

Corporate social responsibility issues in India with special reference to land acquisition

Introduction

Within the past few years there had been pronounced changes in the views of many business managers about their social responsibilities which have paralleled and partly reflected the changing priorities and expectations of society about business' social functions. As a result, there are today few subjects of more concern to business than corporate social responsibility. As business is undoubtedly moving to a large scale merger, acquisitions and consolidation, business here would mean corporate business. A corporate business or corporate in brief, is largely managed by a clutch of business managers physically separate from family business.

MOEF is today placing as much as 5% of the total project cost to be spent on corporate social responsibility (CSR) over a period of 5-10 years, for new projects. It is becoming thus very important for business to organize the CSR to obtain the maximum benefits and leverage.

From shareholders to stakeholders

The idea that a business has one and only one objective – to maximize profits – has been the majority view of business of the better part of our history. This is the view that business managers exist only to serve the best interests of the stockholders. The first break from this view came in the 1930s. Another view was advanced accepted that managers of large companies must make decisions which maintain an equitable balance among the claims of stockholders, employers, customer, suppliers, and the general public. Managers were considered to be trustees. Although decision might be made which results in short-range profits many of those who held this view argued that if the balancing was done correctly, the long-range profits interests of the company would be maximised. There were some who felt that some actions not

directly related to profits might be taken, but their acceptable range was negligible.

Another major break from the older concept is now taking place. It is the view that business must get deeply involved in dealing with major social problems like AIDS, poverty and education. Although this involvement is partly justified by its proponents because it may be done profitably, there is a growing body of opinion, in and out of business, that significant business actions can and should be taken even though there is no direct relationship with profit. There are some people who talk as though business alone can handle the social problems the government has failed to resolve. Most observers see the lack of reality in this view, but many assert that business must reexamine the profit concept. It is evident that things must be done which are not permitted within the traditional boundaries of business decision-making. Paralleling this thought is a deep concern about the human values of the employees of corporations. Here, too, actions may be accepted which do not directly increase and may actually reduce profits, at least in the short run. While there is no consensus about these current ideas, it does seem clear that the underlying thought is distinctly different from the past views of balancing interests and of profit maximization. These views are not, of course, sequential. Among managers, the public, government officials, and students of business, each idea can be found today as a basis for action and thought.

Meaning of corporate social responsibility

In the classical view, a business was acting in a socially responsible fashion if it strived to utilize as efficiently as possible the resources at its disposal in meeting the goods and services that society wanted at prices consumers were willing to pay. If these were done well, said classical economic theory, businessmen would maximize profits. The concept of socially responsible action has been broadened today far beyond this boundary, but there is no consensus on either a definition or the limits of action.

For our purposes business' social responsibilities may be defined from three points of view. The conceptual, the impact of the responsibilities on profits, and specific social programmes. All are closely interrelated, not exclusive, and as

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will be shown later, by no means capable of covering all meanings of social responsibility in use today. Early conception of social responsibilities refers to “the businessman's decision and actions taken for reasons at least partially beyond the firm's direct economic or technical interest”. A somewhat broader view is that they are obliged to “pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”. Perhaps an even wider dimension is the following:

By “social responsibility” we mean the intelligent and objective concern for the welfare of society that restraints individual and corporate behaviour from ultimately destructive activities, no matter how immediately profitable, and leads in the direction of positive contributions to human betterment, variously as the latter may be defined.

Fundamentally, these definitions point out that actions taken by a business which in some degree helps society to achieve one or more of its objectives by socially responsible actions. In the competitive environment of today's business a socially responsible action can be a strategic choice by design or by a later reckoning a method of differentiation.

At the same time in today's small margin market economy for most corporates altering a specific non-tangible strategic objective to its own advantage is not misplaced, nor wholly misunderstood, though not acceptable.

In thinking about social programmes it is necessary to distinguish between those which may be classified, as internal or external to a business. Internal social responsibilities, for instance, can be concerned with ensuring due process, justice, equity, and the morality in employee's selection, training, promotion and firing. Or, they may be related to such things as increasing employee's productivity, or improving workers physical environment. External social responsibilities refer to such actions as stimulating minority entrepreneurship, improving the balance of payments, or training and hiring hard-core unemployed.

Challenges to business assuming social responsibilities

The core of the strongest arguments against business' assumption of any responsibilities other than producing goods and services efficiently and making as much money as possible for shareholders is that business is an economic institution and economic values should be the sole determinant of performance. The manager of a business is the employee of the shareholders and responsible only to the shareholder. Legal opposition to social responsibilities rests also on this central concept. This is known as the classical view. Theodore Levitt supported the classical view because he feared domination of business values. He said:

But at the rate we are going, there is more than a contingent probability that, with all its resounding good

intentions, business statesmanship may create the corporate equivalent of the unitary state. Its proliferating employee welfare programmes, its serpentine involvement in community, government, charitable, and educational affairs, its prodigious currying of political and public favour through hundreds of peripheral preoccupations, all these well-intended but insidious contrivances are greasing the rails for our collective descent into a social order that would be as repugnant to the corporations themselves as to their critics. The danger is that all these things will turn the corporation into a twentieth-century equivalent of the medieval Church. The corporation would eventually invest itself with all-embracing duties, obligations, and finally powers ministering to the whole man and moulding him and society in the image of the corporation's narrow ambitions and its essentially unsocial needs (1958 : 44).

His fear, of course was that the values of the more prominent business managers will dominate the values of society. He did not want social values to be determined in this way, and there was an argument. In the past the results were not good for the society whose values were determined by one major institution, whether it was the church, the military, business, or something else.

Conflicts with business's self-interest

The following may be mentioned among the additional more important arguments on this side. There is no substitute for the power of self interest to get people to act. Any replacement of altruism for self-interest will therefore be fatal to the efficiency of the system. The rigours of the market mechanisms will place in jeopardy the competitive position of that firm which adds to its costs by assuming social responsibilities. Pressure for business' assumption of social responsibilities grows out of defects in the economy and the way to solve the problem is not to push business into the assumption of social responsibilities, but to improve the workings of competition (Friedman, 1962 : 120; and Mansfield, 1968). There is a close connection between personal political and economic freedom in the ability of a person to use his property in his own interest, as permitted by the social system. The use of stockholders' property by managers for purposes other than the direct benefit of the shareholders is dangerous, for the loss of economic freedom will in the end bring a loss of political freedom (Hayek, 1944). Therefore, managers should manage only in the interests of shareholders, and shareholders should be put in a position to decide how their property will be used. The opposition also asserted, “taken seriously, the doctrine of social responsibility fosters megalomania in its adherents finally there is serious question about whether or not any but trivial division of shareholder interest is legal”.

There is not a single core idea in the above arguments

that business has social responsibilities. Fundamentally, there seem to be three major core ideas, not mutually exclusive: corporations are creatures of society and should respond to societal demands, the long run self-interests are best served when business assumes social responsibilities, and it is the moral and right thing to do.

Societal expectations

The argument is that corporations are creatures sanctioned by society and when society's expectations about their functioning change so should the corporation's actions. Many business leaders accept this argument and express it in different ways. "Corporate enterprise operates under franchise from public opinion, and that franchise can be modified or withdrawn by the people's representatives in government at any time they so wish". "... it never occurred to me that there was a time business was at liberty to operate in conflict with the interests of society".

A businessman operates within a set of cultural norms and restraints. These are certainly economic legal, political, social, and technical. They are powerful and the businessman known instinctively that as they change, as for instance respect to social actions today, they must be incorporated in his decision-making processes. Johnson expresses this in terms of utility theory as follows: "A growing number of executives today are socialized to have utility functions of the more altruistic type; along with profits and income, they genuinely seek the well-being of others".

The managers of the biggest companies are aware of the fact that as a business gets larger, the public takes more of an interest in it because it has a greater impact on the community. The attentions of these managers are tuned to public opinion and they react to it. They seek to maintain a "proper" image of their company in the public mind. This leads to the assumption of greater social responsibilities.

It can be said that many businessmen accept the argument expressed above that because society expects them to assume social responsibilities they must try to do so. If not, the argument runs, society will either force them to do so through laws or society may no longer permit them to survive. In either case it is in the enlightened self-interest of a company to react to society's wishes. History confirms that an institution with power that is not used in conformance with society's desires will lose that power eventually.

Long run self-interest of business

Way back in 1971, a group of prominent businessmen concluded; "it is in the enlightened self-interest of corporations to promote the public welfare in a positive way". The statement continued: "Indeed, the corporate interest broadly defined by management can support involvement in helping to solve virtually any social problem, because people who have a good environment, education and opportunity

make better employees, customers, and neighbours for business than those who are poor, ignorant, and oppressed .

Arjay Miller in 1960 added a different dimension to self-interest in these words:

Under current conditions, management cannot effectively discharge its long-run responsibilities to shareholders unless it also behaves responsibly toward employees, customers, government, education and the public at large. The ability of a corporation to protect and enhance the stockholder's equity depends crucially upon the prosperity, goodwill and confidence of the larger community. Acceptance of a large measure of responsibility toward the community is therefore good business as well as good citizenship.

The same point holds good with respect to other aspects of social responsibility. For example, more managers are learning that it is possible to ensure greater harmony between corporate and personal goals and that when this occurs the productivity of people in organizations can be enhanced. It is simply in the best interests of the company to understand and respond to the needs of people in the organization. Although this attitude is akin to the self-interest of classical theory, it has different dimensions. The older was an often irresponsible self-interest; the newer is enlightened in that it reaches out to benefit society while at the same time favouring the company. The new self-interest businessman sees that justice, due process, and concern for employees can harmonize with the company's best interests. There is a social as well as an economic character to this attitude.

SOCIAL RESPONSIBILITY AND COMPETITION

Will not the socially responsible company be put at a competitive disadvantage? If it goes too far, the answer is 'yes'. However, a great many social responsibilities can be pursued without financial burden on an enterprise - for example, improving due process within the company, encouraging managers to lend their knowledge in resolving local community as well as national problems, and locating plants in underprivileged areas. Many social responsibilities can be pursued, as noted before, while making profits. Some may be costly, such as not closing a marginal plant in a community dependent upon it, making large capital equipment expenditure to reduce the pollution of the company's environment and giving substantial funds to the community for beautification.

Can business develop a new concept of costs? Costs of doing business are not only solely those concerned with purchasing, producing, and distributing goods and services in the traditional accounting sense. Most managers say that their most precious assets are people. If so, the preservation and use of those assets entail a cost beyond the wagemoney. All thinking managers know that much of the cost borne by society for many activities (education, for instance) is of

enormous benefit to business. Business does pay taxes, but it is questionable that it bears a cost equal to the benefits derived. Finally, there are many costs borne by society as a result of business activity which business does not fully defray. For the first two groups of costs, a business may ask itself whether it is doing enough to shoulder its share, and if not, whether it wishes to assume further responsibilities to do so. In the last case there are two questions. One concerns the social responsibility; a firm may feel for bearing some of these costs, and the deals with legal liabilities. The boundaries overlap.

In the recent years, at the increasing hold of democratic virtues in the public life it is becoming more important for the business to attend the worries of the citizens because of the requirements of growth. Inherent in any business model is growth; growth cannot take place without public sanctions. To obtain public sanctions, working with public is absolutely essential.

BUSINESS IS NOT ONLY RESPONSIBLE FOR SOLVING SOCIAL PROBLEMS

Business certainly is a predominant instrumentality in society for dealing with major social problems, but it is not the institution of sole or last responsibility. It is government that has the central role in dealing with such problems. Business has major incentives for working on these problems, as noted previously. It has great talents which it can employ, ranging from the development of new equipment to reduce pollutions of various types to contributing managerial knowledge free to government agencies. A central issue in dealing with social problems concerns the extent to which government should provide incentives for business to become involved in solving social problems when it does not appear to business to be profitable to do so. It also must be pointed out that other institutions in society such as universities, labour unions, and religious institutions and people themselves, individually and in groups, can make valuable contributions to overcoming major social problems.

At the same time, at present the governments are aligning more and more with business. Arguably though, business has better efficiency than the political governance. More and more governments are dispensing with public institutions because of the emerging nature of competition. And the business-minded politicians are being more favoured than the statesman politicians.

SHOULD BUSINESS BEAR SOME SOCIAL COST

Social costs are the total costs of business activity, including immediate costs of production plus all other costs. For instance, a factory dumping pollutants into a clear stream incurs two kinds of costs. One is the cost of its operation; the other is the costs that result from changes in the stream's ecology - perhaps human and animal disease, perhaps the destruction of natural beauty. To the extent that business does not bear these external costs, they must be borne by others.

The other costs include direct and indirect losses of third persons, such as reduced real estate values from nearby factory noise. They include human damage in the form of disease, accident, loss of jobs, disturbance of social relationship, and changes in the life style of groups. They may include defaced landscapes, ugly buildings, or traffic congestion. Some costs are incurred immediately; others may take a long time. Some costs can be measured in monetary terms, such as the price for cleaning up a polluted stream. Others, such as the impairment of health resulting from air pollution, may not be gauged in quantitative terms. Indeed, the determination of many social costs depends upon the value the contemporary scientific knowledge attaches to a particular impact and its relationships to the benefits of social change.

Capitalism has been called "an economy of unpaid costs". By this it is meant that a large part of actual costs of production are not counted as business expenses, but are shifted to and borne by third person or by the community as a whole. As society has become more complex, there has been a rise in the unpaid costs of business. Earlier these costs generally were considered to be implicit by-products of economic life and regarded as the short-run price to be paid for the higher economic efficiency and long-run social advantage resulting from the operation of the economic system. Eventually, laws were passed to force business to meet unpaid costs where injury to third parties could be reasonably determined. Throughout this history business pressure groups sought to avoid the assumption of social costs that had been transferred to others.

In considering business responsibility for social costs, it should be remembered that business creates social values; important benefits accrue to society through business' activities. A business, for instance, may introduce an innovation that will cut the costs of making a particular product. Assuming no other significant cost of production, the result is a net gain in social value. A company may erect a beautiful building, tastefully landscaped. Or a company may contribute to advancing knowledge. Theoretically, a business firm should in the long run cover all costs of production and should profit from the social benefits it creates. This attitude suggests that in the long run, social costs should be borne by those responsible for creating them or those who bear them should be compensated. It also suggests that a firm should receive compensation in accordance with its contribution to social benefit. Unfortunately, in only a comparatively few instances can such cause and effect relationship be isolated and measured. More often, the determinants cannot be identified or quantified.

What then is the operating liability of a company? From an ethical point of view, a company "should consider carefully, both the social costs involved in its operations and the social values it creates, and do what it can in the light of

its competitive situation to compensate for the net social costs for which it is responsible” (Bowen, 1953 : 214). This, of course, leaves much room for interpretation.

CHALLENGES OF THE FIRM

Calibration to gain from corporate social responsibility

Tougher competitive conditions in recent years have put pressure on firms to examine their philanthropy and other social-responsibility activities. Cutbacks have occurred in many organizations because the rationales for continuing or upgrading these programmes have not been clearly articulated. However, fundamental belief among its business supporters and business and society scholars is that corporate social responsibility pays off for the firm as well as for the firm's stakeholders and society in general. But the failure to find strong empirical support for the relationship between socially responsible behaviour and financial performances has been troubling. Rightly or wrongly this lack of a clearcut empirical relationship between social responsibility and the bottom line is perceived by some executives and students as evidence that it is irrelevant for successful corporate performance, perhaps even antithetical to it.

STRATEGIC CHOICES FOR CSR : TO EXTERNALIZE OR INTERNALIZE?

To increase a firm's competitive advantages, CSR projects must be cost effective and produce a clear return on investment. This is most readily achieved when CSR projects are strategically aligned with the core mission of the company, and the costs of implementing CSR activities are minimized in relation to their overall return on investment. The strategic decisions facing senior managers are twofold: (1) in which CSR projects should the company be involved? and (2) how should CSR activities be managed so as to reduce the costs associated with such activities? For example, many people have looked to the public corporation to respond to problems such as AIDS research and homelessness. The decision to focus efforts on AIDS as opposed to homeless is the company's choice. Once decided the firm then needs to determine how it can most effectively help in the fight against AIDS. Shall the firm support research by other organizations through charitable contributions? Shall it undertake in-house research to find a cure? Or should the firm collaborate with a university to develop a joint programme of research? The decision to outsource with other organizations has important implications for the cost side of CSR management. These alternatives represent issues of governance – i.e., how the company chooses to organize a particular activity in order to realize mutual gains for itself and its partners.

Rather than focusing only on direct correlations between CSR programmes and short-term profits, the trust of our approach is to examine the ways in which CSR programmes can create strategic benefits for the organization even when they are not readily measurable as separable contributions to the bottom line. The question that is addressed here is: under

what conditions does a firm jointly serve its own strategic business interests and the societal interests of its stakeholders?

This is an important question for managers and for stakeholders because without a clearcut understanding of strategic benefits that may accrue to the organizations, it is more likely that top management will not invest in CSR practices which contribute to the long-term success of the firm. While a few organizations of good reputation for CSR have encountered financial difficulties, the explanation for this decline lies not in their CSR activities but rather in their competitive environments and business decisions. A strategic reorientation of the firm's CSR philosophy can support its financial interests as well as other stakeholder's interest in the firm. How to reorient CSR toward a more strategic perspective is the key to inspiring more CSR activities, thus serving stakeholder and societal interests more fully.

Strategic issues of CSR

Corporate social responsibility (policy, programme or process) is strategic when it yields substantial business-related benefits to the firm, in particular by supporting core business activities and thus contributing to the firm's effectiveness in accomplishing its mission. While empirical studies to date have focused primarily on the link between CSR and financial performance (especially, short-term profits), a more comprehensive basis is of identifying the relationships between CSR and the firm's strategic interests. This broader set of criteria or dimensions attempts to capture the full range of strategic behaviour and opportunities for business to benefit from CSR. These dimensions are not intended to encompass all CSR activity. Much observed CSR behaviour remains nonstrategic, however valuable it is for stakeholders and society. It is important to develop better measures for assessing when and in what ways CSR activities jointly serve economic and societal interests.

Barke and Logsdon (1996) have identified five dimensions of corporate strategy which are both critical to the success of the firm and useful in relating CSR policies, programmes and processes to value creation by the firm. Value-creation is commonly viewed as the most critical objective for the firm and its strategic decision making process. In assessing the probable contributions of CSR activities to value creation, the five dimensions of strategic CSR are: centrality, specificity, proactivity, voluntarism and visibility. Fig.1 shows the development of these dimensions of value creation and their linkage to definitions of strategy found in the academic literature.

Centrality

Centrality is a measure of the closeness of fit between a CSR policy or programme and the firm's mission and objectives. Centrality is a critical issue in most definitions of strategy as

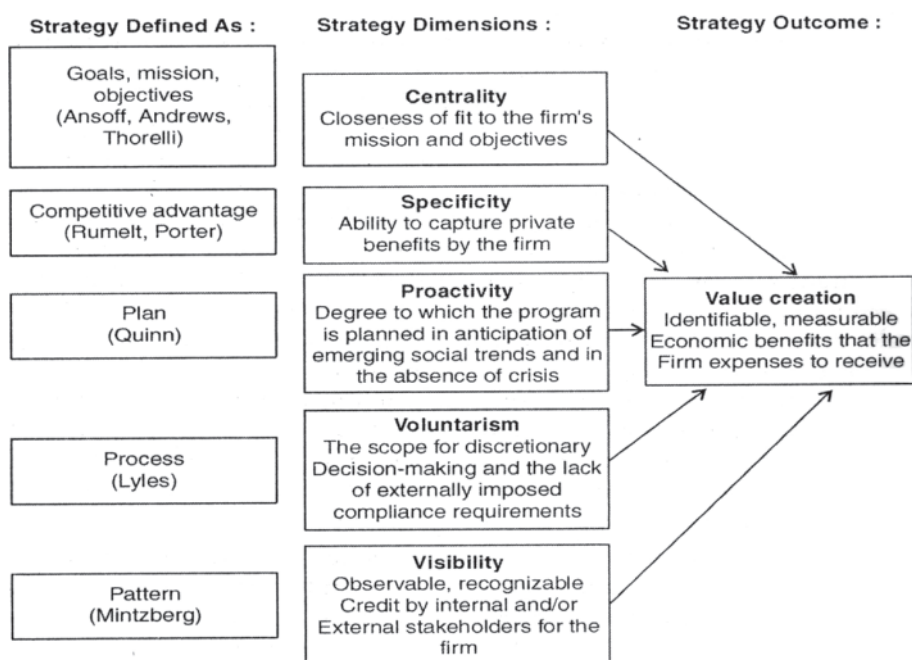


Fig.1 How strategy is linked to corporate social responsibility (Burke and Logsdon, 1996)

goals or objectives. It provides direction and feedback for the organization by revealing whether given actions or decisions are consistent with the mission, goals and objectives of the firm. Actions or programmes having high centrality are expected to receive priority within the organization and to yield future benefits, ultimately translated into profits for the organization. For example, in the direct development area, funds spent by a pharmaceutical firm on new drug research and on its testing have very high centrality. By contrast, the internal auditing function, while important for the ultimate health and security of firms, generally has low centrality.

With respect to strategic CSR programmes or politics which are related closely to the organization's mission or tightly linked to its accomplishment have much higher centrality than traditional broad-based corporate philanthropy programmes. For example, the design, testing and manufacture of air bags for automobiles - a socially responsible product - was highly central to TRW, as was the correction of safety problems with this product. Similarly, political activities in support of mandatory automobile safety equipment have high centrality for a manufacturer of such equipment. But even philanthropy decisions can have a high degree of centrality. Merck's investment in developing and distributing the river blindness drug, Mectizan, is widely regarded as strategically astute as well as humanitarian. The 40 million Third World victims of this disease have clearly benefited from Merck's contribution and Merck itself benefits because of its enhanced reputation in the industrial world, including increased reputational leverage with medical professionals and government regulators. The company also benefits in terms of employee morale, productivity and retention by supporting the ethical motivations of the research staff.

the excellence of the local classical music scene. Neither of these benefits is specific to the donating firm since there is no exclusive enjoyment granted to the firm (although some of the firm's employees may hold tickets). Similarly, smokestack avoid the creation of negative pollution externalities) which are available to the entire community. The firm emitting 'clean' smoke or pure water benefits only to the extent that it shares in the enjoyment of a healthier environment and avoids censure or fines associated with failure to meet federal pollution enforcement standards. For a firm that exceeds existing standards for waste treatment, the benefits stream produced by pollution reductions beyond minimal compliance levels is public, i.e., nonspecific to the firm. One might argue that the firm may be motivated by the desire to save on future compliance costs. If so, the CSR behaviour may be strategic in terms of proactivity, another of the dimensions of strategic CSR.

Contrast this with the case of a firm investing in cogeneration technology which recaptures heat discharged through smokestacks and converts it to energy which substitutes electrical power purchased from the local utility. In this case, the benefits of cogeneration are highly specific to the firm in the form of energy costs saved. The benefit spillover to the public is the firm's contribution to aggregate energy conservation. Cause-related marketing programmes offer similar specific benefits to the sponsoring firm as well as to recipient nonprofit organization.

Proactivity

Proactivity reflects the degree to which behaviour is planned in anticipation of emerging economic, technological, social or political trends and in the absence of crisis conditions.

Proactivity has long been identified by business strategists as an important characteristic of planning and scanning systems. In turbulent environments firms must constantly scan their environments to anticipate changes likely to affect the firm. Such changes can range from new market opportunities to emerging social issues or threats.

The firm that recognizes critical changes early will be better positioned to take advantage of opportunities or to counter threats. For example, a firm which introduces an employee education and retraining programme in advance of coming technological changes requiring more skilled or differently skilled labour will be better prepared to shift to new technologies and will encounter less resistance in doing so. Motorola has excelled in providing remedial education and specialized training for employees so that total quality management and other improvement programme could be implemented more effectively by a more qualified workforce.

An example of proactivity in the CSR context is manufacture monitoring emerging social trends and regulatory initiatives regarding pollution control. A company whose active investigation identifies new smokestack technologies to meet forthcoming or prospective regulations at a low cost would clearly gain a long-term competitive advantage over its competitors. But even more proactive is the firm which fosters pollution reduction throughout the organization because it has anticipated that pollution-related costs will increase over the long-term. For example, 3M company developed the pollution prevention pays (3P) programme in 1975 and had reduced pollutants by over 575,000 tonnes by the early 1990s. The 3P plus programme was later introduced to provide an even more holistic approach to pollution prevention. Similarly, a consumer products firm pursuing environmental marketing strategic friendly packaging in a timely fashion for the 'green' decade of the 1990s, as Procter & Gamble has done. By contrast, cutting back on R&D aimed at finding substitutes for CFCs in the early 1980s may have hurt DuPont's dominance of that market niche more than the cutbacks helped the immediate bottom line.

Voluntarism

Voluntarism indicates the scope of discretionary decision-making by the firm and the absence of externally imposed compliance requirements. Voluntarism is closely linked to proactivity, especially to the extent that it presumes the absence of regulatory or other mandates. In general, philanthropic contributions are assumed to be voluntary – although executives are often subject to social network pressure to contribute to favourite charities.

Firms regularly engaged in voluntary behaviours in their core business function, e.g., in decisions regarding product line and new product introductions. In general, normal

business activities are considered voluntary in the sense that firms maintain high levels of control and discretion over day-to-day operations. In the CSR domain, the firm which exceeds minimum standards for quality or safety, such as an airline which exceeds FAA inspection and maintenance requirements, exhibits voluntarism. These activities offer both strategic and social responsibility payoffs. In many cases additional mandates come into play only when such voluntary behaviour ceases, often in the face of short-term financial pressures. For example, the perceived decline in US airline performance in the late 1980s with respect to on-time arrivals and baggage handling led to new requirements for airlines to publicly report performance in these areas.

Visibility

Visibility denotes both the observability of a business activity and the firm's ability to gain recognition from internal and external stakeholders. Visibility can have both positive and negative consequences for firms. Positive forms of visibility involving normal business activities include favourable media mentions, higher earnings announcements, stock price run-ups (not associated with impending hostile takeovers) and successful new product launches. Instances of negative visibility include government's investigations of contract fraud, the indictment or sentencing of company officials, the discovery of dangerous side effects from otherwise beneficent drugs cases of poisoning and other forms of commercial terrorism, or the disclosure of toxic contamination in waste disposal sites.

Visibility for CSR activities is less likely to be negative, although the CSR behaviour and resulting publicity may arise from initially negative events. For example, the discovery of toxic shock syndrome and its link with use were certainly negative events. But Bridgestone's response, in the form of recall of its radial tyres, generated significant positive visibility for the company and, by extension, enhanced the perceived reliability of its many other products. Similarly, Johnson & Johnson's rapid and complete response to the Tylenol poisonings underscored the firm's concern for its customers and brought high visibility to its long-standing corporate code of conduct. An unanticipated consequence of the Tylenol episode is that Johnson & Johnson's code is now the most widely known corporate code among business students, often used in business-and-society courses as a model for all firms.

Clearly these two well-known cases illustrate voluntary CSR responses which resulted in positive visibility in the wake of negative initial events. This contrasts with Union Carbide's experience with the Bhopal gas leak. In that case, negative visibility resulting from the initial event increased when the expected response capability failed to materialize. Union Carbide's treatment of and information releases about, the extent and nature of the leak spread further and reinforced negative publicity already surrounding the initial event.

Visibility, unlike most of the other dimensions, may be particularly relevant with respect to the firm's internal constituency - its employees. For example, creative and extensive employee benefit programmes, such as comprehensive health care, on-site day care and continuing educational benefits, are likely to be highly visible within the firm, even if not to the outside world. They may also produce economic benefits for the firm by improving productivity, morale or loyalty, thus making it easier for the firm to attract and retain the best employees.

Value creation as strategic outcome

The ultimate measure of strategic benefits from CSR activities is the value they create for the firm. Value creation refers to the readily measurable stream of economic benefits that the firm expects to receive. This dimension also most closely approximates the attempts by earlier researchers to find relationships between social responsibility and economic performance. Firms create or attempt to create value in their ongoing business activities through investments in new technology, new products, brand awareness, production financing, training and customer service. To some extent some of these also constitute or are integrated with CSR objectives or goals, these CSR programmes are among the most likely to create demonstrable economic benefits to the firm.

Once the concept of strategic CSR is accepted by executives as feasible, the next step is to develop methods of analysis and guidelines to capitalize on these opportunities.

Implications

MANAGEMENT PRACTICE AND RESEARCH

Increasing competitive pressures have caused executives to examine the nature and extent of their firms' CSR activities. At the same time, government's capabilities for solving social problems have been called into question, and in many cases society is looking to the business sector for assistance in identifying and implementing remedies. Meanwhile, many of these social problems are becoming more acute. It is critical for executives to consider the consequences of these trends. They do not bode well for communities or for firms.

One answer is strategic corporate social responsibility. By becoming more aware of the benefits to both the firm and its stakeholders, managers can make better decisions about CSR activities. For example, in a community suffering from a high drop-out rate in secondary schools, managers can design and implement many effective programmes for keeping at-risk teenagers in school. Many of these programmes are not very costly to firms, particularly when they encourage employees to volunteer. In addition, they often payoffs to firms which employ and sell products or services within these communities.

If we recognize the long-term investment characteristics

of CSR (as opposed to thinking of CSR merely as current period expenditures), then normal business decision rules would select CSR activities which (1) yield the highest total payoffs in terms of collective benefits to the firm and its stakeholders and (2) fall within the range indicated for strategic CSR. To identify such projects, the firm should incorporate CSR planning and investment within its corporate planning function. Specifically, the firm should carry out the following analysis, identify the stakeholders which are critically important for achieving the firm's mission, goals or strategic objectives:

- ◆ Determine the socially valuable CSR policies, programmes and projects which address the needs and interest of these stakeholders.
- ◆ Assess the opportunities offered by these CSR projects to enhance the firm's attainment of strategic objectives or to solve significant problems and threats facing the firm (centrality).

Assess the degree to which these CSR projects offer benefits which can be captured and/or internalized by the firm as opposed to all firms in the industry or society at large (specificity).

Anticipate future changes in the firm's environment and changes in the needs of its key stakeholders which could be addressed through proactive CSR policies and activities (proactivity).

Determine the baseline of mandated requirements in order to identify the opportunities for voluntary activities (voluntarism).

- ◆ Identify opportunities to create positive visibility with key internal or external stakeholders from CSR activities (visibility).
- ◆ Measure and compare the value or potential value expected from various CSR projects (value creation).

CONCERNS OF THE LAND OWNERS, USERS AND TEMPORARY HOLDERS

The land owners are original land leaseholders of either government or private properties. The land users are those who do not own the land but use, for a considerable time, the land for habitation, farming or any other commercial or non-commercial purposes. There can also be another type: those who have temporary right from the government or the rightful owner for a long time. In the three types mentioned there can be considerable variations.

Central to the acquisition problem are the few issues: modernity v.s traditionality conflicts, financial security, fear of the loss of community, behavioural issues related to caste, religion etc, state and central and state-level governance structure related to various interest groups, police and administration, corruption, and politics.

Though politically or functionally possible, except in very

few cases, no individual or a group of individuals can be the owner per se be the owners of perpetual right of a land. All land transfer documents are primarily related to lease deeds that provide the leaseholders a temporary right (sometime up to 999 years!) to use the land. The government reserves the right to re-take the land in cases of national necessity. The cases of national necessity vis a vis the government's right can be challenged to court but an offer from the government to that effect with compensation cannot be neglected and ignored. Interestingly, that is the reason why when the government re-takes or buys the land it does give compensation but not the price. Even when the land is

sold from one party to the other, it is the right for temporary use of the land (lease).

In the early land acquisition models, the government used to compensate the land owner by paying a compensation and arranging few provisions from the developer (to whom the government releases the lease for another temporary use; with some 999 years in the background such transfers are only easy!) like jobs, land for re-settlement, etc.

Over the years the methodology for land acquisition for the industry is undergoing some changes. They can be summarized in the Table 1.

TABLE 1: METHODOLOGY AND INCREASING SENSITIVITY FOR LAND ACQUISITION FOR THE INDUSTRY

	Type	Early methodology	Emerging methodology	Remarks
01	Nature	Financial and habitat compensation	Security, habitat and financial compensation	Security before money
02	Compensation	Complete monetary compensation at hand	Partial monetary compensation and part annuity/monthly income: income sustainability	Illiterate and un-initiated people are not good in making the right use of the huge sum of money at hand. Once the money is exhausted in liqueur and fancy buying people come back to demand more
03	Delivery	Dealing in cash only	Dealing in cash and kind. In some cases organization for weekly or monthly rationing of basic food and other materials are being thought of	Providing in kind with food and other basic essential materials like roofing material, cement, and clothes tend to work better. This also restricts the proliferation of unscrupulous money lenders and businessmen
04	Distribution	Targeting the men folk for compensation	Targeting the women and children ahead of men folk but not without them	The women in many cases use the resources more effectively than the women
05	Training	Providing jobs to the family of the land giver/loser	Direct employment in the menial jobs. Passive involvement and branding as "poor quality"	Employment with training to understand work ethics and promoting firm interest. Active involvement and branding such employees as asset
06	Decision making on the rate	Single authority decision making: District Collector had the sole authority to decide about the land compensation rate	Multiple authority decision making by a committee comprising of: Divisional Commissioner as Chairman, Dy. Commissioner concerned as Member Secretary, representative of the concerned as member Department, District Revenue Officer concerned as member	In a single authority decision making the chances of bias and partiality is more prevalent
07	Assurances	Light assurances about the use of water and other resources	Stronger assurances about use of water and other resources	From a domineering position to winning position
08	Compensation cost management	One time delivery of the compensation as a part of the cost of the project	Reduction in the proportional cost of cash compensation as cost plus management of the annuity fund	Insurance and annuity management are becoming core industrial function
09	Trying to understand cultural attributes of the locals of the land	Understanding the local culture was poor as the regard was less	Greater respect, alignment and adjustment to the cultural attributes of the locals of the land	Enhanced sensitivity to the local problem to minimize impact

Haryana land acquisition model

Recently due to discussions in many political and administrative circles the Haryana model of land acquisition has come into limelight. We will briefly discuss the Haryana model.

LAND ACQUISITION DIVISIONS

The acquisition of land for urban development is undertaken by four Land Acquisition Officers of the Urban Estates Department. The State Government on the request of the authority acquires land under the provisions of the Land Acquisition Act, 1894 and after taking possession of land, transfers it to the authority on payment.

(a) Market rate compensation to land owners: Before 09.02.1995 the award for land acquisition was announced on the basis of rates determined by concerned District Collector who was the Competent Authority under Revenue Law to assess such rates. The assessment was based on the average of registered sale transactions during the last 5 years prior to the Section-4 notification in respect of adjoining lands of similar category. However, it was felt that the above mentioned collector rates did not reflect the actual market prices and therefore on 09.02.1995 Government constituted a committee comprising the following officers to decide the market price to be paid to the land owners in case of acquisition by the Government. The above instructions of the Government were modified on 20.06.1995 by changing the composition of the committee thus:

- ◆ Divisional Commissioner Chairman
- ◆ Dy. Commissioner concerned Member Secretary
- ◆ Representative of the concerned Member Department
- ◆ District Revenue Officer concerned Member

(b) Stages in acquisition, planning and development of a sector: The Town & Country Planning Department of the State has prepared development plans of various towns/controlled area taking into consideration the further needs of industrial, residential and commercial sectors so as to ensure proper and planned urban development. There is a laid down procedure for acquisition of land for the development of residential, industrial, institutional as well as commercial sectors/area while identifying the land for a specific purpose aspects local requirements, demand sale potential accessibility viability are taken into consideration, thereafter the identified land is notified. Once the land is acquired, possession is taken over and layout plan/zoning plan of the area is finalized, the plots provided in the layout plan are floated for allotment. Development works are undertaken as per approved demarcation plan, and after completion of development works, possession is handed over to the allottees.

(c) Release of land: Once the land is notified under section 4 of Land Acquisition Act, the land owners and other

persons, whose land is acquired may file objections to the acquisition of their land under section 5A of Land Acquisition Act. The standing joint inspection committee constituted under the chairmanship of zonal administrator, HUDA, considers the objection so received and submits its recommendations. Normally the land falling under the following categories is considered for release from acquisition.

- ◆ Land falling under structure of A & B class existing prior to notification under section-4.
- ◆ Land falling under the existing place of worships.
- ◆ Land under the ownership of Wakf Board.
- ◆ Land against which licenses for setting up a colony has been granted by the competent authority.
- ◆ Land under the ownership of Govt. of India. Such land is acquired by way of transfer.
- ◆ Any other land which State Govt. may decide not to acquire.

(d) Prior to the fixation of minimum floor rates in March, 2005, Haryana paid Rs.2 to 3 lakh per acre for industrial townships in Karnal, Barhi and Saha and the average cost of acquisition was Rs.5.63 lakh per acre from April, 1997 to May, 2004 for the industrial model township (IMT) at Manesar. However, the rate awarded for Barhi after 2005 was a whopping Rs.50 lakh per acre much higher than even the decided floor rate, says HSIIDC MD Rajiv Arora. According to Haryana Principal Secretary, Industries, Y. S. Malik (2005), a recent project was dropped because land compensation made the project non-viable. Haryana government has fixed the minimum floor rates for acquisition of land ranging from Rs.800,000 to Rs.2 million per acre, depending upon the area.

(e) Royalty for 33 years while the lump sum compensation is decided on the basis of floor rates – minimum rates that are paid to land owners – fixed by the government by dividing the state into three zones, the royalty is for a period of 33 years over and above the usual land compensation starting with Rs.15,000 per acre per annum and with an annual hike of Rs.500 every year. For land acquired for setting up of SEZs/ technology cities, technology parks, the annuity is Rs.30,000 per acre per annum to be paid by private developers with an annual hike of Rs.1,000 every year. “The annuity has been incorporated into the policy as a farmer earns Rs.10,000-15000 per annum per acre from his land if he gives it on contract. It is only humanistic that he is compensated for the loss of livelihood,” says Arora (2005). Recently, the annuity has been fixed at Rs.15,000 per acre per year, with an increase of Rs.500 per acre every year, for 33 years.

The compensation would be paid from the back date of March 5, 2005.

(f) Jobs: Haryana has also decided to reserve 25 per cent

jobs for villagers whose land will be acquired.

- (g) Land for everyone: The R&R Policy also provides for allotment of plots by HSIIDC/HUDA, depending upon a owner's share in the land acquired and if 75 per cent or more of the land owned by him or his dwelling unit is acquired. The policy entitles him to a minimum of 50 square yard plot and a maximum plot size of 350 square yard depending on the size of the land or the house acquired.

LEARNING FROM THE EXPERIENCES OF LAND ACQUISITION AT A LARGE PROJECT: A CASE STUDY

The land acquisition in a tribal and forest area has been promised to be under the following:

1. Monetary compensation for land
2. Job for at least one member from each of the land-giving family
3. Stakes in shares of the steel plant equivalent to the land price.

The Joint Managing Director and CEO claimed "By discussing with the local village leadership and maintaining continuous contact with them, not only have we obtained universal acceptance of our compensation package but also we have earned the reputation of a large-scale green-field project...The land giving farmers are happy as the land pricing has been done in consultation with them." The advert further goes on to claim "Projects like cattle rearing and watershed management have been initiated. Distribution of drinking water to the villagers is being worked out with utmost priority. The local youth are being trained and then employed to build a 38km long boundary wall..."

A vice president of the company claims "... 50% of the negotiated price will be paid by cheque and rest will be invested in a life insurance plan with yearly/monthly income schemes. This will not only insure the lives of the farmers, but also provide them with a steady monthly income and thus prevent any possible misuse of the compensation amount..."

The important points here are how the life insurance and monthly income scheme will be delivered. The common people of the area would have little idea of how it will be carried out; neither do they have any good understanding of the documents nor are they aware of the insurance scheme or the insurance company that is supposed to cover them or the yearly/monthly interest rates they can expect.

This information should be made available in the public domain.

CHARACTER OF THE LAND

The land under the process of acquisition may be mono-cropped, most are bi or multi cropped. The typical yields are potatoes, mustard, vegetables, and sesame. The farmers complained that they will not be allowed to cultivate from the next year. The land losing farmers were skeptical about

obtaining the yields of the current farming cycle. They often complain that with proper irrigation most of the mono-cropped lands can be made multi cropped, the administration is really not eager to tread that path. In fact, the villagers themselves have arranged for rainwater harvesting using local techniques. The character of the land is closely associated with the community and economic eco-system that functions in that area. When often complaining about the loss of land they would actually complain about the apprehension that their community of friends and acquaintance will be completely lost. It is important to the company and administration to be sensitive about that.

SCHEDULED LAND

The 4200 acre of notified land that has been assigned to the project belongs to the State Animal Welfare Board. At one time the land belonged to the Adivasis. The entire region was inhabited by them. One can find the locally revered 'Vairab-ki Than' which has religious significance. Fairs are held at the time of Dashami/Dussera. This place was called Saonnath in the Mughal period. Some conjecture that the word Santhal actually comes from the name of this region.

The land that was reclaimed from jungles by the Adivasis is known as fodder farm. Till very recently, this land was used to grow fodder for cattle – maize, jawar or bajra. The area has 6-7 deep tube-wells that were used for this purpose.

It is this land that is being handed over to the Jindals for the project. But there was a claim that the notified land was supposed to have been given back to the Adivasis or the landless peasants of the region. This is precisely one of the sentiments of the residents. The non-tribal farmers of the supposedly tribal land was in the comfort that "...We knew that Adivasi land cannot be sold. But I don't know how this happened. They made us give finger-prints and took away all land (the land users were not owners of the land and the claimant tribals were no longer in sight) .

Though legally may be somewhat permissible that in case of no claimant a land essentially returns to the government and the state government and the Jindals are trying in a legally tenable way by making the villagers stakeholders in the project even when they are not legitimate owners.

FOREST LAND

The proposed project area used to have extensive forest land. There were precious Sal, Segun, Arjun, Shirish, Akashmani and Jackfruit trees. However, this no longer exists. It seems when the project was formally going to be announced or just after the announcement has been made, most of the trees have been uprooted as a whole.

The grudges of the local people are in fact very practical. The prevailing custom entails the Adivasis and the local people a quarter of the proceeds from the sale of the forest products. They were getting this share regularly till now, some two-ten thousand rupees per family.

THE RIGHT OF THE FOREST

According to the 6th clause of the Forest-dwellers' Rights Act, decisions regarding forests will be primarily taken by the Gram Sabha. This will be lowest tier of the administrative hierarchy and will comprise all adults of the village or the neighborhood. The proposals regarding forests should come from this body.

However, this right seems to exist only in the law books. In case of some forest lands, this procedure was not at all followed in the right spirits, albeit officially. No meeting of the Gram Sabha was convened before the forest land was cleared off. No one was aware of this.

ADIVASI LAND

In case of a project, apart from the 4200 acres of notified land, 469 acres of land has been purchased from the farmers. Out of this, more than 100 acres belong to the Adivasis. According to the 14B clause of the Land Revenue Act of 1955, this kind of land is non-transferable under normal circumstances.

There are two types of farmers in all the Indian villages (1) Rayti and (2) Pattadar. Apart from them, we have land labourers. Although Rayti farmers receive compensation (Rs. 3 lakhs per acre of land in the Jindal's case), Pattadars received nothing. The land labourers are not even taken into consideration. Even farmers working in the land since 1969 after receiving patta did not get any money.

The amount of money received by most farmers in many cases satisfy them the least. Actually most of the land in the area is hereditary. The payment on the land, mostly belonging to their forefathers, once divided within the members of joint families comprising 10/12/15 people, reduces the individual share to a paltry amount. It has been seen that individual share ranges from Rs.15-16,000 up to Rs.70-72,000. A handful of the farmers though have received a bit more, in the ranges of one lakh rupees. Naturally it is not possible to maintain a family based on the interest earned by depositing the payment received.

OFFER OF JOBS

In many cases the people usually respond like, "At most we can manage to land a job of carrying brick, cement and sand, but that won't feed all", the reason being few numbers of suitably educated villagers. They say "apart from that, there is just verbal promise, nothing in writing is being given" – a trust deficit remains.

The apprehensions are many: are these steady jobs and well-paying?, whether older people will match the job requirements ?, many of them were not in jobs earlier.

In many cases land is the only source of income, and land being hereditary; all members belong to joint family. Even the hereditary papers are not in order and there is a lot of words of mouth. The usual question is "Even if one member gets a

job, what will happen to the others? The earning from the land fed the whole family where every one participated and there is a hierarchical order. Will the diktat of the senior of the family remain? Will the single earner fulfill the responsibility in the future? Will one member's salary be enough ?"

SEZ CULTURE

The kind of employment obtained under "SEZ" raises a lot of doubts. Labour laws are overlooked. People have to work for 12/14/16 hours for very low salary. Furthermore in skilled industry like iron and steel, how many people can get employment? They need skilled labour; the villagers have little of those skills. The project proponents claim about giving necessary training. But often the promises are not backed by notices showing the scheme in details. Although a NGO is generally engaged to give training to some of the poor people, doubts, apprehensions and trust deficit remain.

SHARE AND THE BENEFITS

The people in the villages have no experience in dealing with the matters of the share. They will come back asking, "What is this? What to do with these shares?" They will have different perceptions; people ask, "Shall we get credit in stores by showing these?" Everyone is saying, "We have not received any paper work".

To an experienced person, the questions that are raised are the following:

1. If the shares will be distributed in the name of a new company, when it will be done. What will happen to the money in the intervening period? How interest for the money will be distributed.
2. Will there be a minimum guarantee of return to ensure a steady and sustainable income for the poor.
3. When the trust will be constituted and regularized. What will be structure of the trust? Will it have an office or only an address?
4. How to ensure that the functioning of the trust will be completely professionalized and not be political.
5. Will there be any liability to the villagers on account of the shares, now or in the future etc

FEAR FOR OCCUPATIONAL CHANGES

Cattle rearing play a crucial role in rural economics. Just like farming pays for the entire year's food, cattle rearing also fulfills various other financial needs, like medical expense of the family, educational expense for the children, merchandise expense etc. By selling cow's milk, the villagers could handle such multiple expenses. They used to sell milk at Rs.10/12 per kg and earn around Rs.1500-2000 per month. Additionally, cow dung used to provide fertilizers and combustibles. In a village with partially irrigated and partially fertile land there would be, for example, a total of 3000 thousand goats and 2000 cows. An usual concern is "All these used to graze on the project field and still do. That is going to stop completely in

the coming days". The prospect of a project can have strange effects like the sale value of a cow selling at one-third of the earlier price. One of the villagers in a project told to have sold a cow worth Rs.6000 for only Rs.2000. This is a considerable loss.

Often a project brings in the fore the gross mistreatment of the government towards the rural needs. The villagers often complain no steps have been taken for water irrigation. The existing water irrigation systems are old ones. Rain water is collected by building barriers on low lands. Irrigation is carried out using that water. Many such water reservoirs sometime may fall into the project land according to the villagers. A typical comment one often hears is , "It will be difficult to grow crops in the area surrounding the project land due to this. Leave aside water irrigation; there is no good arrangement for drinking water. The water taps (faucets) in this village were built only few years ago."

There is a lot of misgivings of the people in the project's claim that water harvesting and zero waste water discharge will be followed. Since the water sources are few and water scarcity is prevalent in the area, the lean season pumping promise will hold little water for a large plant. In a place where there is such acute water problem, it is unclear what new problems the plant can bring. Steel plants need massive water supply. It is known that 4.5 tonnes of water are required to produce 1 tonne of steel. Although it has been permitted that water from the river will be used, that will not solve the problem but only increase it. In fact, the surrounding rivers will have water shortage and condition of this dry land will worsen.

CULTURAL CHANGE

Cultural change is profound in a large project land acquisition. The changes that people anticipate are:

1. Loss of village hierarchy.
2. Shelter of the elders for a large member of the community- gradual loss of significance of Gram Sabha and panachayat in the village life.
3. Abrupt changes of power to the young job seekers and opportunists. Middle aged and old persons fear missing out.
4. Loss of playground, ponds and meeting place can induce bad habits into young minds, suddenly out of engagement.
5. Creeping urbanization induce city vices among the village people.

POLITICS

Local politicians are the major beneficiary of the project. They twist facts and coerce people to accept them. The hard works like road making, wall construction and small building work require less manpower today. So round the year employment for local people is a proposition that is not

practically tenable.

USE OF FOREST RESOURCES

People use forest in various ways. They get necessary supplies like combustible wood, plants etc. from her, and food when rice at home is finished. The girls collect Sal leaves and sell and earn Rs.80 for every thousand bundles. The plant will bring a stop to that.. In places, due to participatory forest management the villagers used to earn some money and now that prospect is lost. The villagers were used to getting 25% of the proceeds from the forest. This income was not incorporated in any document.

THE ILLEGAL LAND TRANSFER

The price of the landing the surrounding area increases with the announcement of an industrial project. It keeps on increasing with project construction. The angst and desperation increases for the sellers of the land who somewhat agree to sell at the beginning of project announcement. Furthermore, illegal land transfers started due to the price increase. Land is bought and sold to dummy and non-resident buyers and sellers, respectively. Thousands of acres get sold this way creating back and artificial economy that increases the divide. Some take the opportunity others lose out. Land records are sometime found registered in an away location – raising the specter and speculation of wrong doing.

It is evident that tricking tribal people and keeping the local people in the dark, by different agencies are rampant in the project listed area.

There is a challenge to openness vis-à-vis secrecy for the government and the project authorities. The poor people suffer the brunt. Government often is hesitant to clear the air in the following aspects: why there is so much secrecy surrounding this, why facts do not come in the public, on what condition and paying how much did the project authorities get the land? For the fear of litigation and resistance these aspects are overlooked.

The tribal and rural people have been evicted from their native land from the ages. They have to leave their land, their forests, their water, their homes, built so long ago by their ancestors and leave for the unknown destinations. They often pay the price for not having been aligned with the systematic development of proper education, health care – some time, due to ignorance or for the love of their culture, at their own choice.

RESISTANCE

The process of land acquisition often starts despite reservations by Union Ministries of Forest and Environment and Tribal Affairs which later dub land acquisition without implementing the Scheduled Tribes and other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006, as illegal.

“It will be illegal to acquire land until the Forest Rights Act is implemented properly,” is a ministry view. Proceeding unilaterally, the State Government would violate norms under the Act, that will prompt Union Ministry of Forest and Environment to withdraw or stay the forest clearance given.

Under Section 7 of the Act the officials involved in land acquisition at this stage are liable to be punished. Debatable whether legally tenable, however, in cases where there was no tribal inhabitant in the proposed plant site; a ministerial committee may recommend that most villagers could be treated as “traditional forest dwellers” as they depended on forest land for a living. Such stance is reinforced when the people in the gram panchayats claim by showing some records that their livelihood depend for a reasonably long time from crop cultivation and other activities on forest land.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Powerful social and political forces encourage organizations to act more responsibly. These include growing consumer demand for responsibly made products, challenges to organizations’ reputations by nongovernmental organizations (NGOs), industry codes of conduct, assessments and rankings of CSR performance, pressure from socially responsible investors through public interest proxy resolutions, as well as the socially conscious values of organizational managers and employees. Issues such as disparities in access to quality education, employment, and healthcare are gaining increasing media attention, as is the need for technological and other innovations that address pressing environmental challenges. These challenges include air and water pollution, unsustainable fishing and harvesting, as well as increasing greenhouse gas emissions that according to the 2007 Intergovernmental Panel on Climate Change almost certainly lead to global warming.

CSR OBJECTIVE

Support business development in order to create jobs, enhance the entrepreneurial climate in the community, retain businesses, accelerate local industry growth and diversify local economies.

The 10 Principles of CSR under the United Nations Global Compact

Businesses should:

Principle 1: Support and respect the protection of internationally proclaimed human rights

Principle 2: Ensure that they are not complicit in human rights abuses

Principle 3: Uphold the freedom of association and the effective recognition of the right to collective bargaining

Principle 4: Eliminate all forms of forced and compulsory labour

Principle 5: Abolish child labour

Principle 6: Eliminate discrimination in respect of

employment and occupation

Principle 7: Support a precautionary approach to environmental challenges

Principle 8: Undertake initiatives to promote greater environmental responsibility

Principle 9: Encourage the development and diffusion of environmentally friendly technologies

Principle 10: Work against corruption in all its forms, including extortion and bribery

BENEFITS

Without going into further details regarding CSR, we can say the following benefits of CSR to the company (Table.2).

TABLE 2: EXAMPLES OF CSR BUSINESS BENEFITS FROM CURRENT RESEARCH

CSR business benefits

1. Risk management; cost reduction; differentiation; positive influence on shareholder value; improved reputation and brand value; maintaining the license to operate
2. Efficiency gains; differentiation; tax advantages; financing advantages; risk reduction
3. Risk management; efficiency gains; improved relations to regulators; improved brand value; improved employee productivity; reduced capital costs
4. Market and product development; increased recruitment potential; risk management; image improvement
5. Increased competitiveness through process and product benefits e.g., more efficient resource use, waste reduction
6. Market development; cost reduction; market share protection; long-term survival
7. Efficiency gains and cost reduction; improved competitiveness; resource preservation; image improvements; product development
8. Reputation improvement with positive influence on customer acquisition and retention, employee attraction/motivation retention, access to capital, license to operate; risk management; positive influence on stock price, return and revenues; cost decrease
9. Employee motivation; improved reputation; meeting shareholder expectations; customer development
10. Avoidance of negative press, consumer boycotts and negative market influences; employee motivation; improved image & reputation; positive relations to regulators and stakeholders; efficiency gains and cost reductions; better capital access; increased market share
11. Increased company attractiveness for potential employees

Systematizing, the business benefits from CSR can be classified into monetary and non-monetary benefits. Monetary benefits in the understanding of this paper include direct financial effects as well as benefits that do not directly lead to cash flows but can nevertheless be measured in monetary terms. One example is an increase in brand value due to CSR. If analyzed from a financial perspective, brand value reflects the financial value of a brand to a company.

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