CORPORATE SOCIAL RESPONSIBILITY AND ORGANISATIONAL COMPETITIVENESS – PERSPECTIVE AND IMPERATIVES

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ABSTRACT

The business environment has undergone vast changes in the recent years in terms of both the nature of competition and the wave of globalization that has been sweeping across markets. The evolution of the relationship between companies and society has been one of slow transformation from a philanthropic coexistence to one where the mutual interest of all the stakeholders is gaining paramount importance. Companies are beginning to realise the fact that in order to gain strategic initiative and to ensure continued existence, business practices may have to be moulded from the normal practice of solely focussing on profits to factor in public goodwill and responsible business ethics. These all changes led to the introduction of the concept of corporate social responsibility (CSR). Corporate social responsibility is operating a business in a manner which meets or excels the ethical, legal, commercial and public expectations that a society has from the business. CSR can significantly contribute towards the creation of competitive advantage. There are different perceptions relating to the CSR. The present paper focuses on the implications of CSR in building the competitive advantage in the realm of global competition.

KEY WORDS: Globalisation, Competition, CSR, Competitive Advantage.

CORPORATE SOCIAL RESPONSIBILITY AND COMPETITIVE ADVANTAGE – AN OUTLOOK

INTRODUCTION:

There has been a sea transformation in the nature of the relationship between companies, the state and the society. The business enterprise makes use of the resources of society and depends on it for its functioning. The society expects businesses to discharge CSR activities. In this kind of economy, society takes a positive as and a skeptic view of CSR activities and expect a responsible and ethical behavior from the corporations. No longer can firms continue to act as independent entities regardless of the interest of the general public. Corporate social
responsibility offers a two-way street to companies: on the one hand stimulating innovative business and technological initiatives which would open up new avenues for company operations and focus on the prospect of touching new market zones. Liberalization, Privatization and Globalization (LPG) have worked together for reducing protection and creating a rapidly changing competitive environment resulting in fierce international competition. Organisations are marching towards the identification of various avenues for escalating their competitiveness. The present competition is global in nature. The concept of CSR is emerging as a vital weapon for building and sustaining the organizational growth.

In the light of above premise, the present paper is an effort to study and highlight the various issues and their implications in determining the role of CSR in creating the competitive advantage as well as exploring the further areas of research in this context.

CORPORATE SOCIAL RESPONSIBILITY- AN OVERVIEW

The concept of social responsibility was conceptualized during the early part of the twentieth century. Clark (1916) was among the pioneers to observe that if men are responsible for the known results of their actions, business responsibilities must include the known results of business dealings, whether or not the law has recognized these. The basic idea of corporate social responsibility is that business and society are inter-woven rather than distinct entities; therefore, society has certain expectation for appropriate business behavior and outcomes (Wood 1991).

The World Business Council for Sustainable Development defines Corporate Social Responsibility (CSR) as “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 advocates CSR as “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 is nothing but what an organisation does, to positively influence the society in which it exist. It could take the form of community relationship, volunteer assistance programmes, and special scholarships, preservation of cultural heritage and beautification of cities. The philosophy is basically to return to the society what it has taken from it, in the course of its quest for creation of wealth. CSR is about looking at the relationship of a firm’s activities on society and the environment. It would not be out of line for a firm to introduce more environmentally friendly measures as their approach to CSR.

Different Schools of Thought on CSR

However, there is a lack of consensus on the very meaning of CSR. The simplest classification of views on CSR shows the existence of at least two viewpoints, which can be called as classical and modern. The classical view considers social responsibility as being incompatible with a free economy. The proponents of this view hold that business managers have a single responsibility towards the shareholders. All their endeavors must uphold an undeterred commitment to maximizing shareholders’ value. On the other hand the advocates of the modern viewpoint uphold the theory that business must think beyond the shareholders value and must not ignore its ethical and moral responsibilities. Shareholders are not the only participants of the business operations. Therefore, business must not confine its allegiance towards shareholders only, but
also should be responsible towards the stakeholders at large. This viewpoint is important because the firm is morally bound to uphold the interests of stakeholders of the society, from which, it draws several inputs. Fulfilling this responsibility towards the stakeholders is important for the long-term sustainability of the firm. A firm fulfilling its social responsibility can earn goodwill, which can even help it to increase sales and secure a favorable action from the stakeholders in the event of any crisis.

**Perceptions of CSR**

CSR is a multidimensional concept, which comprises of:
- Social, economic, ethical and moral responsibility of companies and managers.
- Compliance with legal and voluntary requirements for-business;
- Challenges posed by needs of the economy and socially disadvantaged groups and,
- Management of corporate responsibility activities.

**CSR FOR SUSTAINING COMPETITIVE ADVANTAGE**

CSR is one such effective tool that synergises the efforts of Corporate and the social sector agencies towards sustainable growth and development. The process of further integration of the society and business is required and the businesses have to reinforce the positive momentum to strengthen the confidence in the society. A firm is said to have a sustained competitive advantage (SCA) when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy.

An SCA is the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by any current or potential competitors along with the inability to duplicate the benefits of this strategy. A competitive advantage can result either from implementing a value-creating strategy not execution of the same strategy as competitors. The competitive advantage is sustained when other firms are unable to duplicate the benefits of this strategy (Barney 1991). In 1937, Alderson hinted at a basic tenet of SCA, that a fundamental aspect of competitive adaptation is the specialization of suppliers to meet variations in buyer demand. Alderson (1965) was one of the first to recognize that firms should strive for unique characteristics in order to distinguish themselves from competitors in the eyes of the consumer.

The human rights perspective should be integrated in the very core of corporate social responsibility. The emerging role of civil society in governance cannot be wished away. All public institutions need to be accountable to the people at large. But there is a distinction between requiring companies to behave ethically, or in a socially responsible way, and requiring them to take on, whether voluntarily or under compulsion, obligations that do not relate directly to their primary purpose of providing goods and services which people want to buy, and maximising the return on the money entrusted to them by their shareholders. Underlying much of the pressure for CSR is a misunderstanding of what companies are for, and how their contribution to society can best be measured. This is the notion that making profits for shareholders is immoral, or at best amoral, and that a company can only fulfill its social responsibilities by the other things that it does, over and beyond its profit-making role, to help society. Yet there is an ethical dimension to business activity in itself, and to profit as an
indication that the activity is being carried out well. The CSR movement is not simply the creation of a group of anti-capitalist agitators. It reflects, at least in part, a genuine change in the environment in which business operates. There is a widespread demand for greater openness on the part of companies, and an entirely legitimate interest in the wider social impact of what they do. Managers of large companies increasingly have to operate on the assumption that virtually everything they do, however secret, will one day be exposed to public view; the impact of such revelations on their reputation, in the eyes of employees as well as customers, has to be taken very seriously. Thus there is a business as well as a moral case for companies to behave in a socially responsible way. The big question is how far down this road they should go, and, in particular, how far they should go along with definitions of corporate social responsibility which could damage their ability to make profits and, in the long run, undermine the market economy. It is arguable that one of the responsibilities of business leaders to defend the market economy from ill-informed attacks. This is especially important at a time when the tide of hostility to global capitalism is running strongly. For example, it is taken for granted by some NGOs both that global inequality is increasing and that part of the blame lies with multinational companies. Both propositions are highly questionable, and businesses should be prepared to say so. On other issues, such as environmental damage, businesses should be willing to participate actively in the public debate, being open about what they do but contesting criticisms which they believe to be false or exaggerated. None of this is meant to imply that the issue of corporate social responsibility, or more generally of corporate governance, lends itself to simple, black-and-white answers. Politicians have to make difficult judgement as to the appropriate balance between self-regulation and legal compulsion. Business leaders have to consider how best to protect the reputation of their companies and what sort of dialogue to conduct with NGOs and other bodies which may have the power to inflict damage on their business.

CONCLUSION

Corporate social responsibility is one such niche area of Corporate Behaviour and Governance that needs to get aggressively addressed and implemented tactfully in the organizations. The developing countries need a collaborative strategy for economic growth, where the society and the corporate sector work together, which is feasible only when they understand each other. MNCs take the markets for granted and exploit the laxity in the norms of operations to their advantage. The lack of concern for the local community, the consumers and the environment by these corporations has created large scale public debate and action. It is important in this context to understand that the sustainable business growth is associated with care for the community and markets the corporations operate in. The negative publicity caused by the actions of MNCs has led to suspicion about their operations in the general public in these markets. There is a need to develop a more coherent and ethically-driven discourse on corporate social responsibility. Because, it would give a cleaner societal reputation and socially responsible identity to companies, involving the companies and their employees in the long-term process of positive social transition. That companies should be encouraged to behave in a socially responsible way seems an unremarkable proposition. Their activities should be guided, not only by what is legally permissible, but by what is morally right.
Future areas of Research

- Policy Framework for Free and fair Competition.
- Social Awareness.
- Response from the Corporate Sector.

REFERENCES


