

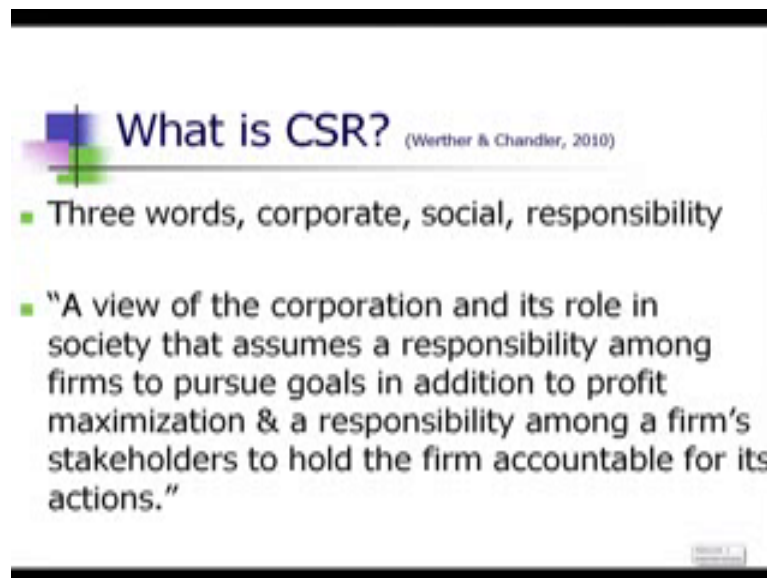
Corporate Social Responsibility
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Lecture - 02
What is CSR?

Welcome to the MOOC course title Corporate Social Responsibility. My name is Aradhna Malik, and I teach at the Indian Institute of Technology in Kharagpur, West Bengal India. And I will be helping you with this course. So, let us get through it.

This lecture we will deal with the introduction to corporate social responsibility. We will cover the basic aspects regarding what corporate social responsibility is and some concept surrounding it. So, very brief lecture and I hope you enjoy it.

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What is CSR? CSR is composed of three words: Corporate Social and Responsibility. Corporate by definition means that we are talking about profit making organizations, we are talking about large organizations that make profits. We are also talking about their connection when we talk about social; we are acknowledging that they exist as part of the society that they function in. So they are not removed, they are not isolate its silos they are within a society, there within a social milieu.

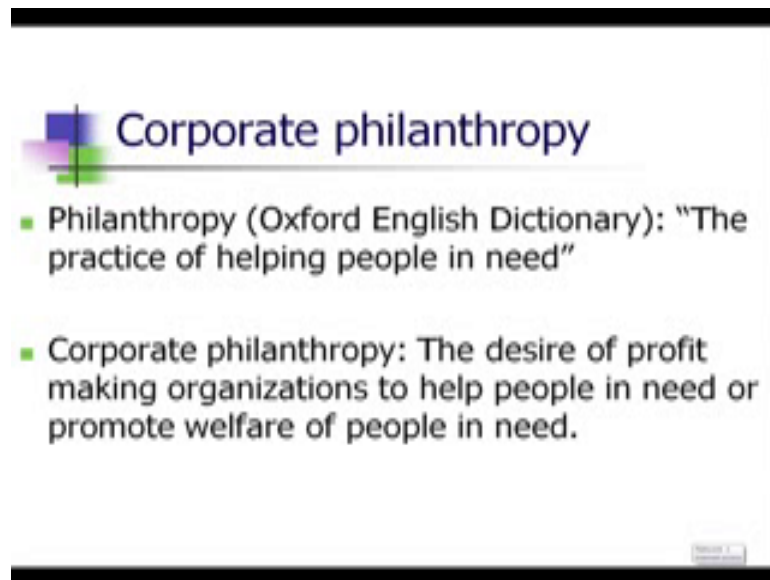
And then the third word which is very very important here is responsibility which means that they understand they are part of a social economic, environmental, natural milieu that they are functioning in. They realize that it is this environment social, political, economic environment the natural environment that is supporting them that is helping them stress stable and grow. And they are understanding that because this environment is supporting them so much they need to get back to it from the profits they earn as a result of the resources they take from this environment in terms of people, the money, and the natural resources. So, then they try and get back to it.

These are the three basic elements of corporate social responsibility. Corporate profit making; social connection with the environment the around with the environment that the organization functions; and responsibility. So, because we are resting on this environment we also give back to it, we do not only keep taking from it, we sustain the environment by giving back to it. So, that it can take what we give back and it can support the other organizations, the other efforts that are going on; that the cycle.

Now the formal definition: "it is a view of the corporation and its role in society that is use a responsibility among forms to pursue goals in addition to profit maximization and irresponsibility among a firm's stakeholders to hold the firm accountable for its actions". So, it is not only something that the organization realizes, it is also now legally mandatory, it is a question of accountability. The environment says I have given you so much for do I get in return? Why should I support you? So, it is a question of the environment.

Even if you not giving back to me are you at least not damaging what I have, if you are hurting me by taking something from me then I do not want to support you anymore. So, that is and we will come to that in a minute. So, this is corporate social responsibility.

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Corporate philanthropy: that is another concept here. Philanthropy according to the Oxford English dictionary is the practice of helping people in need. Now applied to the corporate organizations corporate philanthropy is the desire of profit making organizations to help people in need or to promote the welfare of people in need. So, we identify where we can make a difference, we identify ok we have taken some resource where the resource was in a bundle, we could afford it. This going by very very basics we build our factory near a river, we have taken the water from the river, yes we are channeling the water here fine there is enough water the farmers are. So, we are taking whatever the government permits us to take.

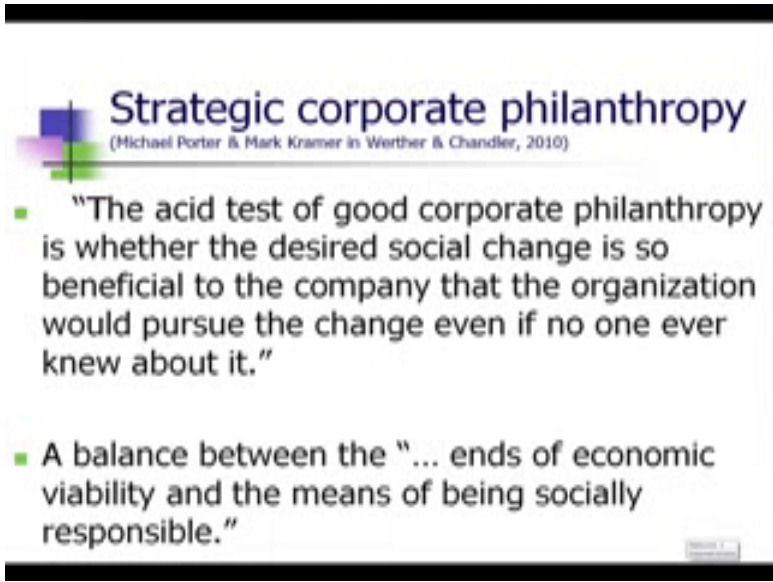
But, back to my environment: am I doing something to help to people around me? One of course, the organized the factory could make sure that it does not pollute the rest of the water by pumping back the effluents the waste material into the same river that it draws the good water from; that is one way of doing it. The other way of doing it is, of course that is something that is now required by law you know you do not pollute the environment. The other thing is because it is in a physical location if you are making so much money you have occupied a piece of land; there may be noise, there may be task, there may be ash, there maybe all kinds of waste material. Are you hurting the people around you? You contain the waste and then you also do something so that for the people around you so that the people do not resist your existence in that location.

So, in the middle of a village will there is a big factory, and this is happened in my home state of Himachal Pradesh. No, some factories have come up in the mountain and then of course that is I am in there all following the rules I am sure. But if nothing else it spoils the landscape. It takes over some bit of land that could have been formed on by somebody somewhere. So, are you giving back to the environment or not are, you helping the people that you are around or not.

You know we all know about the case of the Singur plant. So, Tata Nano plant that was set up in West Bengal and then it had to be moved from here. So, you know we all know what happened there were lots of environmental issues associated with it. We can talk about those thing later, but we are talking about the desire of profit making organizations to help people in need around there organizations.

So, one is you do just what is required by law. The other is you proactively do something very very positive for the environment even though it is not required by laws. So philanthropy is a step above what is required expected and decided. I will just show you the pyramid of corporate social responsibility and this will become more clear than.

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Strategic corporate philanthropy
(Michael Porter & Mark Kramer in Werther & Chandler, 2010)

- "The acid test of good corporate philanthropy is whether the desired social change is so beneficial to the company that the organization would pursue the change even if no one ever knew about it."
- A balance between the "... ends of economic viability and the means of being socially responsible."

Now strategic corporate philanthropy: "the acid test of good corporate philanthropy is whether the desired social change is so beneficial to the company that the organization would pursue the change even if no one ever knew about it".

We do it for public image, we do it to channel or profits. So, people know that we are doing good, but we will be keep doing this even if no one knows about it. That is the acid test. What the organization continue to do good for people even if they were not noticed even, if they were not known for it. And then what only the people who are benefiting from it would realize it, but not openly.

A balance between the ends of economic viability and the means of being socially responsible is corporate philanthropy. Which means we are not asking organizations to stop making profit, please make as much money as you want it is good that you are making money; please make as much money as you want, but out of the money that you make it will help if a tiny fraction of the money that you make can be given back to the society in terms of benefits the society can use.

Now, the Indian law requires and I have the statistics here I do not want the cameraman to focus on it. I have the statistics here or I am in the law the Companies Act of India 2013 requires organizations with an annual turnover of rupees 1000 crores or more or a net worth of rupees 500 crores or more or a net annual profit of rupees 5 crore or more to spend at least 2 percent of their earnings on giving back to the society through their corporate social responsibility activities.

So, that is required by law, but would we keep doing it even if it were not required by law, would we keep doing it even if we did not advertise. So, we strike a balance cannot saying that you know you put your profit inside and if still keep giving back to society. That is what typically philanthropist to they look after the welfare of the people.

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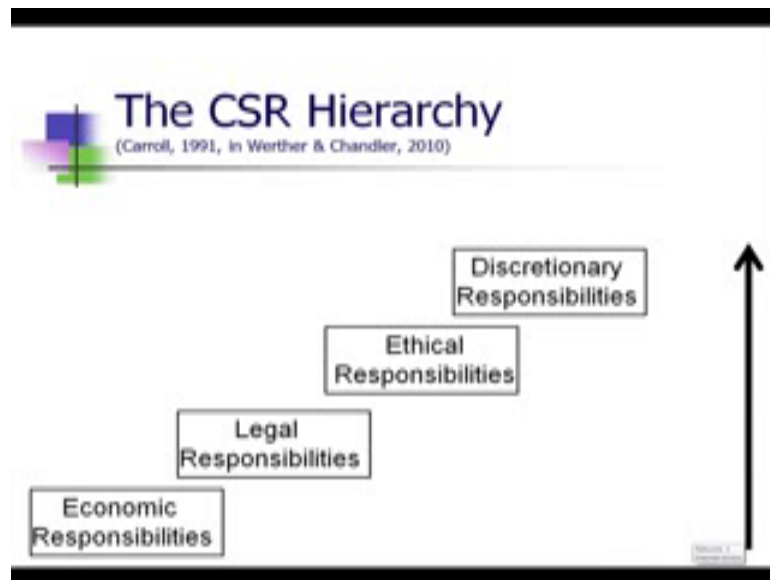


The CSR pyramid: R chi Carroll design this pyramid, published it in a paper in 1991 and then paper written by Schwartz and Carroll in 2013 coated this pyramids or taken this from there.

They say that for an organization to function the very basic thing that they need to do is be economically viable. Organizations need to be economically viable, so it is required here; it is required to be profitable- it is my pyramid then. It is required to obey the law. It is then once your profitable, once you obeyed the law like I told you it is a legal requirement in India to give 2 percent of your profits back to the society and you have to prove it. Excuse me you have to have documentation you have to have something substantial, something tangible. It is expected that you will be ethical, you will not harm the people around you. So that will being ethical you do not take something from others that does not belong to you, you do not harm the environment around you that is being ethical.

Now being a good citizen is desired, which means not only do you not harm the environment around you, not only do you preserve the status scope you give back to the society, you ensure that the welfare of the people is your top priority. So, that is desired. It is expected that you do not harm the environment. And if you want to go a step further you want to be the ideal model citizen then you give back you, you take one step forward, you do something additional and you give back to the society.

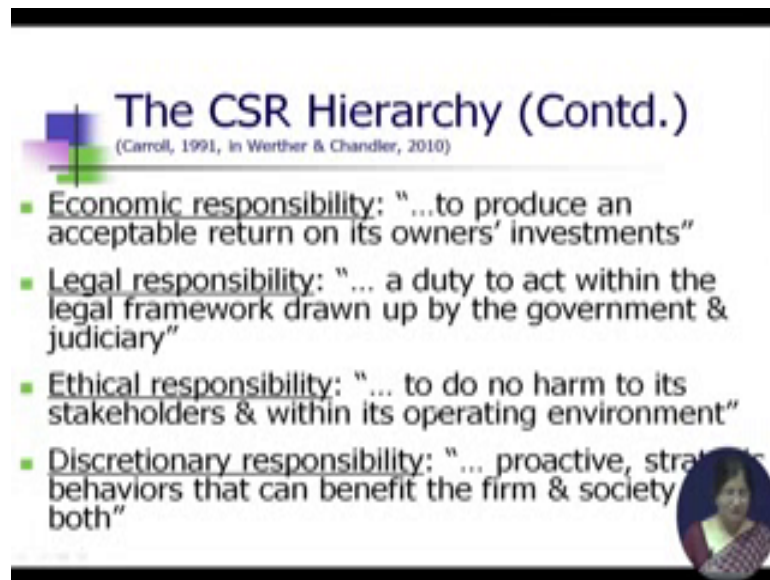
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The hierarchy: so with this pyramid the first fulfill our economic responsibilities. I have to make profit, I have to also follow the law, then I have to make sure that I do not do anything wrong. When we are talking about ethics we are ensuring that you do not do anything wrong. And then discretionary responsibilities after I have satisfied, after I have completed these responsibilities can I do something more; can I go above and beyond the call of duty and do something more for the society that the society does not even expect those me.

So, those are the discretionary responsibilities and this is the way they are filled in.


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The CSR Hierarchy (Contd.)

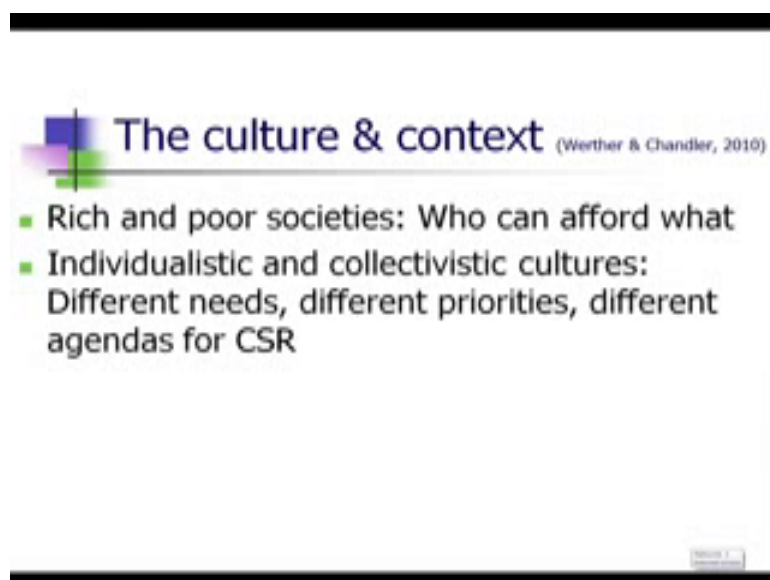
(Carroll, 1991, in Werther & Chandler, 2010)

- Economic responsibility: "...to produce an acceptable return on its owners' investments"
- Legal responsibility: "... a duty to act within the legal framework drawn up by the government & judiciary"
- Ethical responsibility: "... to do no harm to its stakeholders & within its operating environment"
- Discretionary responsibility: "... proactive, strategic behaviors that can benefit the firm & society both"



The economic responsibility as the name suggests is to produce an acceptable return on its owners investments. Legal responsibilities to follow the law, ethical responsibility are to do no harm to the stakeholders and within its operating environment. Discretionary responsibility like I told you is proactive behavior people are not expecting it from you, but you go ahead and still do it.

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The culture & context

(Werther & Chandler, 2010)

- Rich and poor societies: Who can afford what
- Individualistic and collectivistic cultures: Different needs, different priorities, different agendas for CSR

The culture and context we act within a society. We act according to what we can afford. Profit making organizations in poor countries or in countries where the economic

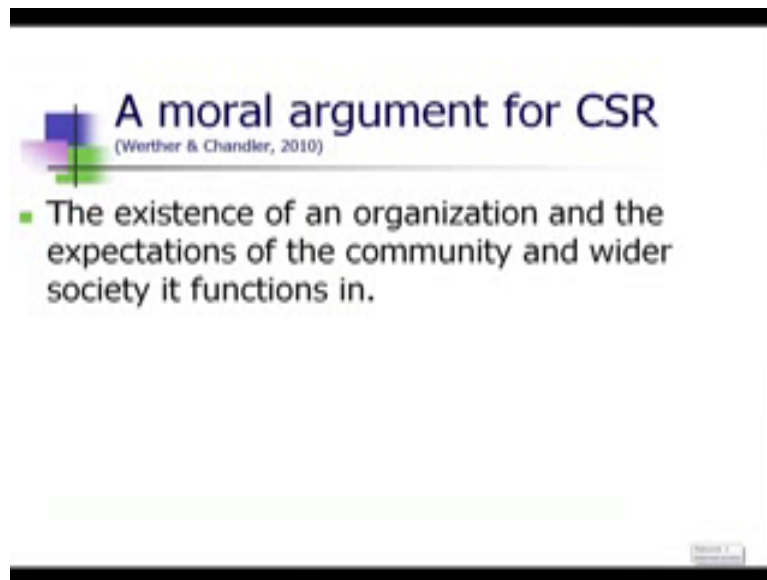
environment is unstable may not want to spend so much on corporate social responsibility activities. They want to probably keep their resources, they want to hold on to their resources to dig into them in times of uncertainties or risks or unexpected events or unexpected risks that they may be faced with. So, that is what will happen.

In richer societies they will say we already have enough we know we are not going to be unstable, we know we have enough to carry has through. So, they may have or they may be able to risk a larger percentage of their profits on giving back to society. So, this will vary from country to country depending on their economic condition. Then individualistic and collectivistic cultures we will come to this. Individualistic cultures are those cultures that are focused on the individual; can you, thank you.

The needs of individualistic cultures are very different from the needs of the collectivistic cultures. The priorities are different individualistic culture say that if the individual is doing what is required the society will take care of it. Collectivistic culture say our profits are common, our losses are common, we are part of each other, we function has a team we function as a network the individual can keep doing whatever here she wants to do, but you are always connected to this, collective, this collaborative team group of people community.

So, the priorities are different. The genders for corporate social responsibility will be very very different according to the culture that we functioning. So, that will intern determine what kinds of activities we indulge in.

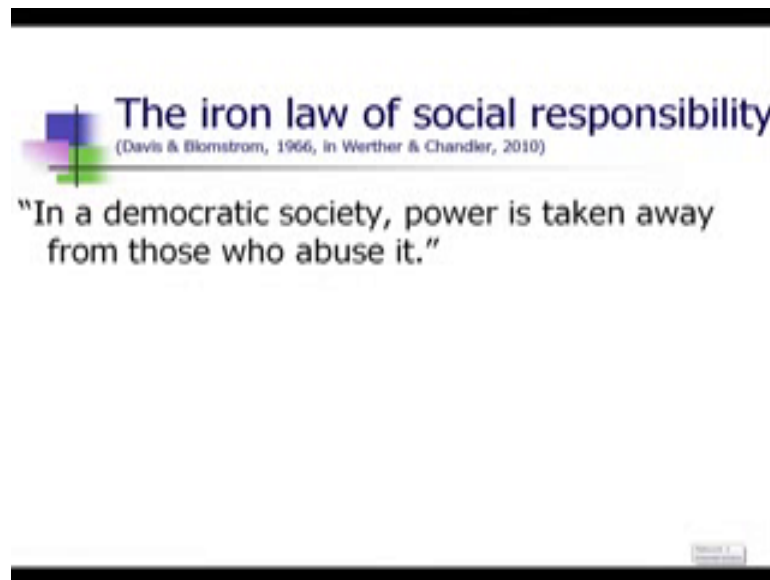
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Then, moral argument for CSR is the existence of an organization and the expectations of the community and the wider society it functions in need to be balance. One is yes, I have a factory I have lots of money I will say I will go and donate maybe 200 computers to all the children, I will give a computer to every child in the village- very nice thought. As those village have electricity, are these children literate? What will they do with the computer? Have you trained them how to use it? Does the village have an internet connection? What does the community need? May be the community does not have enough water, instead of spending all that money on computers why do not you dig maybe twelve or fifteen wells; so that kind of thing.

Maybe people do not have enough woolen clothes or maybe you know they (Refer Time: 16:34) touched hurts may be, you can build you can spend the same amount of money building community spaces maybe it is in an area where there are constant hurricanes maybe you can build hurricane shutters instead of donating computers to the children; that will be of more use to the community. So, you know the moral argument here is that we must balance the expectations of the community with what we are ready to give to them. So, we must find out what they need and accesses our resources and bring these two as close to each other as possible.

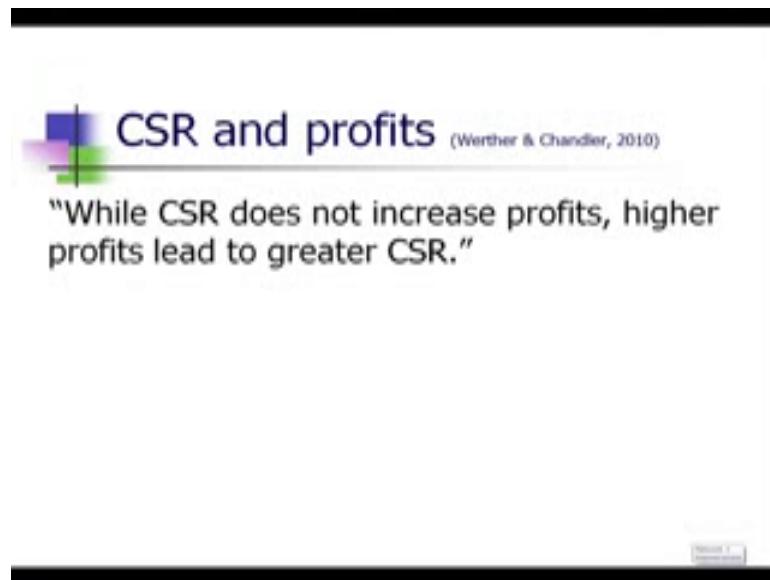
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The iron law of social responsibility: in a democratic society power is taken away from those who abuse it. Applied to CSR activities if we do not give back to the society, in a democratic society the society will pull the organization down. We will not be able to survive in a community if we keep harming it, if we keep damaging it, if we only keep taking from it we will not be able to survive the community the society will eventually say I have had enough nature, we will say I have had enough and completely bring us down the power to survive in that environment will be over. You know we had examples of factories being built near rivers and by taking a lot of water from those rivers those rivers have dried up. Central India we had some cases there.

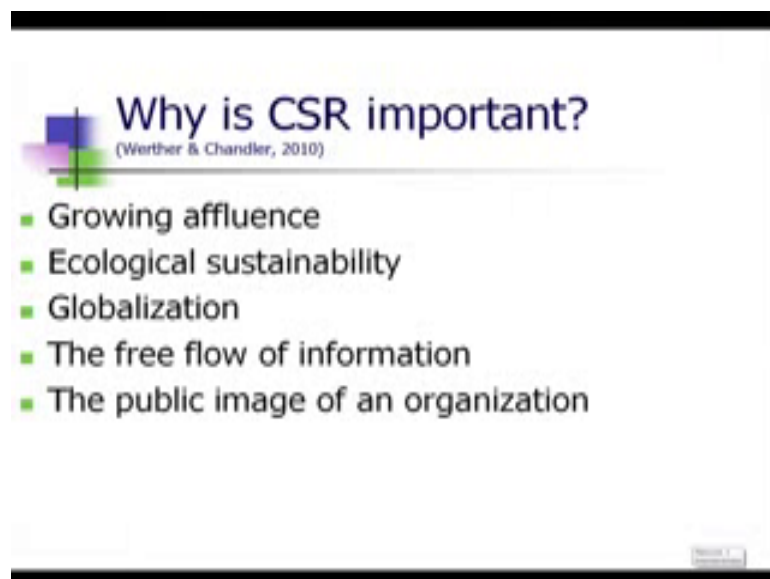
So, you keep taking the water, you keep taking it, you keep pumping effluents into it; eventually nature says have had enough I will not give you water you built a factory on my river bank on my bank great, fine, now there is no river there. There is no water there. So, the factory had to be shifted to another location so things balance out.

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CSR in profits: while CSR does not increase profits. This is proven in an through research higher profits lead to greater CSR. You have more money to spend. Again CSR may lead to increase profits because your public image increases it becomes better.

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Why CSR important? Growing affluence- people have more money ecological sustainability we have to protect the nature that we are in. Globalization: people are moving, people are able to know what is going on in other parts of the world. The free flow of information, and I will just show you what free flow of information does. We are

able to take information from any part of the world and take it to any other part of the world.

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This is free flow of information. These people did not know they were being watched when they were indulging in these behaviors romance spitting out of a car window, somebody throwing trash outside a moving car, people splitting they did not know. So, we do not know what information is going to be captured and circulated and how and when, we need to be carefully.

And of course, the public image of the organization. It always helps build republic image of an organization if we are good with our CSR activities, if we are appropriate with our CSR activities if we give back to the society that we take so much from. So, that is why CSR is important.

Now this is where we will stop for today's lecture. This was just meant to be very brief introductions I just want to stimulate you want to start thinking about what you can do to look after the environment that you live in. And we will carry on the discussion in the next lecture.

Thank you very much for listening.