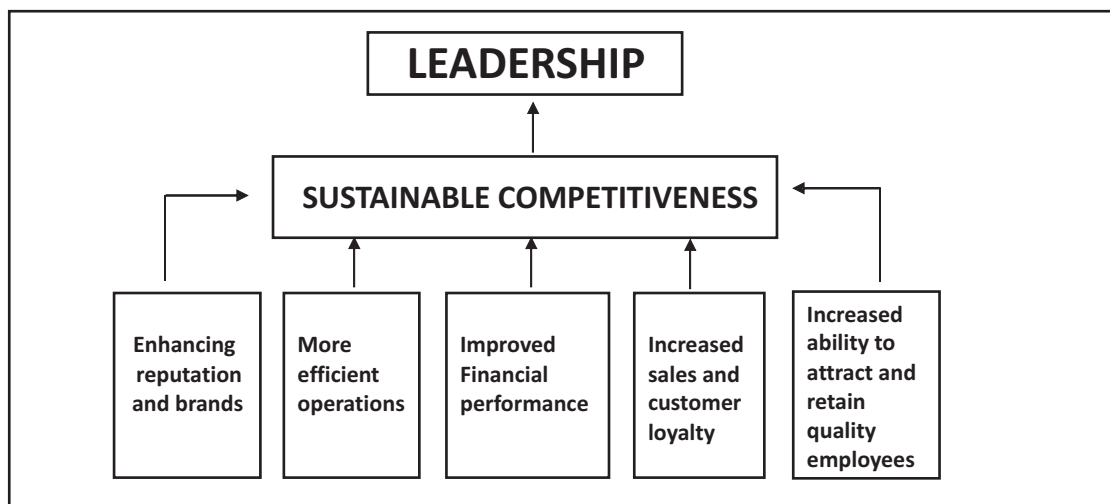
- ✿ Healthcare.
- ✿ Social rehabilitation and rural upliftment.
- ✿ Learning and education.
- ✿ Art and culture.

From making high-quality healthcare accessible, to enabling the spread of education where it's needed the most, the Foundation's activities touch the lives of a large number of individuals and institutions. Over the years, it's proved to be a catalyst, improving lives and helping thousands realize their potential.

BASIC MODEL

Basic Model which incorporates various elements leading to sustainable competitiveness and which further leads to leadership in the various sectors.

Figure 5: Basic Model Of Sustainable Competitiveness



As shown in the above model, integrating CSR into one's business processes provides various benefits which leads to sustainable competitiveness and leadership.

The benefits are:

1. Enhancing reputation and brands.

2. More efficient operations.
3. Improved financial performance.
4. Increased sales and customer loyalty.
5. Increased ability to attract and retain quality employees.

RELEVANCE OF CSR TODAY

CSR as a strategy is becoming increasingly important for businesses today because of three identifiable trends:

- 1. Changing Social Expectations :** Consumers and society in general expect more from the companies whose products they buy. This sense has increased in the light of recent corporate scandals, which reduced public trust of corporations, and reduced public confidence in the ability of regulatory bodies and organizations to control corporate excess.
- 2. Increasing Affluence :** This is true within developed nations, but also in comparison to developing nations. Affluent consumers can afford to pick and choose the products they buy. A society in need of work and inward investment is less likely to enforce strict regulations and penalize organizations that might take their business and money elsewhere.

GLOBALIZATION

The growing influence of the media sees any 'mistakes' by companies brought immediately to the attention of the public. In addition, the Internet fuels communication among like-minded groups and consumers-empowering them to spread their message, while giving them the means to co-ordinate collective action (i.e. a product boycott). These three trends combine with the growing importance of brands and brand value to corporate success (particularly lifestyle brands) to produce a shift in the relationship between corporation and consumer, in particular, and between corporation and all stakeholder groups, in general.

The result of this mix is that consumers today are better informed and feel more empowered to put their beliefs into action. From the corporate point of view, the market parameters within which companies must operate are increasingly being shaped by bottom-up, grassroots campaigns. NGOs and consumer activists are feeding, and often driving, this changing relationship between consumer and company. CSR is particularly important within a globalizing world because of the way brands are built on perceptions, ideals and concepts that usually appeal to higher values. CSR is a means of matching corporate operations with stakeholder values and demands, at a time when these values and demands are constantly evolving. CSR can, therefore, best be described as a total approach to business. CSR creeps into all aspects of operations. Like quality, it is something that you know when you see it. It is something that businesses today should be genuinely and wholeheartedly committed to. The dangers of ignoring CSR are too dangerous when it is remembered how important brands are to overall company value; how difficult it is to build brand strength; yet how easy it can be to lose brand dominance. CSR is, therefore, also something that a company should try and get right in implementation.

LEADERS IMPLEMENTING CSR

CSR is about common sense policies that represent a means of integrating a complete 'social perspective' into all aspects of operations. The goal is to maximize true value and benefit for an organization, while protecting the huge investments corporations make today in their brands. CSR asks companies to ensure their business operations are clean and equitable, and contribute positively to the society in which they are based. Otherwise, they leave themselves open to too much danger from a potential consumer backlash.

CSR is good business sense, and a total approach to doing business, in a globalizing world where companies are increasingly relying on brand strength (particularly global lifestyle brands) to add value and product differentiation, and where NGO-driven consumer activism is increasing. Many believe the issue of how corporations integrate CSR into everyday operations and long term strategic planning will define the business marketplace in the near future. It will become a key point of brand differentiation, both in terms of corporate entities and the products that carry their brands.

Key steps on the road to integrating CSR within all aspects of operations include:

1. Ensure the commitment of top management, and particularly the CEO, is communicated throughout the organization.

2. Appoint a CSR position at the strategic decision-making level to manage the development of policy and its implementation.
3. Develop relationships with all stakeholder groups and interests (particular relevant NGOs).
4. Incorporate a Social or CSR Audit within the company's annual report.
5. Ensure that the compensation system within the organization reinforces the CSR policies that have been created, rather than merely the bottom-line.
6. Any anonymous feedback/whistle-blower process, ideally overseen by an external ombudsperson, will allow the CSR Officer to operate more effectively.

Corporations today are best positioned when they reflect the values of the constantly shifting and sensitive market environment in which they operate. It is vital that they are capable of meeting the needs of an increasingly demanding and socially-aware consumer market, especially as brands move front and center of a firm's total value. Global firms with global lifestyle brands have the most to lose if the public perception of the brand fails to live up to the image portrayed. Integrating a complete 'social perspective' into all aspects of operations will maximize true value and benefit for an organization, while protecting the huge investments companies make in corporate brands.

CSR IN INDIA

Corporate Social Responsibility (CSR) is on the rise all over the world and in India also. Civil Societies, consumers and other actors have increased pressure on companies to adhere to social and environmental standards and this pressure has impact on the business in India. Limits of regulatory initiatives, changing nature of judicial activism, government's greater relevance on private enterprises etc. places greater responsibility on voluntary approaches as an alternative means of building social rights. Voluntary initiatives for environmental protection have been restricted to large firms.

CSR is often guided by the commitment of the top management. With compliance and enforcement slack, employee's care is just employers' benevolence, environment care and total quality management are driven by market forces and legislation, CSR is considered as an additional activity of Human relation and public relation department. Democratic institutions need to be strengthened for steady movement, towards strengthening of enforceable regulation. Re-engineering of government requires active defence or advocacy of constitutional rights from court to civil society. A new initiative, Corporate Responsibility for Environmental Protection (CREP) was initiated by the Government of India.

CONCLUSION

LEADERSHIP -POINTS TO PONDER

1. Is the organization managed with an emphasis on being socially progressive? Today's progressive organization understands what it means to be socially responsible and how that contributes to the welfare of the organization. Leadership must prioritize values and initiatives and incorporate them into the agenda in away that is in harmony with the overall objectives of the organization. At this point, this "new" agenda must be communicated so that all concerned can move it forward.
2. Does the organization operate using cost vs. benefit approach taking into consideration intrinsic and consequential costs/benefits? Some may think that emphasizing social responsibility will be a financial drain on the organization too great to overcome. If that were the case, there would be no case for this new approach to management. Costs must be weighed against benefits - not just obvious cost or benefits. Benefits include increased productivity, customer loyalty, innovation, and countless others.
3. Are the finances of the operation managed to ensure long term prosperity for all concerned? Risk is inherent in the business world. A business must invest in itself and its future, evaluating the risk of experimentation and development. Without continuing investment, the organization is sure to stagnate, with too much emphasis on growth and development, there is an abundance of waste. The organization just can't keep up. To establish long-term prosperity, the financial plan must emphasize growth in a sustainable way.

Corporate Social Responsibility is becoming ever more important for companies around the world. The relationship a business has with both government and wider society is becoming integral to its success, reputation and day-to-day working.

Business does not act in a vacuum and recent years have seen a marked increase in stakeholder expectations for Corporate Social Responsibility(CSR) and, in particular, transparency in the way in which this is put into practice, but there is no concrete way to define corporate Social Responsibility. Different organizations have framed different definitions, although there is considerable common ground between them. Some refer to CSR as corporate citizenship in work place, in the media, in the government and in the communities. While some refer to CSR as establishing a positive company reputation and brand in the public eye through good work that yields a competitive edge, while at the same time, contributing to others. Despite what the phrase corporate social responsibility suggests, the concept is not restricted to corporations but rather is intended for most types of organizations, such as associations, labour unions, organizations that serve the community for scientific, education, artistic, public health or charitable purposes, and governmental agencies.

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