

# Corporate social responsibility



Corporate Social Responsibility: An effective business strategy

Corporate Social Responsibility is usually defined as the ethical behaviour of the company towards the society.

Having CSR as part of the agenda means that the business promises to adhere to legal, and most importantly, ethical standards. It is quite surprising that the for ??“ profit organisations are now including CSR as a major part of their agenda. It is inextricably linked to profits as there can be no social responsibility without profits. Though this concept has gained importance worldwide in the recent years, it is not new to our country which has seen corporate like Aditya Group, Tata Group and the Indian Oil Corporation which have been contributing to the society right from their inception. Today CSR is more than philanthropy; it has achieved the status of a corporate strategy. Organizations have dedicated teams working on CSR with specific plans, budget and targets.

Organizations like Bharat Petroleum Corporation of India, Hindustan Unilever Limited etc adopt villages and focus on holistic development of them. Usually organizations prefer to work with the local Non-Profit Organizations which are well aware of the problems of the natives. SAP India works with an NGO called Hope Foundation on rebuilding initiatives for the victims of Tsunami. The corporate, with their expertise, strategic thinking, money and manpower have displayed their ability to make a significant difference in the society. Now the question is ??“ Are all of them committed to the cause they are working forMany people say that it is the organization??™s personal motive which drives these initiatives rather than its interest in doing good to the society.

People argue that it is all part of an effective business strategy that has potential benefits. Even though a few organizations launch the CSR initiatives with a non profit motive, due to the tough economic times, these initiatives often take a back seat. For a product based company it improves the company??™s brand positioning and strengthens its consumer base. This is also called the Image building exercise where organizations focus on building their brand image. This is backed by the various customer surveys that have been conducted. Another important finding is that there is an increase in the employee retention rate of the company. This is because the organization??™s participation in CSR initiatives has a positive impact on the current as well as prospective employees of the company. Employees tend to take pride in associating themselves with such organizations which are striving to make a difference to the society.

Studies also show that there is a reduction in the operating costs of the organization which has adopted environmental initiatives such as reducing waste, recycling, effective waste disposal etc. Cisco systems energy saving initiative has resulted in a whopping 4. 5\$million savings for the company. Another area where the corporate spend a lot is advertising. CSR initiatives result in a potential reduction in the advertising costs as they result in free publicity (word of mouth). Body Shop??™s campaign for against using animals for cosmetic testing resulted in a win ??“ win situation for the company.

The reputation of the company grew as well as its popularity with more number of animal lovers switching to this brand. Ethical consumerism is the term used to describe people conscious of the implications of their

purchasing decision on the society and the environment. It is also generally argued that the corporates include CSR in their agenda to avoid the public and the legal entities from questioning them about their core business practices which as well maybe illegal and non-ethical.

The Royal Dutch Shell scandal in which the oil reserves were misreported slowly died down as Shell started taking up CSR initiatives. This is called a Reactive strategy where the company recovers the fortune lost due to unforeseen circumstances by gaining confidence in the communities that they operate. Success of a business is linked to the health, stability and the prosperity of the societies and the communities in which it operates.

Organizations support initiatives in the areas of education and social problems such as unemployment, exclusion and homelessness in the regions that they operate. This often results in grants or licences from the government for the service being done to the community.

Other benefits may stem from less taxation and/or regulation by law which may transform into substantial cost savings to the organisations. The more companies treat CSR activities as a rational investment the more sustainable the CSR activities will be. In addition, in order to help corporations to communicate their CSR activities to the public, NGO??™s and a few governments across the worlds have developed appropriate rankings to promote and honour companies for their outstanding CSR activities.

Investors are also aware that satisfying the stakeholders is the key to survival. So the ethical investors are willing to invest in companies which have won the trust and confidence of the target segment. Therefore, a major challenge for corporates today is to first identify the social issue and drive its

competitiveness. People now believe that organizations have the capacity and resources to contribute to a more just and a safer planet. Increasing evidence is emerging that environmental and social responsibility make good business sense and would become the thriving factors for business as these are increasingly influencing the investment decisions of individuals and institutions, both as consumers and investors.

Corporate Social Responsibility is thus an effective strategy in building a strong brand name which happens to be the ultimate aim of many organizations.?