



# Corporate Social Responsibility: Making Corporate More Accountable

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## Abstract:

*As corporate are emerging day by day, so their accountability & responsibility has also risen to a greater extent. Government, Social organizations pressurizing the companies to behave socially and in more accountable ways. Corporations or firms conduct their business in such a way that it is ethical, social friendly and beneficial to the community in terms of overall development. This paper is therefore an attempt to understand the corporate accountability and social responsibility as per domestic and international perspective.*

**Keywords:** *Corporate social Responsibility, Corporate accountability*

## 1. Introduction

Corporate accountability and corporate social responsibility are not a new terms with regard to business. These issues have been debated since 1950's. But in today's scenario corporate accountability and corporate social responsibility has been changing in terms of its meaning and practice as well. . In order to make the paper more understandable the paper has been covered various sections. **First** section is the introduction section which explains about the meaning & importance of corporate accountability & corporate social responsibility. **Second** section contained literature review. Objectives and methodology is discussed in **third** section. **Fourth** section is the section where the domestic and international perspective of corporate accountability and corporate social responsibility is discussed. Conclusions and suggestions are discussed in **fifth** section and references are contained in the **last** section.

**First of all**, we need to understand the difference between these two terms corporate accountability and corporate social responsibility. These two terms often used interchangeably.

**Corporate social responsibility** refers to the practices that reflect that corporations or firms have responsibilities beyond earning profits for their shareholders. These corporate responsibilities includes that corporate is responsible towards the environment, individuals, communities etc. That it should not done any negative duty or that it should not harm any of the elements of the society. It is a kind of voluntary approach of the business houses towards the community.

In contrast, the term **corporate accountability** implies that corporate behaviour is influenced by pressure exerted by social and governmental actors beyond the company itself. Corporate accountability is a form of ethical communication directed towards the whole community who are affected by the corporate activities. Corporate accountability is the base of corporate social responsibility and it is influenced by internal as well as external factors persist in Corporate accountability and corporate social responsibility are the main core areas of business domestically as well as globally. Why?

Because by following these practices corporate houses gain competitiveness which is very important in the present Era of business. It can also bring other benefits such as risk management, cost savings, human resource management, and customer relationship management, build long term relationship with the stakeholders of the company. By following good business practices corporate houses gain confidence of customers or other communities of the society. Here the relevance of CSR and Corporate accountability is important.

## 2. Review of Literature

**Alessia D'Amato, Sybil Henderson, Sue Florence (2009)** in their article corporate social responsibility and sustainable business concluded that different CSR public policies adopted by European governments to promote responsible and sustainable business practices. The authors are able to analyze the various methods by developing a framework to understand the approaches and perspectives of governments in designing and implementing these policies. CSR is becoming a leading principle of top management and of entrepreneurs.<sup>1</sup>

**Kim Kercher (2006)** in his paper of Corporate Social Responsibility - Impact of globalisation and international business analyze that The challenge is to implement a workable mix of public and private initiatives which are consistently enforced and capable of ensuring companies are encouraged to act in a socially responsible manner whilst being accountable in a legislative context for inappropriate conduct.<sup>2</sup>

**Friends of the Earth (2005)** in their paper on corporate accountability concluded that Calls for mechanisms to deliver corporate accountability will continue to grow as the evidence mounts that voluntary CSR is failing to deliver the changes that are needed to deliver sustainable development, social and environmental justice.<sup>3</sup>

**Ray Broomhill (2007)** in his paper on Corporate Social Responsibility: Key Issues and debates analyze that Radical political economy approaches take a far more critical stance around CSR on several issues. All 'schools' of thought in these debates of course possess normative views about the role of business in general and corporations in particular in society. However, radical political economy analyses more openly articulate a very different set of assumptions about the existence and abuse of corporate power in global, national and local economies. Global corporations are seen as possessing enormous power which is often wielded ruthlessly in their own self interest and frequently at the expense of society and the environment. Advocates of voluntary CSR are perceived as lacking a critical political economy analysis and therefore fail to fully understand and incorporate a realistic view of the power structures that exist in society and its economic environment.<sup>4</sup>

**Roda Mukshat (2010)** in his paper on Corporate Social Responsibility, International Law, and Business Economics: Convergences and Divergences concluded that Business economists have dissected corporate social responsibility longer and on a broader scale than international lawyers. The latter are yet to provide the theoretical depth, diversity, flexibility, and self-awareness characterizing the analytical endeavours of the former.<sup>5</sup>

**Paul Hohnen (2007)** in his paper on Corporate Social Responsibility an Implementation Guide for Business analyzed the implementing strategies of corporate social responsibility and the importance of stakeholder's engagement in the same.<sup>6</sup>

<sup>1</sup> <http://insights.ccl.org/wp-content/uploads/2015/04/CorporateSocialResponsibility.pdf>

<sup>2</sup> <http://epublications.bond.edu.au/cgi/viewcontent.cgi?article=1003&context=cgej>

<sup>3</sup> [http://www.foe.co.uk/sites/default/files/downloads/corporate\\_accountability1.pdf](http://www.foe.co.uk/sites/default/files/downloads/corporate_accountability1.pdf)

<sup>4</sup> [http://www.dunstan.org.au/resources/publications/Dunstan\\_Papers\\_No\\_1\\_2007.pdf](http://www.dunstan.org.au/resources/publications/Dunstan_Papers_No_1_2007.pdf)

<sup>5</sup> <http://law.uoregon.edu/org/oril/docs/12-1/mushkat.pdf>

<sup>6</sup> [http://www.iisd.org/pdf/2007/csr\\_guide.pdf](http://www.iisd.org/pdf/2007/csr_guide.pdf)

**Ramon Mullerat (2013)** in his paper on Corporate Social Responsibility: A European Perspective analyzes the impact of corporate social responsibility public policies in Europe.<sup>7</sup>

**Isabella D. Bunn (2004)** in her article on Global Advocacy for Corporate Accountability: Translantic Perspectives from the NGO Community consider the impact of ten key policy issues that relate to corporate social accountability. Each of these areas of NGO involvement is set within a complex dynamic of global information exchange, political lobbying at all levels, potential tensions between the interests of developed and developing countries, conflicting views within the business community, and significant media exposure.<sup>8</sup>

**Matthew Maguire (2011)** in his article on The Future of Corporate Social Responsibility Reporting consider that the information disclosed through CSR reports needs to be centralized and made widely available to stakeholders. Information systems represent the last link in a long chain that takes CSR reporting from niche to mainstream.<sup>9</sup>

### 3. Objectives

Objective of this paper is to understand the role of Corporate Social Responsibility and Corporate Accountability in domestic market and international market. Why these practices are follow by the big business houses. And what they get in return by following these social practices.

### Methodology

The data of the paper is collected from some secondary sources such as research journals, various websites, articles, books etc.

### 4. Domestic and International perspective of Corporate Social Responsibility and Corporate accountability

The concept of CSR is not new to the Indian companies. Basically corporations exists only to make money i e main motive of business is to earn profits. But as the corporations are expended day by day domestically as well as globally there moral responsibility towards society is increasing. So corporations which follow these practices build a long term sustainable success. By following these practices a company can form better reputation with customers, business partners, government etc. The firm can exploit new markets, attract new customers, and there will be a better risk management.

If we talk about India, various brands like Tata, Birla, Mahindra, Dabur, Bajaj, Ranbaxy, Wipro, Eicher, Hero Honda etc are already doing this practice since very long. Private sector companies are always encouraged by the government to set industrial units in rural areas or backward areas in return they get some tax incentives. The advantages of CSR are difficult to quantify as it depends upon the scale and operation of the business.

As we have already known that corporate social responsibility is advantageous to corporate as well as society as a whole. But on the other hand attracts some disadvantages like

- (a) It is difficult for the business houses to handle effectively social issues.
- (b) It is international and governmental regulation rather than voluntary effort
- (c) It is market trick.
- (d) Its costs fall disproportionately on small businesses
- (e) Loss of focus by the business houses.
- (f) Sometimes the work environment in the companies can be frustrating.
- (g) Constant focus on funds raising.

<sup>7</sup> [http://aei.pitt.edu/43368/1/Mullerat\\_CSR\\_Europa.pdf](http://aei.pitt.edu/43368/1/Mullerat_CSR_Europa.pdf)

<sup>8</sup> <http://digitalcommons.wcl.american.edu/cgi/viewcontent.cgi?article=1182&context=auilr>

<sup>9</sup> <http://www.bu.edu/pardee/files/2011/01/PardeeIIB-019-Jan-2011.pdf?PDF=issues-in-brief-no-19>

#### 4.1 CSR philosophies in India

1. **Ethical Model-** It focuses on voluntary commitments of companies towards the community, Role Model- M.K Gandhi.
2. **Statist Model-** It focuses on state ownership and legal requirements, Role Model- Jawaharlal Nehru.
3. **Liberal Model-** Corporate responsibilities limited to shareholders, Role Model- Milton Friedman
4. **Stakeholder Model-** Companies take care of the needs of various stakeholders such as customers, employees, and government etc, Role Model- R Edward Freeman.

#### 4.2 Challenges in India

There are three main challenges in India regarding corporate Social Responsibility.

1. Conflicts between companies and the communities over the use of limited natural resources.
2. Hazardous activities of industrial units affecting the natural environment
3. Products and services related issues.

#### 4.3 International Perspective

On the other hand, if we talk about **International** perspective of CSR, the environment is exclusive entity (some places). Different Countries follow different practices to be seen as social. Countries like Russia, china, India, focuses on quality and safety of the products. On the other hand countries like United States, Brazil, Chile, Argentina, France, and Italy treat employees fairly. Turkey donates to charity. Canada, Australia, great Britain protects the Environment.

✚ In the words of President of **United States** Barack Obama “**Government and businesses have mutual responsibilities; and ... if we fulfil these obligations together, it benefits us all.**”

- ✓ Companies from **USA** follow code of CSR proactively and more efficiently.

✚ In the words Of Chancellor Angela Merkel (**Europe**) “**Who wants to produce well in the future, should now produce environmentally friendly, a voluntary basis**”

- ✓ The European Union defines CSR as a system "whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”

✚ In the words of President Vladimir Putin (**Russia**) “**We need business to understand its social responsibility, that the main task and objective for a business is not to generate extra income and to become rich and transfer the money abroad, but to look and evaluate what a businessman has done for the country, for the people, on whose account he or she has become so rich.**”

- ✓ Most of the companies in Russia contribute & support state-budget projects as a kind of extra voluntary tax and perform their CSR activities.
- ✓ The one closest to the Official CSR policy is the “Ecological Doctrine of the Russian Federation” (2003). The Doctrine sets out recommendations on the conservation of the natural environment.

✚ In contrast, **Australia** follows stakeholder driven approach.

## 5. Conclusions & suggestions

Today CSR talks about responsibility across all stakeholders but this responsibility have to carefully account for. Unless the corporate accept their accountability in full they can't fulfil their responsibility towards the society. Accountability leads to good citizenship as well as a more sustainable work culture. With accountability there come synergies of ethics & good governance.

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