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## Challenges of Business Leaders in the Changing Management World 2016

### Abstract

Society is a very complex mesh of social relationships; similarly an organization also has many complex relations among the employees. As the organization develops in the society, it develops a moral responsibility to give back something to the development of the society in one or the other way. CSR is one such way. Many giant corporate companies such as Wipro, Infosys, Reliance, Biocon, Tata, etc., have engaged themselves in the development of society through CSR in one or the other way. Therefore, CSR gives us a way where a society can be developed systematically with the cooperation of the companies.

**Keywords:** CSR, Responsibility, Corporate, Benefits, Drivers, Society, Triple bottom line concept.

### History of CSR

Increasingly, local communities, the media, NGOs, consumers, and civil society in general are demanding that business be carried out in an ethical and socially responsible manner. Though great progress has been made by many companies operating responsibly in highly regulated countries, there remain challenges in less developed regions.

A number of guidelines have emerged to help companies shape their CSR practices, and the International Organization for Standardization (ISO) is looking to build standards around CSR. By and large, many companies are recognizing the need to balance environmental, social, and governmental issues (ESGs). Most have willingly begun to implement practices in their day-to-day operations, demonstrating how CSR should be a core value. And a wealth of civil society organizations (CSOs) and other bodies is available, both to ensure companies work toward CSR objectives, and to help them meet those goals.

In the 60s and 70s, corporate social responsibility began to emerge, and the civil rights movement, consumerism, and environmentalism greatly changed the way society expected the business world to behave. In 1960, the Organization for Economic Co-operation and Development (OECD) convention was created to promote policies aimed at achieving "highly sustainable economic growth and employment, and a high standard of living in member countries, all while maintaining financial stability."

The UN conference of 1972 in Stockholm considered the ever-growing need to find a common ground between both communities and businesses across the globe to preserve the human environment. This conference led to the establishment of the United Nations Environment Programme (UNEP), amongst many other national environmental protection agencies.

In 1976, Canada played a major role in the development of OECD's guidelines, which were set in place to promote "national treatment and complement the Foreign Investment Review Act." In 1980, the International Union for Conservation of Nature (IUCN) released the World Conservation Strategy. It identified the main

culprits of habitat destruction as “poverty, population pressure, social inequity, and the terms of trade” (CSRQuest). The new international development strategy focused on achieving a more stable world economy, stimulating economic growth, evening out social inequities and countering the worst impacts of poverty.

In 1987, the concept of sustainable development was introduced and finally defined in the ground-breaking report *Our Common Future*. The World Commission on the Environment and Development, under Chair Gro Harlem Brundtland, delivered the report to the United Nations.

The year 2000 saw more mergers and acquisitions than any other year in history. In November, the international “Parents for Progress” conference was held in Paris. It stressed the importance for businesses to adopt socially responsible behavior, in an effort to move forward toward sustainable local development.

The results of the conference were published in *Corporate Social Responsibility: Partners for Progress*, OECD, in 2001.

## Meaning of CSR

1. CSR is about how companies manage the business process to produce an overall positive impact on society.
2. CSR is a gesture of showing the company's concern and commitment toward society's sustainability and development.

## CSR Definitions

1. CSR is a corporation's initiatives to assess and take responsibility for the company's effects on environmental and social wellbeing; in term generally applies to efforts that go beyond what may be required by regulators or environmental protection groups.
2. CSR is defined as the voluntary activities undertaken by a company to operate in an economic, social, and environmentally sustainable manner.
3. CSR is the responsibility of corporations to contribute to a better society and cleaner environment.
4. Carroll's Four Part Definition of CSR- understanding the four components.

**Table 1. Responsibility, Social Expectation and Examples of CSR**

Responsibility	Social Expectation	Examples
Economic	Required	Be profitable, maximize sales, minimize costs, etc.
Legal	Required	Obey laws and regulations.
Ethical	Expected	Do what is right, fair and just
Philanthropic	Desired/ Expected	Be a good corporate citizen

## Types of Corporate Social Responsibility

CSR can encompass a wide variety of tactics, from giving nonprofit organizations a portion of a company's proceeds, to giving away a product or service to a worthy recipient for every sale made. Here are a few of the broad categories of social responsibility that businesses are practicing:

**Environment:** One primary focus of corporate social responsibility is the environment. Businesses, both large and small, have a large carbon footprint. Any steps they can take to reduce those footprints are considered both good for the company and society as a whole.

**Philanthropy:** Businesses also practice social responsibility by donating to national and local charities. Whether it involves giving money or time, businesses have a lot of resources that can benefit charities and local community programs.

**Ethical Labor Practices:** By treating employees fairly and ethically, companies can also demonstrate their corporate social responsibility. This is especially true of businesses that operate in international locations with labor laws that differ from those in the United States.

## Triple Bottom-Line Concept of CSR

- Economic responsibility (profit)
- Social responsibility (people)
- Environmental responsibility (planet)

## Economic Responsibilities of Corporations

1. Financial profit, economic growth, and asset creation
2. Economic impact through business processes such as outsourcing, knowledge innovation, and social investments
3. Stock exchange activities including insider trading

4. Economic regulation and tax incentives
5. Intellectual property rights, patents, and trade marks

### Social Responsibilities of Corporations

1. Labor rights: Slave, forced, child labor, non-discrimination, equal opportunities, minimum wages, health and safety.
2. Right to work: Protection against unjustified dismissals, vocational training/guidance.
3. Right to hold opinions: Freedom of expression, thought, conscience, and religion.
4. Right to privacy: Drug testing, personal information, surveillance, etc.
5. Cultural rights: Right to take part in political life.

### Environmental Responsibilities of Corporations

1. UN convention on biodiversity: Ex situ and in situ conservation and use of genetic material and technology transfer.
2. Greenhouse gas emissions and global warming.
3. Soil and water contamination.
4. Treatment and reduction of waste water.
5. Protection of forest resources.

### Responsibility toward owners, customers, employees, government & society

#### Responsibility toward owners

1. To run business ethically
2. To make use of local resources
3. Ensure growth of the company
4. Payment of dividends

#### Responsibility toward customers

1. Ensuring consistent product quality
2. Providing easy-to-use product
3. Increasing customer satisfaction
4. Respond to product related issues

#### Responsibility toward employees

1. **Meaningful Work and Job Satisfaction:** In a country like India, the job opportunities are limited with a serious problem of unemployment. Therefore, to provide a good work, proper working conditions and job security are the social responsibilities of commercial organizations.
2. **Fair Returns:** Workers should be paid sufficient wages and salaries, other incentives like bonus, medical allowance, travelling allowances, etc.

Prompt payment to the workers, results in higher motivation to the work force.

3. **Best Physical and Mental Atmosphere:** Fresh and decent working conditions, proper sanitary facilities, cool and fresh drinking water, etc., items are the essentials of employees. Therefore, by taking into consideration these requirements, proper attention should be given to the facilities.
4. **Participation in the Management:** The workers must be encouraged to take part in management by forming workers committees, suggestion scheme, profit sharing, co-partnership, etc. It is an important responsibility of commercial organizations.
5. **Training, Promotion, and Welfare Schemes:** Modern business demands efficient and trained staff. Therefore, proper training should be provided to the employees. Welfare facilities like scholarship, transport facility, refreshment facility, games, etc., should also be provided to the employees so that they can complete the work in efficient manner.
6. **Recognition of Unions:** Organizations should recognize workers right of forming union. It will help in maintaining industrial peace.
7. **Proper Personnel Policies:** There must be proper personnel policies in respect of transfers, promotions, recruitment, training, etc. There should be no partiality in promotion, transfer or any other activity for the employees.
8. **Health and Safety Measures:** The commercial organization should take adequate measures to protect health of the employees. They should be provided with proper canteen, medical, and other facilities.
9. **Grievance Procedure:** There should be a proper grievance procedure to handle employee complaints.

#### Responsibility toward Government and Society

1. Welfare of society
2. Care for Pollution free Environment
3. Payment of taxes and duties
4. Opportunity of employment to local people

### Drivers of CSR

The basic drivers of CSR consist of:

1. **Values:** A value shift has taken place within businesses, as a result of which they now not only feel responsible for wealth creation, but also for social and environmental benefits.

2. **Strategy:** Being more socially and environmentally responsible is important for the strategic development of an organization.
3. **Globalization:** Globalization has had considerable impacts. First, the increased wealth and power of multinational corporations has led to questions on the decreased authority of the nation-state, especially in developing areas. Further, cultural differences have added to the complexity of CSR as expectations of acceptable behavior vary regionally. With increased power comes increased responsibility and globalization has fueled the need to filter all strategic decisions through a CSR lens to ensure optimal outcomes for diverse stakeholders.
4. **Free Flow of Information:** Yes, blame the bloggers, but through the Internet and other electronic mediums the flow of information has

shifted back to the stakeholders, especially in the case of three important groups: consumers, NGOs and the general media. Easily accessible and affordable communication technologies have permanently changed the game and only truly authentic and transparent companies will profit in the long term.

### Benefits of CSR

1. Increased employee loyalty and retention
2. Increased quality of products and services
3. Increased customer loyalty
4. Increased reputation and brand image
5. Greater productivity and quality
6. Reduced regulatory oversight
7. Access to capital and market
8. Product safety and decreased liability
9. Less volatile stock value

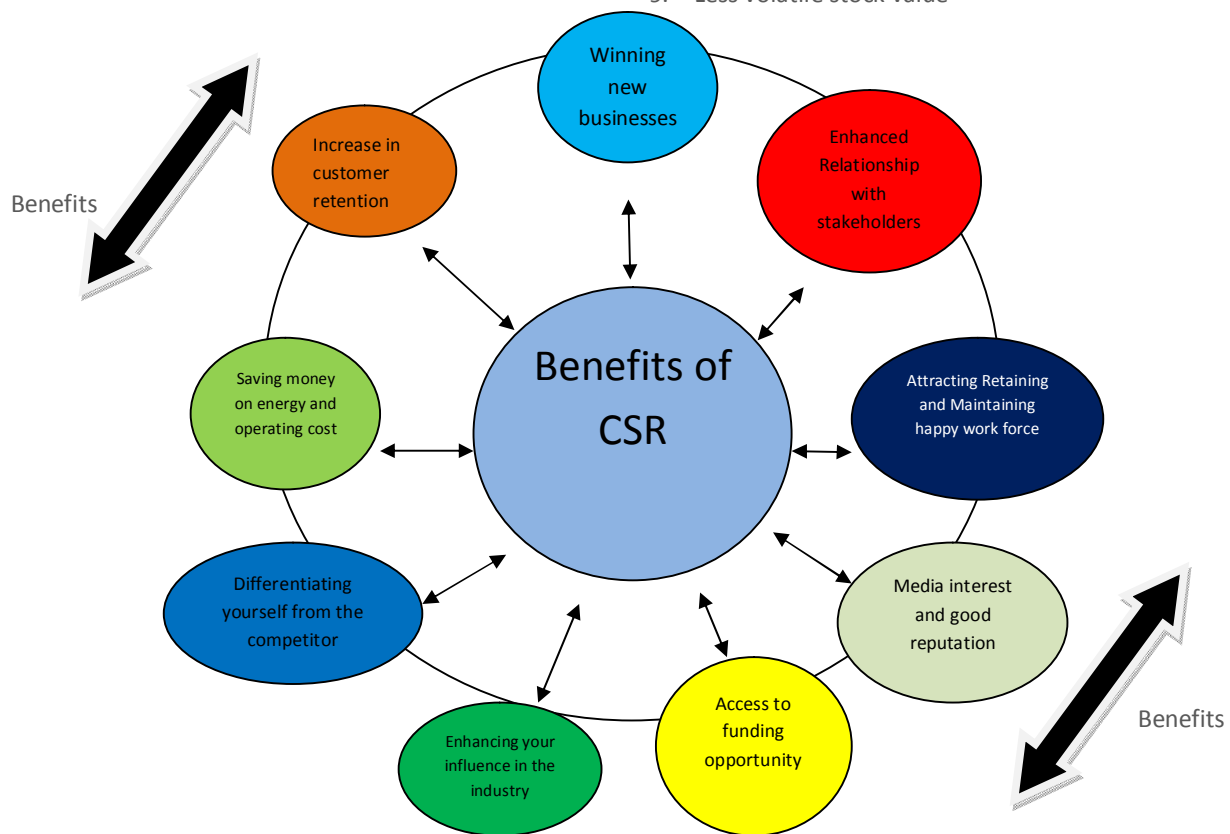


Figure 1. Benefits of CSR

### Recommendations for CSR

Jonker and Witte (2006) formulate following recommendations for businesses in order to engage in CSR activities with an increased level of efficiency:

- a. Achieving increased level of cooperation between the various departments of the business in terms of achieving CSR-related aims and objectives;

- b. Introducing CSR aspects of the business at the initial stages of the project and integrating CSR with long-term aims and objectives;
- c. Specifying the activities of stakeholder identification and engagement as a continuous process;
- d. Ensuring the existence of CSR skills in all employees within the organization;
- e. Implementing an effective audit/review system in terms of improving the quality of CSR.

## Conclusion

1. CSR is the heart and soul of modern corporations and is an important standard for corporate governance. It is an indispensable mechanism for increased corporate accountability, profitability and environmental sustainability. CSR is the pole star for modern corporations in order to maintain the integrity of moral fabric both inside and outside the corporation while conducting socially responsible business.

**Example:** CSR and Top MNC

**Table 2.CSR in Top MNCs**

S. No.	Company	Field	CSR
1	Infosys	IT service and consultancy	Health care, education, rural development, empowerment of women, environmental sustainability, art and culture, public library, etc.
2	Wipro	IT services and multi services	Wipro care, Wipro-applying thoughts in schools, eco eye, through Wipro equity reward trust
3	TCS	IT services, consulting and business solutions	Adult literacy programs university alliances TCS' BPO employability program academic interface Program mKRISHI WebHealth Center Mansuki TCS Maitree village development initiative TCS Maitree's Advanced Computer Training Center Med Mantra Insigh T Empower
4	L&T	Larsen & Toubro is a major technology, engineering, construction, manufacturing and financial services	Quality education Generating sustainable livelihoods Protection, preservation and promotion of Indian art and culture Preservation of environmental sustainability Healthcare
5	Biocon	Biopharmaceutical company	Healthcare Education Rural development
6	Iron Mountain	Information protection and storage	Safeguarding customers and information Serving committees Protecting environment Delivering attractive stock holder returns

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