

Corporate Social Responsibility Versus Social Accountability - Importance in Terms of Their Contribution to Long Term Survival of Companies

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ABSTRACT: Corporate social responsibility personifies the strategies corporations or firms that they have to conduct their business in a way that is ethical, society friendly and beneficial to community in terms of development. This article examines the meaning of and it further discusses the Triple bottom line approach and the different phases of CSR development in India. This paper also details the steps in formalizing the social accountability and its challenges.

Keywords: Corporate Social Responsibility, CSR development, Social Responsibility

I. INTRODUCTION

Shaping the quality of life of people, society, nation and globe as a whole and also relationship between business houses and society is seen as a requirement for the long term survival of organizations, this paper makes an attempt to understand the importance between Corporate Social Responsibility and Social Accountability considering their contributions in terms of long term survival of companies.

Corporate Social Responsibility or CSR as it is known, is a concept which is prevalent in business reporting in the recent past. Every organization having a policy concerning CSR and crops a report annually describing its activity. The public or society also claims to be able to distinguish corporate activity that are socially responsible and activity that are not socially responsible. Two interesting halves about this; that is no need for any two to agree with each other about what is socially responsible; and though the society claims to distinguish what it is or is not when asked to define it then it is found to be impossibly difficult.

However in general CSR is understood as something is concerned with the relationship between an organization and the society in which it exist in or operates.

Whereas Social Accountability, is known as measure of an organization's state of being mindful of the emerging social concerns and priorities of internal and external stakeholders (community, employees, governmental and

nongovernmental organizations, management, and owners). It is reflected in the organization's verifiable commitment to certain factors (which may or may not be tied directly to its processes) such as

- willing compliance with employment, health and hygiene, safety, and environment laws,
- respect for basic civil and human rights, and
- betterment of community and surrounding

This paper is an attempt to understand the difference and similarities of CSR and Social Accountability and also prioritize the importance between the two, in terms of long term survival of companies.

II. TRIPLE BOTTOM LINE (TBL) FRAME WORK

Objective of any organization or business entity is rapidly changing from focussing only on profits or economic growth to the Triple Bottom Line frame work, which includes social and environmental (or ecological) factors over and above the financial results.

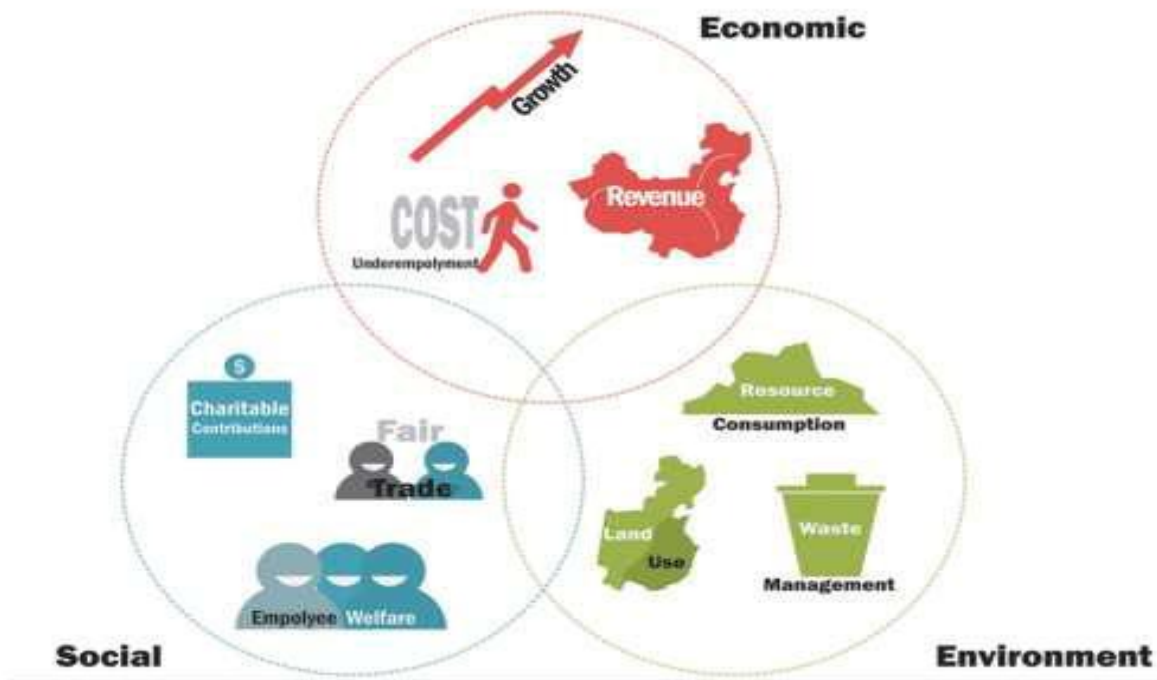


Figure 1: Triple Bottom Line (TBL) Frame Work

(https://en.wikipedia.org/wiki/Triple_bottom_line#People,_the_social_equity_bottom_line)

The financial bottom line, now under triple bottom line model, does not only focuses on internal profit made by the organization, like how it was being done in the past, as it has to consider other 2 bottom lines.

The environmental bottom line, or natural capital bottom line focuses on sustainable environmentally safe practices. A TBL company takes all possible efforts not to harm the environment and also to minimise environmental impact, which reduces its ecological footprint by carefully managing, monitoring and minimizing in all possible ways, its consumption of energy and non-renewables, reducing manufacturing waste as well as rendering waste less toxic before disposing of it in a safe and legal manner. It is a common practice among TBL organizations, now to conduct a life cycle assessment of products to determine the environmental cost from the manufacturing point to the disposal by end user.

Considering the need to sustain in the business and for which the environment and resources becomes critical over a period of time, every organization today becomes very cautious about the environment in which it operates. Moreover increased awareness among the end users of all kinds of products and services, today any organization producing any product or offering any service, which is harming the environment, will be rejected or becomes least preferred by its customers.

The social bottom line may include anything from employee satisfaction, concerning to fair and beneficial business practices towards labour, the community and region in which the organization conducts its business. A

TBL company conceives a common social structure in which the well-being of the organization, labour and other stakeholder interests are interdependent.

An organization dedicated to the triple bottom line seeks to provide benefit to many constituencies and not to exploit or endanger any group of them. The "upstreaming" of a portion of profit from the revenue generated out of the business back to the original producer of raw materials, is a common feature. In concrete terms, a TBL business will not involve in employing child labour and monitor all the other interested parties associated with them like their vendors for an example, for child labour exploitation, will ensure payment of fair salaries to its employees, will provide and maintain an environment that is safe to work and stick to the working hours as per government regulations, and will not exploit a community or its work force. A TBL business also typically seeks to "give back" by contributing to the strength and growth of its community with such things as health care and education. Quantifying this bottom line is relatively new, problematic and often subjective.

III. CSR IN INDIA

The corporate social responsibility (CSR) movement instigated as a voluntary participative program by the corporates, involving in the programs, which are implemented by the government or independent organizations / teams, to address social issues, through effective participation, using organization's economic power and overarching presence.

Now, the movement is transitioning from its reliance on purely voluntary activity to the greater use of laws. The

push for legalisation came because voluntary CSR presented problems such as free-riding (companies taking advantage of benefits without actually spending), green washing posing as CSR, and false disclosures.

India at the vanguard, going further than any other country; in 2013, it enacted Section 135 of the Indian Companies Act prescribing a mandatory “CSR spend of 2% of average net profits, during the three immediately preceding financial years” for all companies meeting specified financial thresholds.

In other words, companies “having net worth of rupees five billion or more, or turnover of rupees ten billion or more or a net profit of rupees fifty million or more during any financial year” have to ensure that they spend 2% of average net profits made during the three preceding years on CSR activities.

For the amounts spent there is a structured reporting to be done, submitted and the same is reviewed and validated by the approved third parties as required.

The corporates establish CSR teams with in the organization who normally are responsible for the development of strategy, specific policies and goals for their CSR programs. The budgetary provisions are made and given to support these teams to implement the programs, These CSR programs may range from over all community development to supporting specific causes like environmental issues, education, health care etc. In India, slowly the approach is changing from responsive activities to sustainable initiatives in the recent past, which is found to be a positive change. India being a large country in size, population, diversity of the issues and the scale in which they are to be approached or addressed, it is difficult and time consuming. Effective usage of the resources available with the corporates like, manpower, financial resources, knowledge resources, can facilitate these changes faster. Also good partnership between these corporates, NGOs and government is one another key factor in effective implementation of these schemes. Some of the prevalently known CSR programs in India, implemented by the corporates are

- Adopting villages or schools
- Tree plantations
- Providing sanitation or common facilities like primary health centres, in villages
- Setting up skill development training centres and providing skill oriented trainings

As per KPMG’s survey on CSR report 2015, reveal that out of the total 100 companies, most companies have come up with an annual report in compliance with the Companies Act, 2013 and the CSR Rules, and many with an annual report on CSR in the prescribed format, which showcases a focussed approach. India Inc., ideally, needs to pledge to go

beyond the existing boundaries of CSR programmes and reach out to the society and country at large.

IV. SOCIAL ACCOUNTABILITY IN INDIA

Social accountability in general is understood as an obligation and responsibility on the part of the government to be answerable to the citizens for its actions. But in the context which is a focus, the terminology Social Accountability focuses on the corporates or business houses who are accountable for their employees and the supply chain.

Under Triple Bottom Line model, the Buyers or Customers or Brands or OEMs attempts to demonstrate their adherence to the vital ethical practices, as their values and uprightness. It is not only demonstrated in their own organization but extended throughout their supply chain using various schemes.

It started from the Brands of western countries, mostly from the textile sector and spreading into leather, electronics, Jewellery, Toys, Automotive, Pharmaceutical and many more now.

Following are the vital few ethical practices, derived from United Nation’s guiding principles and ILO Conventions that are in focus for the Brands or OEMs in entire supply chain.

- Not employing child or young labour
- No forced labour in the organization
- Ensuring healthy and safe working environment
- Ensuring freedom of association for collective bargaining
- Equal opportunity ensuring that there is no discrimination based on gender or religion etc.
- Adherence to the statutory and regulatory norms on working hours and wages and
- Environmental friendly practices in all the processes

Though this looks like a great initiative by the brands in general, there is also an another side that shows a different picture like these are expected to be practiced by the supply chain but not practiced by the brands in their own facilities. This is found to be true sometimes that leaving an impression that it is only a brand building exercise, rather than an initiative to ensure ethical practices leading to better working and living conditions in the supply chain.

V. CHALLENGES

In terms of objective or expected outcome, both CSR and SA can be considered as the same, as objective of both programs are to uplift the stakeholders, society or improvement in standard of living or community

development etc. At the same time in terms of scale and reach, it may differ widely. The requirements of Social Accountability are addressed in legal requirements of the country like

- Indian Factories Act 1948
- Minimum Wages Act, 1948
- Industrial Establishment Act 1946
- Contract Labour (Regulation and Abolition) Act 1970
- Interstate migrant workmen Act 1973

and many more.

Where as in CSR, the program needs to be planned and developed understanding the needs of the community or society that is aimed to be improved or uplifted. This needs a specific skill for the team involved in the implementation of the unambiguous program. CSR can be considered as a shared responsibility of the organization who executes business activities with that community or society but Social accountability is sole and mandatory as they are requirements of laws or acts to be adhered by any organization who wants to carry out business activities.

However, extensive deviations are found between the legal requirements and the practices like

- extensive hours of working exceeding the legal limits,
- non adherence to the minimum wages
- usage of forced labour
- usage of child labour issues
- various forms of harassments
- false apprentice schemes
- different forms of discrimination
- non-payment of premium wages for the overtime work
- non adherence to the norms of pollution control board
- non provision of statutory benefits like PF, ESI etc. to the employees
- unsafe working conditions, etc.

Under these circumstances the question that arises is that when the organizations are not meeting these minimum legal requirements which are mandatory to carry out their business activities reported to be involved in CSR programs and that leads to a big contradiction. If every organization takes care of their own employees first, by adhering to the local legal regulations, which are minimum in nature, the need for CSR support may get minimised atleast to some extent in the community or society.

Also on the other hand, a big brand involved in production and marketing of tobacco products, which are morbid, involved in CSR programs like setting up of primary health centres in the villages, contradicting to the product they produce and the CSR program they involved in. Instead of setting up few primary health centres, if they stop producing tobacco products, that will result in a healthy community or society.

Also there are cases like a textile dying house leaving the processed contaminated water in to the local water streams, polluting it and adopting a school in the nearby village, does not help the community or society upliftment, as over a period of time there may not be anyone in the village to make use of the school adopted by this organization.

Over and above cases like these, government organizing programs to create awareness on adverse environmental effects caused by usage of plastics one side, providing licenses to the companies to produce plastic products and validating their CSR programs, on the other side, makes it more complicated to understand the whole intention.

Issues stated above results often in lack of participation or support of local community who are the intended beneficiaries, in the implementation of the CSR programs, which is very critical for the success of the program. The situation is further aggravated by inadequate communication between the organization and the community at the grassroots level.

Lack of communication at grass root levels further leading to issues of transparency and lack of consensus between the organization and stakeholders and community or the needs, priorities etc.

VI. CONCLUSION

Though the relationship between industry and society exists from the beginning of industry era in various forms, as the time goes and various changes takes place in the way the business activities are carried out to overcome the challenges arising out of the changes that are taking place like globalization, change of policies, need for the focus on triple bottom line etc., this relationship has undergone remarkable changes.

The sustenance or long term survival and growth of any business today is majorly dependent on the quality of support the organization gets from all the stake holders, which is the society at large. Only in the recent past CSR started becoming a business strategy than benevolence and becoming a continuing commitment.

However, the idea is still expected to be conceived better among the organizations, which will lead to better development and implementation of the schemes through

- usage of better trained human resources

- better communication systems leading to complete transparency
- need based schemes developed based on appropriate information and resulting in improved involvement of community, who are the beneficiaries

But before all the above it is important for the organizations to ensure adherence to Social Accountability issues, that are the minimum legal requirements, that can assure confidence to the employees of the organization who are the very important stake holders of the business and also part of the society or community.

Above may take the CSR beyond, planting trees or adopting schools or some charity. It is important to move away from just doing something good to see CSR as a part of business strategy to make measurable or tangible positive impact in the community or society.

SCOPE FOR FURTHER RESEARCH

Additional research on this may be of great help to go further beyond and also validate the experience.

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