AUTHOR

Gajendra Pal Singh
Assistant Professor,
Dewan VS Institute of
Management, Meerut

A Study on Corporate Social Responsibility

With Special Reference to ABB and TATA

ABSTRACT

In the development of corporate ethics, we have reached a stage, where the question of the social responsibility of business to the community can't be ignored or taken lightly. In the environment of modern economic development, the corporate sector can no longer function in isolation. If the plea of the companies, that they are performing a social purpose in the development of the country is to be accepted, it can only be judged by the test of social responsiveness shown to the needs of the community by the companies. A more proactive approach is required to conduct business, to balance economic efficiency and maximizing social and environmental protection. This concept is known to the business world as Corporate Social Responsibility (CSR). The social obligation of the corporation were highlighted as a strong reaction to certain practices of business, which undermine human rights , healthcare , labor standards, environment , poverty and education. Today manager must also consider and evaluate the legal, ethical, moral and social impact and repercussion of each of their decisions on business. In many companies like as TATA and ABB, the area of social responsibilities is identified as a major functional area and the campaign of CSR has been actively begun & supported by multilateral agencies like the World Bank, Organization for Economic Cooperation and Development (OECD) and the European Commission.

1.   INTRODUCTION

Corporate Social Responsibility (CSR) has recently been the subject of increased academic attention. While social responsibility has figured in commercial life over the centuries, in the modern era, increasing pressure has been placed on corporations to play a more explicit role in the welfare of society. In this work, Gowen (1876) argues that industry has an obligation "to pursue those policies, to make those decisions, or to follow those lines of actions, which are desirable in terms of the objectives and values of society". (Bowen, 1953) and Epstein (1987a, 1987 b), however, argues that the concept of specific business ethics can be traced further back to certain academics and businessmen in the nineteenth century, who promulgated the belief that "private business is a public trust". Bowen (1953) sets the scene in this field by suggesting that the concept of specifically corporate social responsibility emphasizes. Businesses exist at the pleasure of society and that their behavior and methods of operation must fall within the guidelines set by society and Businesses act as moral agents within the society.

According to World Business Council for Sustainable Development. "The continuing commitment by business to behave ethically and Contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large." The European Commission says "Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing more into human capital, the environment and relations with stakeholders." Corporate Social Responsibility can best be understood in terms of the changing relationship between business and society. Many people believe that it is no longer enough for a company to say that their only concern is to make profits for their shareholders, when they are undertaking operations that can

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fundamentally affect (both negatively or positively) the lives of communities in countries throughout the world. Apart from researchers, organizations like NGO, international and national bodies have also defined CSR. Few of the definitions are given below. Cswire 1980 says "CSR is a public movement, which has gained more momentum as citizens demand corporations to be accountable for their impacts. Consumers, investors and employees alike are. Recognizing the power held by corporations and efforts are being made on several levels to create global change with the hope that earth will become a better place".

2.   REVIEW OF LITRATURE

Increasing role of business on the governance and common persons lives, the relevance of understanding and implementing corporate social responsibility and corporate philanthropy has taken exceptional growth with the increasing capture of world resources by corporate houses and also by the voluminous increase in stakeholder of business, CSR has become a buzzword for tomorrow managerial practices and dictums. The emergence of a niche market in Europe and America further adds up to the adoption of CSR. There is enough empirical evidence that the CSR gives raise to sustainable competitiveness, therefore CSR is relevant in the periphery of strategic decision making also. Many academicians and practitioners in India have highlighted the scope, importance, and function of CSR.

Prior to the 1960s business ethics was a major area of concern but it was ultimately left to the theologians to discuss issues such as fair wages, unfair labor practices and morality of capitalism and the protestant work ethic taught the people to work harder in order to be successful. Corporate social Responsibility (CSR) had its roots of thinking in the twentieth centuries, where the theologians and the religious thinkers suggested the application of religious principles to business activities.

Andrew Carnegie has a two-fold principle based on religious thinking. First was the charity principle. In which the wealthy and the generous individuals contributed to the resources for aiding the unfortunate and the other was the stewardship principle is a biblical doctrine, which requires business and wealthy individuals to see themselves as stewards or caretakers, not just of shareholders but also of society's resources for the benefit of society as a whole. Corporate Social Responsibility (CSR) has recently been the subject of increased academic attention. While social responsibility has figured in commercial life over the centuries, in the modem era increasing pressure has been placed on corporations to play a more explicit role in the welfare of society. Although the topic rose to prominence in the 1970s (Carroll, 1979; Wartick and Cochran, 1985), the first publication specifically on the field dates back to 1953. In general, the social responsibilities of a firm seem to arise from the intersection and compatibility of the political and cultural systems with the economic system (Jones, 1983). However, Friedman (1970) argued that the successful functioning of our society depends on the role specialization of its institutions (or systems). According to him, the corporation is an economic institution thus they should specialize in the economic sphere; socially responsible behavior will be rectified by the market through profits. In Friedman's (1970) view, business has only one social responsibility and that is to maximize the profits of its owners (to protect their property rights). Organizations are seen purely as legal entities incapable of value decisions. A manager who uses a firm's resources for non-profit social purposes is thought to be diverting economic efficiency and levying an "illegal tax" on the organization. Opponents (Frederick et aI., 1992) of this view, challenge are the very foundations of Friedman's thesis - the economic model. They claim that the economic model and role specialization of

institutions (or systems) are not working as suggested. This comes because of the rise of oligopolies in certain sectors; the separation of ownership and management; government's involvement in the economy and conversely industry's involvement in the political process through lobbying.

In addition, if corporations do not adopt "social responsibility", government with its potential for inefficiency and insensitive bureaucratic methods may be forced to step in. With respect to Friedman's argument, that the legal conception of corporations' articles and memorandums of associations limits a firm's involvement solely to economic roles. It claimed that they are broad enough to allow departures from this narrow path. Davis, 1975 on the view "Social responsibility is also seen as a consequence of and an obligation following from the unprecedented increase affirms social power (as taxpayers, recruiters, etc). Failure to balance social power with social responsibility may ultimately result in the loss of this power and a subsequent decline of the firm".

4. CURRENT MODEL OF CORPORATE SOCIAL RESPONSIBILITY

To decide on the parameters and legitimacy of CSR for an enterprise, we need to draw distinctions between three different types of CSR a business can practice. They are:

a) **Ethical CSR**-involves in fulfilling the firm's ethical duties. This is "social responsibility" in the sense that a corporation is morally responsible to any individuals or groups where it might inflict actual or potential injury (physical, mental, economic, spiritual and emotional) from a particular course of action.

b) **Altruistic CSR-** The terms altruistic or humanitarian CSR is coined for to suggest genuine optional caring even at possible personal or organizational sacrifice.

c) **Strategic CSR** is done to accomplish strategic business goals. This is "philanthropy aligned with profit motives". Social goals might be profitable in the long run since market forces provide financial incentives for perceived socially responsible behavior (Quester and Thompson, 2001). Stakeholders outside the stockholder group are viewed as means to the ends of maximizing shareholder wealth (Goodpaster, 1996). Such strategic philanthropy grew popular beginning around the mid-1980. Sones (1997) and Carroll (2001) expects it to grow in the years ahead. The idea is that while being socially responsible (and ethical, too) often entails short-run sacrifice and even pain, it usually ultimately results in long-long gain.

5. DRIVERS OF CORPORATE SOCIAL RESPONSIBILITY

Values; a value shift has taken place within businesses where they not only feel responsibility for wealth creation but also for social and environmental goods. *Strategy;* being more socially and environmentally responsible is important for the strategic development of a company. *Public Pressure*; pressure groups, consumers, media, the state and other public bodies are pressing companies to become more socially responsible.

6. GENERATION OF CORPORATE SOCIAL RESPONSIBILITY

Thus contrary to popular belief CSR is not a product of 1990s mismanagement and guilt, but has been studied as far back to 1950s. The primary role of business is to produce goods and services that society needs; there is also interdependence between business and society in the need for a stable environment. Increasingly, up to 1970 the understanding of CSR largely concentrated on companies obligation to work for social betterment. However, at the

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start of the 1970s there was a distinct change towards social responsiveness, in other words the capacity of organizations to respond to social pressures. This movement in effect characterized a change from a more philosophical approach to one that clearly focuses on managerial action. Simon Zadek (2001) describes the development of CSR broadly in terms of three generations. **The first generation of CSR** showed companies could be responsible in ways that do not detract from, and may contribute to commercial success. It is the most traditional and widespread form of CSR and is most often manifested as corporate philanthropy. It rose to heights in 1990's when huge amount of money being donated by individuals such as Ted Turner and Bill Gates. It is not part of the main business of the company but may add commercial value through reputation enhancement. **The Second Generation** is now developing where companies, and whole industries, see CSR as an integral part of long-term business strategy. Now day's lots of companies are taking CSR seriously for good of business. The business level of strategy and goal setting addresses the issue of "how should a firm compete in a given business". **Third Generation** of CSR is needed in order to make a significant contribution to addressing poverty, exclusion and environmental' degradation. This will go beyond voluntary approaches by individual companies and will involve leadership companies and organizations influencing the market in which they operate and how it is regulated to remold whole markets toward sustainability. However, all of the above issues raise many contentious and unanswered questions regarding the parameters of responsibility for a company.

7.   TREND & SCENARIO OF CSR IN INDIA AND ABROAD

International (*UK, Latin America, USA, Europe, Japan, France, Italy*) law clearly delineates that companies have human right responsibilities, although some of the specific responsibilities are ambiguous .The universal declaration of human rights calls upon all organs of society ,whether civic groups, corporations, or governments , to protect and promote human rights. In 2000, the Organization for Economic Cooperation and Development (OECD), guidelines for multinational enterprises were amended, passed by member states, which are committed to promote them at a national level. In United States, CSR trend evolved in large part through the efforts of a few visionary leaders like Rockefeller, Ford, Hewlett and Packard. In 1960's and early 1970's, the U.S. government established regulatory agencies that shaped much of the internal CSR benchmark.

OSHA (Occupational Safety and Health Administration), EEOC (Equal Employment Opportunity Commission), CPSC (Consumer Product Safety Commission) and the EPA (Environmental Protection Agency) created standard for responsible corporate practices, which have become threshold for minimal internal CSR behavior. In Europe, numbers of companies are promoting their corporate social responsibility strategies as a response to a variety of social, environmental, and economic pressure. They aim to send a signal to the various stakeholders with whom they interact: employees, shareholder, investors, consumers, public authorities, and NGOs. In other countries like UK, Latin America, USA, Europe and Japan, CSR has been identified as a major function and responsibility in corporate sector.

8.   INDIAN TRENDS AND SCENARIO

Corporate responsibility is not an alien concept to India. CSR is culture specific "the issue is only that of prioritization". CSR measures should focus on benefiting "people and communities other then those whom they (the companies) are contractually obliged to",

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namely those " who are socially and/ or economically disadvantaged " (Shrivastava & Venkateswaran, 2000). In its oldest form, corporate responsibility in India has been reflected in approaches akin to corporate philanthropy and the Gandhian trusteeship model. This is characterized by corporate donations in cash or kind, community investment in trusts, and provision of essential services such as schools and infirmaries etc. Indeed, many firms, particularly "traditional business", continue to promote philanthropy. Some Indian companies are also embracing the stakeholder model, where by companies respond to the needs of stakeholders; customer, employees, communities, etc. TATA and ABB are probably the most well known in this regard but there are number of other companies that are equally progressive. However, corporate strategy still needs to become an integral part of business strategy. The key is being more sustainable is for a business to adopt, demonstrate and practice more holistic approaches to business, where financial drivers together with sustainable development performance, i.e. social equity, environmental protection, and economic growth , are incorporated into main stream business strategy and embedded in organization values.

10.   CSR ACTIVITIES IN TATA

Social Responsibility (CSR) is a constantly evolving concept now, where the concepts of work and industries are constantly shifting to adapt to new paradigms. The TATA Council for Community Initiatives (TCCI), is also reorganizing its focus on CSR to include more than just 'giving' to the communities that they are present in. A study on 'Benchmarking Corporate Social Responsibility Activities', by the Gas Authority of India Limited (GAIL), finds, Tata Steel creating a benchmark in corporate social responsibility (CSR). The study has been based on 'Organization Dynamics'. The purpose of the study was to identify the

best practices in CSR activities available in Tata Steel and enable GAIL to undertake the interventions more effectively and in a more focused manner. Tata Steel is a pioneer in the concept of CSR. It believes that the loyalty and commitment of its employees depend upon the quality of life they are provided with at work and at home. Consistent with the Group Purpose, Tata Steel has declared in its vision statement that it will constantly strive to improve the quality of life of the communities. It serves through excellence in all facets of its activities. The company has received a number of awards in recognition of its CSR efforts. The most recent testimony to Tata Steel's contribution is The Energy & Resources Institute (TERI) award conferred on it in recognition of corporate leadership for good corporate citizenship and sustainable initiatives. Tata Steel is the only Indian company to have pledged to translate the Global Compact principles on human rights, labour and environment into practice and was conferred the Global Business Coalition Award for Business Excellence in the Community for HIV /AIDS. Over the years, the nature of the company's involvement with the community has undergone a change. It has moved away from charity and dependence to empowerment and partnership. The many facets of Tata Steel's efforts are medical and health services in the rural and semi-urban areas, sports, women's health & education, water harvesting & tribal development, relief & rehabilitation and income generation among others. Some of developmental activities are-

- Co-operatives are generating leather industry related employment for women at Indore and Mow.
- Maintenance of a public children's park in Dewas town.
- Public library in Dewas supervised by workers as a volunteer activity.
- Consultancy for marketing services and computer classes for NGO's as

volunteer activity.

- Tata Public School in Dewas.
- Provides training to women in the manufacturing of leather articles at a Vocational Training Centre at Indore, in collaboration with the Madhya Pradesh Handicraft Development Board (Hasta Shilp Vikas Nigam).

Environment protection in the TATA is conducted as given below:

- 2, 00,000 trees planted in the leather factory at Dewas.
- Deer park in the leather factory at Dewas.
- Reforestation of Tekri hillock in Dewas town.
- Sophisticated effluent treatment plant at the leather factory.
- Reverse Osmosis plant for liquid waste.
- R&D projects like processes for chrome free leather, process changes study for eco labeling of leather products.

TATA has also given financial assistance to NGOs in the fields of:

- Education.
- Environmental consciousness.
- Healthcare.
- Medical research.
- Social welfare.
- Energy conservation

11.   CSR ACTIVITIES IN ABB

Corporate Social Responsibility {CSR} in ABB LTD may deal in five basic heads-

Health- ABB supporting the neediest in Brazil. Disadvantaged people line up at ABB supported soup kitchen shop close to one of the company's plants in Brazil. Feeding hundreds of people every day, it is one of many social programs supported by ABB in the country. ABB and its employees are involved in more than a dozen social welfare projects in Brazil, which range from providing shelter for ill people to soup kitchens shop and extracurricular teaching for the socially

disadvantaged. More than 1,000 employees donate part of their salaries and many of them volunteer free time to help regularly in a variety of projects. Underprivileged children aged between 7 and 14 receive additional schooling, including computer training, English and Art lessons, as well as food and medical and dental check-ups, on the grounds of ABB's plants in Osasco and Guarulhos on the outskirts of São Paulo. ABB supports an institution in Betim in Minas Gerais state, which offers shelter to young people with cerebral palsy. Employees in Osasco also support a program for recovering drug addicts, which offers them shelter, legal services, medical support and sex education. **Safety-** ABB's safety performance in 2005 was characterized by contrasts. On the one hand, the number of deaths and injuries was similar to 2004 and this remains a matter of concern and priority action. At the same time, safety leadership training has been continuing at many levels of management and for safety specialists throughout ABB. 20 people died because of ABB operations in 2005. Of these 11 were in the workplace, and nine were road travel-related. 47 people were seriously injured. The number of employees who died and Lost Time Incidents (LTIs) at work fell for the second year, but contractor fatalities and road traffic-related incidents rose. A number of measures initiated in 2004 were driven forward last year. ABB implemented an Occupational Health and Safety Management System (OHMSMS) globally and continued safety leadership training for senior managers. By the end of 2005, 96 percent of business units had achieved 75 percent or more OHSMS implementation.

Education- ABB helps to develop children's talents in Poland. A priority for ABB is to support communities close to its manufacturing plants. In Poland, the company and employees offer a range of projects to help children develop skills and use their free time more productively. Being at home in the

communities, where it operates is a core element of ABB's business philosophy. Social projects near ABB's plants, such as those in Poland are one way that ABB becomes integrated into the community. **Employment-** ABB gives a prestigious award for helping disabled people. Employing people with disabilities like this man at an ABB site in Peenya, near Bangalore, is one of many ways ABB in India helps raise social standards. ABB in India won the prestigious Helen Keller award in 2005 for its innovative projects to help people with disabilities to obtain jobs. Besides employing disabled people, ABB supports an initiative with Prabodhini, a leading NGO in the western city of Nashik, where mentally challenged students learn in a special workshop how to be productive. Among other activities, they are engaged in supplying sub-assemblies for ABB's medium-voltage switchgear plant in the city. ABB is now extending this initiative to other locations in India, where it has manufacturing sites. The Helen Keller award - instituted by a leading NGO, the National Centre for the Promotion of Employment for Disabled People - is for individuals, organizations and institutions, which support and provide gainful employment for people with disabilities. The Minister for Human Resource Development presented it to ABB in year 2005. **Environment-** ABB manufactures products and systems that raise energy efficiency and reduce environmental impact. In South Africa, these products help customers meet the government's energy savings targets. When the Department of Minerals and Energy in South Africa called on the public and private sector to sign a voluntary energy efficiency accord in May 2005, ABB was one of the first companies to commit to the program. The accord aims for a 12 percent cut in national energy demand and a 15 percent reduction for industry and mining by 2015. Signatories will also collaborate to attract investment in Clean Development Mechanism projects, set up

under the Kyoto Protocol.

12.   CONCLUSION

In modern times, the objective of business has to be the proper utilization of resources for the benefits of others. A profit is still a necessary part of the total picture, but it is not the primary purpose. This implies that the claims of various interests will have to be balanced, not on the narrow ground of what is best for the shareholders alone but from the point of view of what is best for the community at large. The company must accept its obligation to be socially responsible and to work for the larger benefit of the community.

Objectives are concerned with the needs and welfare of the society. Objectives serve the interests of the society. Objectives are social oriented. The perspective of social objectives is mostly long term. Social objectives justify the survival and growth of the enterprise. Several social objectives are not tangible. Sometimes social objectives may have ambiguity.

"Do well by doing well" should be the mantra for the modern corporate citizens. Corporate social responsibility should integrated into corporate strategy. Initial commitment is must. The measures taken to promote CSR and the results of CSR related activities should be share with the key stakeholders including the Govt., civil society and other business. Feedback should be collected from these entities. Corporate Philanthropy should be considered not only to increase goodwill but also for poverty reduction. Besides seeing profit building as main goal, companies should think for fulfilling their social responsibilities to sustain competitiveness in market in long run. CSR operations that are more in Indian business should be taken for the students. They should open an institute for the learning and research for students at graduation level on CSR. In India, they should look out for the

health benefits for people suffering severe diseases like AIDS. Creation of awareness among Indians is very vital because very few know about it.

The future for CSR in India and abroad is bright with ever-increasing awareness, that a sound society is a prerequisite for a sound economy. It is important to understand and be sensitive to the cross-cultural perspectives of Corporate Social Responsibility. Improvement of the quality of human life can be done by enabling people to do more, feel better and live longer. However, in reality millions of people in developing countries do not have access to even the most basic healthcare services, including safe and effective medicines that are taken for granted in the developed world. If the health of the developing country like India is to improve, then all sectors of our global society; Governments and International agencies, as well as the private sector must work together in new kinds of partnership, backed by funding on a massive scale.

Factors need to be considered while charting the future course for CSR in India are: Understanding of how Industry's decisions impact the stakeholder environment and what are possible alternatives participating in planning and goal Setting of public affairs endeavors and transforming other mindsets on the relevance of the Public interest. Businesses have found clear benefits from social and environmental involvement. Companies, which take these issues seriously not only achieve benefits to society; but also enhance their reputation, improve competitiveness, and strengthen their risk management. These benefits do not happen just as a matter of course. Businesses need to plan, manage and measure what they do. The very best results will occur when the involvement has natural links with the company's core business and involves active participation of employees suitably supported by both money and time as ABB and TATA has proven to the business world.

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