Recent Trends, Challenges, Issues Involved in CSR and Its role in SME's- A Business Perspective

MANMOHAN TIWARI*
Asst. Professor, Dept of MBA,
Contact: 9849183566,
Mail: manus.tiwari@gmail.com
Swarna Bharathi Institute of Science
and Technology,
(SBIT) Khammam Telangana 507001.

Dr.P. VIJAYALAKSHMI**
Professor, Dept of MBA,
Contact: 9948817882
Mail: vijayasudheer1974@gmail.com
Swarna Bharathi Institute of Science
and Technology,
(SBIT) Khammam Telangana 507001

ABSTRACT

CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives ("Triple-Bottom-Line- Approach"), while at the same time addressing the expectations of shareholders and stakeholders. Promoting the uptake of CSR amongst SMEs requires approaches that fit the respective needs and capacities of these businesses, and do not adversely affect their economic viability. The perspective taken is that for an organization to be sustainable, it must be financially secure, minimize (or ideally eliminate) its negative environmental impacts and act in conformity with societal expectations. A properly implemented CSR concept can bring along a variety of competitive advantages, such as enhanced access to capital and markets, increased sales and profits, operational cost savings, improved productivity and quality, efficient human resource base, improved brand image and reputation, enhanced customer loyalty, better decision making and risk management processes. Although being socially responsible isn't free – it can cost time, money and resources – it is important to remember that every little bit can help the environment. Schmidt said you can start making an impact on society by donating a small portion of your sales to a cause you care about. 2018 proved to be an active year in Corporate Social Responsibility with issues related to sustainability, globalization, advocacy on social issues and multiple natural disasters in the forefront. Appropriate steps should be undertaken to address the issue of building effective bridges amongst all important stakeholders for the successful implementation of CSR initiatives.

Key Words : UNIDO, TBL, DEI, D&I, SPV,

Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR

is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives ("Triple-Bottom-Line- Approach"), while at the same time addressing the expectations of shareholders and stakeholders. In this sense it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, will directly enhance the reputation of a company and strengthen its brand, the concept of CSR clearly goes beyond that.

Promoting the uptake of CSR amongst SMEs requires approaches that fit the respective needs and capacities of these businesses, and do not adversely affect their economic viability. UNIDO based its CSR programme on the Triple Bottom Line (TBL) Approach, which has proven to be a successful tool for SMEs in the developing countries to assist them in meeting social and environmental standards without compromising their competitiveness. The TBL approach is used as a framework for measuring and reporting corporate performance against economic, social and environmental performance. It is an attempt to align private enterprises to the goal of sustainable global development by providing them with a more comprehensive set of working objectives than just profit alone. The perspective taken is that for an organization to be sustainable, it must be financially secure, minimize (or ideally eliminate) its negative environmental impacts and act in conformity with societal expectations.

Functions of Corporate Social Responsibility

The United Nations Industrial Development Organization notes that the common functions of corporate social responsibility include:

- Responsible sourcing of materials and supplies
- Employee, vendor, customer and community engagement and relations
- Adherence to labor standards
- Environmental protection and management
- Anti-corruption measures
- Upholding social equity, gender equity and other human rights goals
- Conservation of resources, like water and energy, in production

Cost Savings Benefits

Sustainable business practices can benefit a company's bottom line as well as the environment. By developing products that use less energy or less packaging, a company can also save on utility bills and materials expenses. One notable example is General Mills, which the Office of Energy Efficiency and Renewable Energy reports has reduced a third of its energy costs by using more efficient lighting and equipment and cutting heat waste.

Brand Perception Benefits

Investing in the community and supporting local organizations can set a business brand apart from the rest. Responsible business practices can improve public perception of a company's brand, which can increase its customer base and overall sales. It can also garner interest from investors that only invest in socially-responsible companies.

Increased Employee Loyalty

Corporate social responsibility helps companies attract and retain top-quality talent. Employees often look for employers that display ethical behavior and have values that align with their own. The firm notes that a variety of companies saw employee motivation and loyalty increase after engaging them in corporate social responsibility initiatives, and these companies felt they were able to obtain better-quality employees as a result.

Long-Term Financial Success

Executives who receive quarterly or annual performance-based incentives -- a common practice among corporations -- often focus primarily on a company's short-term financial results. While this is an important component ensuring profitability, it doesn't necessarily mean that profits are sustainable for the long-term.

Functions of corporate social responsibility help a company ensure long-term, sustainable financial health. For example, reinvesting profits into the local community and universities helps create a thriving local economy, which makes it easier to find talented employees and contractors.

Committing to sourcing inventory and materials in a sustainable, environmentally-friendly way ensures that the company won't run out of resources in the future for developing products.

Key CSR issues Involved

Environmental management, eco-efficiency, responsible sourcing, stakeholder engagement, labour standards and working conditions, employee and community relations, social equity, gender balance, human rights, good governance, and anti-corruption measures.

A properly implemented CSR concept can bring along a variety of competitive advantages, such as enhanced access to capital and markets, increased sales and profits, operational cost savings, improved productivity and quality, efficient human resource base, improved brand image and reputation, enhanced customer loyalty, better decision making and risk management processes.
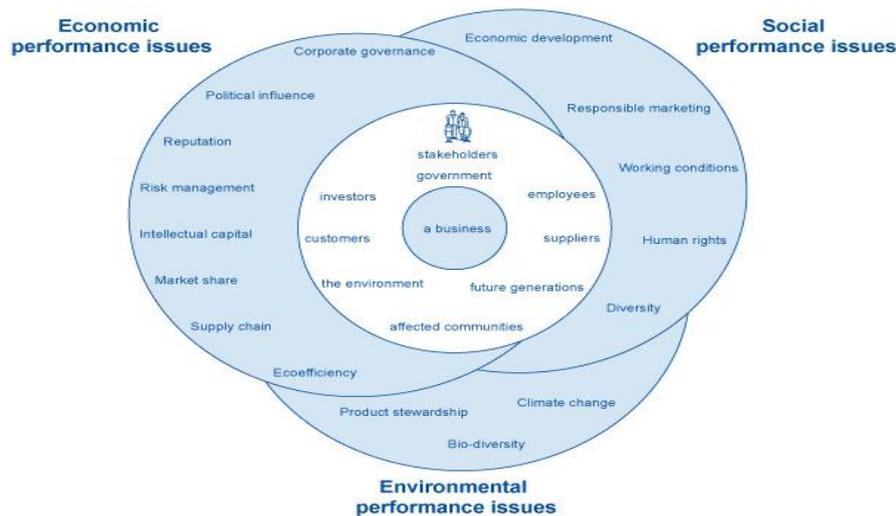
4 corporate responsibility types your business can practice

Recognizing how important socially responsible efforts are to their customers, employees and stakeholders, many companies now focus on a few broad CSR categories:

1. **Environmental efforts:** One primary focus of corporate social responsibility is the environment. Businesses, regardless of size, have large carbon footprints. Any steps they can take to reduce those footprints are considered good for both the company and society.

2. **Philanthropy:** Businesses can practice social responsibility by donating money, products or services to social causes and nonprofits. Larger companies tend to have a lot of resources that can benefit charities and local community programs. It is best to consult with these organizations about their specific needs before donating.

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

4. **Volunteering:** Attending volunteer events says a lot about a company's sincerity. By doing good deeds without expecting anything in return, companies can express their concern for specific issues and commitment to certain organizations.

Building a socially responsible business

Although being socially responsible isn't free – it can cost time, money and resources – it is important to remember that every little bit can help the environment. Schmidt said you can start making an impact on society by donating a small portion of your sales to a cause you care about.

"Even 5%, though it might not sound like a lot, can add up to make a difference," said Schmidt. "When thinking of ways to donate and give back, start local and then move from there."

When initiating CSR, give your employees a voice by involving them in the decision-making process. Create an internal team to spearhead the efforts and choose an organization or cause they care about. Contributing to something your employees are passionate about can increase engagement and success. Involving your employees in the decision-making process can also bring some clarity and assurance to your team.

"If decisions [about CSR] are made behind closed doors, people will wonder if there are strings attached, and if the donations are really going where they say," Cooney said. "Engage your employees [and consumers] in giving back. Let them feel like they have a voice."

Regardless of which strategies you use for sustainable development, Boynton said it is important to be vocal. Let your consumers know what you are doing to be socially conscious.

"Consumers deserve to share in the good feelings associated with doing the right thing, and many surveys have found that consumers are inclined to purchase a sustainable product over a conventional alternative," she said. "Announcing these benefits is a win-win from both a commercial and sustainability perspective."

What to avoid when creating a socially responsible business model

Becoming a socially responsible business can be simple, but there are a few things to avoid in the process. Businesses should avoid participating in charitable efforts that are not related to their core business focus or ethical standards in any way. Instead of blindly sending money to a completely unrelated organization, find a nonprofit that your company believes in or a project in your community.

Avoid using CSR opportunities solely for marketing purposes. Schmidt said running a corporate responsibility campaign as a quick marketing scheme can backfire when your business doesn't follow through. Instead of employing a one-time act, you can adopt socially responsible business practices over time. Schmidt said employees and consumers tend to react positively to companies that embrace long-term social responsibility.

If you are considering sustainable activities that aren't legally required yet, don't wait. By adopting socially responsible norms early on, you can set the bar for your industry and refine your process. Undertaking CSR initiatives is truly a win for everyone involved. The environmental impact of your actions will not only appeal to socially conscious consumers and employees but can also make a real difference in the world.

Business benefits of corporate social responsibility

Corporate social responsibility (CSR) has many advantages that can apply to any business, regardless of its size or sector.

The potential benefits of CSR to companies include:

- better brand recognition
- positive business reputation
- increased sales and customer loyalty
- operational costs savings
- better financial performance
- greater ability to attract talent and retain staff
- organizational growth
- easier access to capital

Responsible business reputation

Corporate social investment can help you to build a reputation as a responsible business, which can, in turn, lead to **competitive advantage**. Companies often favour suppliers who have responsible policies, since this can reflect on how their customers see them. Some customers don't just prefer to deal with responsible companies - they insist on it.

Costs savings

By reducing resource use, waste and emissions, you can help the environment and save money too. With a few simple steps, you may be able to lower your utility bills and achieve savings for your business. See how to reduce your business waste to save money.

Finding and keeping talented staff

Being a responsible, sustainable business may make it easier to recruit new employees or retain existing ones. Employees may be motivated to stay longer, thus reducing the costs and disruption of recruitment and retraining.

Other benefits of CSR to companies

By acting in a sustainable, responsible way, you may also find it easier to:

- **Access finance** - investors are more likely to back a reputable business
- **Attract positive media attention** - Eg when taking part in community activities

- **Reduce regulatory burden** - good relationships with local authorities can often make doing business easier
- **Identify new business opportunities** - Eg for development of new products or services Business in the Community (BITC) offers more information on the benefits of being a responsible business.

5 Corporate Social Responsibility Trends for Leaders to Watch In 2019

2018 proved to be an active year in Corporate Social Responsibility with issues related to sustainability, globalization, advocacy on social issues and multiple natural disasters in the forefront. Some of these issues and trends will continue into 2019, but leaders should expect to see the following noteworthy changes:

Fewer stands, more dialogue. Faced with the prospect of a divided government in Washington, a looming presidential election in 2020 (the Iowa caucuses are just one year away), and the fact that some companies are seeking more federal oversight of their work in areas like data security, businesses will tone down their public advocacy in favor of more dialogue on the issues. Getting any new regulations, or changes in regulations, through a divided government will require bi-partisan support, so expect to see fewer companies taking stands on issues of public policy despite research that continues to show that most consumers feel that businesses should take an active role in driving social and environmental changes.

Back to school. With the workplace becoming more complex with issues such as combating sexual harassment, promising pay equity, promoting sustainability and ensuring corporate ethics taking on more importance, many corporate leaders and corporate social responsibility professionals will find themselves in training classes, peer-to-peer dialogues and formal classroom settings in order to keep abreast of changes and best practices in governance and accountability. Expect to see more formal classes in corporate social responsibility and sustainability like executive educations courses at Harvard Business School and the Wharton School of Business as well as increased offerings for emerging professionals like the Institute for Corporate Social Responsibility at Johns Hopkins University, which is co-sponsored by the Washington Regional Association of Grant makers and the U.S. Chamber of Commerce Foundation (Full disclosure: I'm a member of the Institute's faculty).

More disaster prevention, less relief. With the growing number of natural disasters impacting many parts of the world, corporations are re-thinking their approach to disaster relief and recovery efforts. While many companies will continue to provide relief to victims of natural disasters through cash grants and product donations (American Express has been making disaster relief grants since 1872), expect to see more companies move away from a reactive approach to more of a proactive approach of helping communities be more resilient in the future. While most natural disasters cannot be prevented from occurring, the impact on people can be mitigated or even largely eliminated through better urban and rural planning, and more restrictions on building and development.

Equity joins diversity and inclusion. Companies have focused a lot of attention on diversity and inclusion efforts the past few years, but they're now faced with increasing pressure to ensure equity in the treatment of employees and customers rather than simply recognizing and celebrating their diversity. Expect to see DEI (diversity, equity and inclusion) replace D&I (diversity and inclusion) as a priority in corporate social responsibility. While issues of pay equity have dominated the headlines in 2018, there are many other aspects of marketing, philanthropy, human resources and governance that deserve special attention in the coming year.

Corporate Social Responsibility – Issues and Challenges in India

Do you think CSR works or can work in India? There are certainly some challenges faced in the implementation of CSR but what are the reasons? Is there any way these challenges can be addressed? This essay is an attempt to resolve some of the issues faced by CSR in India.

As per United Nations and the European Commission, Corporate Social Responsibility (CSR) leads to triple bottom-line: profits, protection of environment and fight for social justice. It is expected that Civil society, activist groups, Government and corporate sectors should work together to create appropriate means and avenues for the marginalized and bring them to the mainstream. The success of CSR lies in practicing it as a core part of a company's development strategy. It is important for the corporate sector to identify, promote and implement successful policies and practices that achieve triple bottom-line results.

Many companies think that corporate social responsibility is a peripheral issue for their business and customer satisfaction more important for them. They imagine that customer satisfaction is now only about price and service, but they fail to point out on important changes that are taking place worldwide that could blow the business out of the water. The change is named as social responsibility which is an opportunity for the business. The practical implementation of CSR is faced with a lot of issues and challenges.

Firstly, in the past, governments have relied on legislation and regulation to deliver social and environmental objectives in the business sector. Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non-regulatory initiatives instead.

Secondly, there is a lack of consensus amongst local agencies regarding CSR projects. This lack of consensus often results in duplication of activities by corporate houses in areas of their intervention. This results in a competitive spirit between local implementing agencies rather than building collaborative approaches on issues. This factor limits company's abilities to undertake impact assessment of their initiatives from time to time.

Thirdly, there is a lack of interest of the local community in participating and contributing to CSR activities of companies. This is largely attributable to the fact that there exists little or no knowledge about CSR within the local communities as no serious efforts have been made to spread awareness about CSR and instill confidence in the local communities about such initiatives. The situation is further aggravated by a lack of communication between the company and the community at the grassroots

Fourthly, it is also reported that there is non-availability of well-organized nongovernmental organizations in remote and rural areas that can assess and identify real needs of the community and work along with companies to ensure successful implementation of CSR activities. This also builds the case for investing in local communities by way of building their capacities to undertake development projects at local levels.

Fifthly, there are no clear cut statutory guidelines or policy directives to give a definitive direction to CSR initiatives of companies. It is found that the scale of CSR initiatives of companies should

depend upon their business size and profile. In other words, the bigger the company, the bigger is its CSR program.

Sixthly, the role of media in highlighting good cases of successful CSR initiatives is welcomed as it spreads good stories and sensitizes the local population about various ongoing CSR initiatives of companies. This apparent influence of gaining visibility and branding exercise often leads many nongovernmental organizations to involve themselves in event-based programs; in the process, they often miss out on meaningful grassroots interventions.

Seventhly, there is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers. In a recent survey by Environics International, more than one in five consumers reported having either rewarded or punished companies based on their perceived social performance.

Eighthly, investors are changing the way they assess companies' performance, and are making decisions based on criteria that include ethical concerns. The Social Investment Forum reports that in the US in 1999, there was more than $2 trillion worth of assets invested in portfolios that used screens linked to the environment and social responsibility. A separate survey by Environics International revealed that more than a quarter of share-owning Americans took into account ethical considerations when buying and selling stocks.

Ninthly, employees are increasingly looking beyond pay checks and benefits, and seeking out employers whose philosophies and operating practices match their own principles. In order to hire and retain skilled employees, companies are being forced to improve working conditions.

In order to crystal gaze the future of CSR in India and take time bound steps to mainstream it, the recommendations of the survey are firm indications of the existing state of affairs in the CSR domain; they correspondingly call for necessary and appropriate steps to be initiated to put CSR on firmer ground. Keeping in view the broad results of the survey, the following recommendations are listed for serious consideration by all concerned stakeholders for their effective operationalization

to deepen CSR in the company's core business and to build collaborative relationships and effective networks with all involved.

Steps taken to overcome issues and challenges in CSR

Firstly, it is found that there is a need for creation of awareness about CSR amongst the general public to make CSR initiatives more effective. This awareness generation can be taken up by various stakeholders including the media to highlight the good work done by corporate houses in this area. This will bring about effective changes in the approach and attitude of the public towards CSR initiatives undertaken by corporate houses. This effort will also motivate other corporate houses to join the league and play an effective role in addressing issues such as access to education, health care and livelihood opportunities for a large number of people in India through their innovative CSR practices. Thus, the social justice agenda of the day would be fulfilled more meaningfully.

Secondly, it is noted that partnerships between all stakeholders including the private sector, employees, local communities, the Government and society in general are either not effective or not effectively operational at the grassroots level in the CSR domain. This scenario often creates barriers in implementing CSR initiatives. Appropriate steps should be undertaken to address the issue of building effective bridges amongst all important stakeholders for the successful implementation of CSR initiatives. As a result, a long term and sustainable perspective on CSR activities should be built into the existing and future strategies of all stakeholders involved in CSR initiatives.

Thirdly, companies involved in CSR implement projects in the areas of health, education, environment, livelihood, disaster management and women empowerment, to mention a few. In many such contexts, it's noticed that companies end up duplicating each other's efforts on similar projects in the same geographical locations. This creates problems and induces a competitive spirit amongst companies. Considering the diverse issues and different contexts that exist currently in the CSR domain, the companies involved in CSR activities urgently consider pooling their efforts into building a national alliance for corporate social responsibility. This alliance, representing

various industry interests, should take up broad development agenda and provide high value services to the poor and the underprivileged. Over the years, the alliance would grow into a special purpose vehicle (SPV) and work closely with stakeholders to raise the level and quality of CSR interventions.

Fourthly, corporate houses and non-governmental organizations should actively consider pooling their resources and building synergies to implement best CSR practices to scale up projects and innovate to reach out to more beneficiaries. This will increase the impact of their initiatives on the lives of the common people. After all, both corporate houses and non-governmental organizations stand to serve the people through their respective projects and initiatives. The scaling up and sustainability of CSR projects need to be safeguarded at all costs for their efficiency and efficacy.

Fifthly, many CSR initiatives and programs are taken up in urban areas and localities. As a result, the impact of such projects does not reach the needy and the poor in the rural areas. This does not mean that there are no poor and needy in urban India; they too equally suffer from want of basic facilities and services. While focusing on urban areas, the companies should also actively consider their interventions in rural areas on education, health, girl child and child labor as this will directly benefit rural people. After all, more than 70 per cent people still reside in rural India.

Sixthly, the Government should consider rewarding and recognizing corporate houses and their partner non-governmental organizations implementing projects that effectively cover the poor and the underprivileged.

Seventhly, CSR as a subject or discipline should be made compulsory at business schools and in colleges and universities to sensitize students about social and development issues and the role of CSR in helping corporate houses strike a judicious balance between their business and societal concerns. Such an approach will encourage and motivate young minds, prepare them face future development challenges and help them work towards finding more innovative solutions to the concerns of the needy and the poor. The involvement of professionals from the corporate sector, non-governmental organizations and business schools would be key in ensuring youth participation in civic issues.

Eighthly, many corporate houses in the country that are directly involved in various CSR initiatives. These companies continue to decide their own projects depending on a number of parameters. These efforts are driven purely by the company's operational perspectives and ease of implementation of their CSR projects. As there are a number of companies involved in CSR activities, an accreditation mechanism should be put in place for companies through an independent agency for mainstreaming and institutionalizing CSR in the main business framework of the companies.

Ninthly, the role and efforts of the private sector in taking development agenda forward with focus on education, health, environment, livelihood, women empowerment, disaster management to mention a few have been visible and effective. Some innovative models are also available of private sector interventions in these areas. In order to push the development agenda in a mission mode, the realistic and operational models of engagement between all three important stakeholders – the Government, the non-governmental organizations and the private sector – are jointly explored and addressed.

The concept of corporate social responsibility is now firmly rooted on the global business agenda. But in order to move from theory to concrete action, many obstacles need to be overcome. A key challenge facing business is the need for more reliable indicators of progress in the field of CSR, along with the dissemination of CSR strategies. Transparency and dialogue can help to make a business appear more trustworthy, and push up the standards of other organizations at the same time.

References

https://bizfluent.com/info-8459857-functions-corporate-social-responsibility.html

https://www.unido.org/our-focus/advancing-economic-competitiveness/competitive-trade-capacities-and-corporate-responsibility/corporate-social-responsibility-market-integration/what-csr

https://www.businessnewsdaily.com/4679-corporate-social-responsibility.html

https://www.nibusinessinfo.co.uk/content/business-benefits-corporate-social-responsibility

https://www.forbes.com/sites/timothyjmcclimon/2019/01/03/5-corporate-social-responsibility-csr-trends-for-leaders-to-watch-in-2019/#394e0bb2553d

https://thecompanion.in/corporate-social-responsibility-issues-and-challenges-in-india/