

A STUDY OF ORGANIZATIONAL PRACTICES OF CORPORATE SOCIAL RESPONSIBILITY: AN INSIGHT FROM MANUFACTURING INDUSTRY

ASIYA NASREEN, RIFAT ANJUM*

Department of Social Work, Jamia Millia Islamia University, New Delhi, India. Email: rifatkhusheed@gmail.com

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ABSTRACT

Objective: The research paper considers the corporate social responsibility (CSR) practices carried out by two large-scale manufacturing organizations located in the north agrarian belt of India. The challenges in implementation of CSR activities have been understood to provide recommendations for the same.

Methods: Large scale manufacturing companies operating in India belonging to textile and construction equipment industries are included using purposive sampling technique. Interview guide was used to gather information from the senior management.

Results: The organizations studied are engaging into a wide range of CSR activities. Being in the northern belt possess certain sociocultural challenges.

Conclusion: The scope of CSR has enlarged the role that manufacturing industries could play today for societal development.

Keywords: Corporate social responsibility, manufacturing industries, corporate social responsibility practices.

INTRODUCTION

Corporate social responsibility (CSR) is defined as voluntary activities undertaken by a company to operate in an economic, social, and environmentally sustainable manner. CSR is an entity which encompasses the economic, legal, ethical and discretionary (philanthropic) expectations that society has of organizations at a given point in time Carroll [1]. The novel act of helping people has been in practice since time immemorial as individuals and organizations have been working toward the welfare of society. In business world, it is termed as CSR and is interchangeably used with words such as corporate philanthropy, business sustainability, and corporate governance. The social responsiveness of business enterprises has increased in the recent years and emerging perspectives on CSR focus on responsibility toward stakeholders [2].

CSR was traditionally seen as a voluntary undertaking by firms that aimed to build legitimacy and social capital through activities that support the wellbeing of their stakeholders and the environment [3,4]. The World Business Council for Sustainable Development (WBCSD, 1999) reflect, CSR being defined as, "the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large."

Ever since the concept of CSR has evolved, it has been adopting different faces. Charity based work was taken up by big business houses such as TATA, Birla and Modi [5]. Initially, was perceived as an entity driven by a philanthropic attitude has now moved toward a concept driven by law. The movement from a self-driven activity to a legal binding has made industries and societies more connected and interactive in the present scenario. CSR is underpinned by the idea that corporations can no longer act as isolated economic entities operating in detachment from larger society.

Industries are expected to be responsible bodies with a sense of duty toward common resources and the environment, and there is a growing realization that they, are an integral part of this society themselves, can

contribute to its development [6]. Contrary to traditional managerial views where industries were a mere profit making tool that downplays corporate responsibility in emerging markets, industries originating from and operating in these locales display a keen sensitivity to their social obligations [7]. It is not solely the role of industries that has led to the realization of a more interactive companionship between the corporations and community, rather governments are increasingly of the view that rapidly prospering industries need to be part of the solution to their nations economic and social challenges [8]. Hussain [9] argued that business houses have expertise, strategic thinking, manpower and money to facilitate extensive social change. For a developing nation, social issues like poverty, sustained development is on the rise with the contraction of national territories. It is important to take into consideration not only the economic upbringing but also societal upbringing. To combat the economic as well as social issues, CSR is a medium that is used by industries to trim down the socioeconomic issues.

CSR and India

Since India's independence, different procedures were adopted by the Indian governing bodies to make Indian development a countable one. Several policies, programmatic, and legislative measures were adopted to combat the losses incurred during the struggle for independence. Indian economy was surrounded by issues such as economic slowdown, licensing issues, competitive shock, poverty, and unemployment. Traditionally Indian economy has been agrarian but as the country stretched its arms toward a globalized world, service sector and manufacturing sector have taken over it. According to the planning commission of India manufacturing industries make the second largest contribution in the Indian economy and have contributed immensely toward helping the economy to reach a pace.

Manufacturing industries take resources from the vicinity in which they operate in terms of human as well as natural resource and heavy investments in terms of land, labor and capital is made by them. A corporation which contributes significantly toward national income has a powerful stand when it comes to considering the improvement of community in which it operates. Although earlier the role of

manufacturing setup was limited to profit making but with legislative developments in India particularly notable in that profit-making industries are not only required to make profits but are also seen as an essential contributor toward the society in which they operate.

CSR acts as a vehicle for manufacturing industries to accelerate and be an instrument in societal development. Undertaking CSR activities has become an essential part of the Companies Act, 2013 where industries spend a nominated portion of their net profits on CSR activities. The Act mandates an organization to contribute 2% of the net profit of three preceding financial years toward the welfare of society. Law gave an outline of the activities that can be undertaken by industries which include eradication of poverty, hunger and malnutrition, promoting education, ensuring environmental sustainability, protection of national heritage, promoting gender equality, and contribution to prime minister's relief fund.

There have been significant numbers of studies that reflect the wide variety of activities that manufacturing industries are engaging in. Some of the activities include recycling of pollutants, treatment of smoke, tree plantation, environmental awareness program in schools and colleges, disposal of waste [10]. A large proportion of Indian companies is active in the areas of education and training followed by health care, welfare of underprivileged, and rural development [11]. All these activities set a backdrop for industries to engage in activities that would help the community prosper.

Providing a legal mechanism to help the marginalized sections does not guarantee successful implementation of the CSR role. CSR task requires meticulous planning in selection of activities and allocation of resources, followed by monitoring at the community level for its implementation. The task of execution is not an easy one. A team responsible for planning CSR activities must plan and adopt relevant steps with a quest to be a part of the community to increase the acceptance level of activities carried out for them. From planning to allocation of funds to proper implementation of activities; at each step, the industries face many challenges. A few of the challenges have been listed by Chaudhary [12] as oversized rural population of India, lack of infrastructural facilities such as roads, electricity, and transport restricting the CSR activities despite the presence of capital, technology with the corporates.

The literature provides a significant number of studies relating to CSR and activities related to it by manufacturing industries. Majorly, these studies are based on secondary sources and lacks empirical evidence. Moving ahead, the following study will give a first-hand account of the perception that drives the manufacturing industries toward CSR, activities carried out by the industries and challenges that are encountered in fulfilling the task of CSR.

Objectives

The present paper attempts to delve around the following:

- Gaining an insight to the CSR practices carried out by the manufacturing industries.
- Understanding the challenges in the implementation of CSR activities in the selected manufacturing industries.
- Providing recommendations on effective implementation of CSR initiatives.

METHODS

An empirical study was conducted on manufacturing companies in India belonging to textile and construction equipment industries using purposive sampling technique. The companies studied are major market players in their respective fields. Relevant information for the study was collected through interview guide with the senior management involved in the planning and implementation of CSR-related activities. The interview guide touched on aspects related to CSR, the issues of concern for the manufacturing units. Secondary data were used to understand the different CSR practices adopted by manufacturing industries. Organizations' official website was

used to gain further understanding of the CSR structure of the organization.

RESULTS

CSR is not just another phenomenon that has been introduced to the business world. CSR involves strategic planning and proper implementation of activities. Both the companies studied are major players in their respective industry. These companies are in the Northern region of India, wherein multiple large scale manufacturing industries are located. They operate in neighborhood where people from the poor are present. Most of the workforce is derived from these areas who work in these manufacturing units. These companies play an active part in making the practice of CSR reach the goal that it is meant to fulfill. Community development has been an important consideration for both the companies. A willing and positive attitude is shown by companies to help the underprivileged sections and thus lay down foundation for a developed nation. Various nuances of CSR practiced by the studied manufacturing organizations are discussed as CSR perceptions, CSR practices, and challenges. Each of them is depicted in tabular form and then elaborated in the subsequent paragraphs.

CSR perception

CSR is governed by different perceptions. Moral arguments mainly concern the question whether business should contribute to social welfare, whereas political and economic arguments mainly concern the questions how, and under what conditions, business will contribute most to it at the aggregate level. In contrast, ethical and financial incentives usually explain CSR from a company's perspective [13].

The manufacturing industries studied are committed to being a conscious manufacturer toward steadily increasing corporate responsibility. They work toward the improvement of lives of the workers, their families, the local communities and the environment by creating shared value across all its stakeholders. The same is reflected in the perception toward employment, training, personal development, community interventions, and environmentally sustainable innovations. The CSR vision is developed by the experiences of the workers and the wider communities in which the industry operates. Both the manufacturing industries are working in partnership with government departments, NGOs and the communities themselves to implement the CSR objectives. The activities taken up by the industries are being carried out both before and after the enactment of Companies Act, 2013. Table 1 highlights the CSR practices, perceptions and the challenges faced in implementing CSR activities.

CSR practices

CSR is a proactive approach that benefits business and society at large. CSR acts in favor of business by providing competitive advantage in the form of improving the quality of life of community in a manner that tomorrow if not today it will be profitable [12]. The Company's Act 2013 lists down a wide ambit of activities that can be carried out as a part of CSR. Some of the activities listed under schedule VII include eradication of poverty, promotion of education, gender equity and women empowerment, reducing child mortality and improving maternal health, and employment enhancing vocational skills. Industries studied laid focus on activities leading to the developing individuals toward a better future.

Women empowerment and issues of gender are of critical importance to the manufacturing industries. Within this, focus is given to empower women through training, personal development and awareness on social issues most relevant to women. Personal and Career Enhancement helps women gain advancement in work and life. This organizational initiative provides a safe environment for women to discuss and gather new information on other issues - from health care, home management, money management to violence against women. For the organizations developing skills and providing employment opportunities has become another natural area for social outreach. The industries have engaged in community development activities in the areas around its factories

Table 1: Tabular presentation of CSR perception, practices, and challenges faced

Type of organization	CSR perception	CSR practices	Challenges faced
Textile and Construction equipment	<ul style="list-style-type: none"> • Creating pioneering programs that engage and empower the community to build a better future • Having an organic and consistent growth with a focus on disadvantaged communities around the organization 	I. Women empowerment II. Education project III. Vocational training IV. Community health V. Environmental sustainability	I. Mobilizing people II. Linguistic hurdle III. Value of education less acknowledged IV. Non-acceptance of CSR efforts V. Mobilizing people

CSR: Corporate social responsibility

marked with high illiteracy rate. Through this venture, technical and life skills at no cost to those looking for employment are provided. Accordingly, these industries provide vocational skills through training and market facilitation in traditional handlooms and handicrafts. The vocational skills are certified and the incumbents are linked with production and market support projects, formation of self-help groups, access to government programs and subsidies, financial literacy and financial inclusion through formal bank accounts. Projects to promote traditional skills and crafts - such as saree embroidery, hand loom, quilting, durrie making, block printing, indigo printing, and basket making - are also supported.

Not having access to healthy food, and lack of understanding of health and hygiene related issues were cited as their needs by the people residing in the community. Hence, the issues related to health such as anemia, training sessions on hygiene were organized regularly and initiated food security programs in disadvantaged communities. Manufacturing industry has a necessary environmental footprint. Water is a critical resource for them. The industries are striving toward making water conservation by indulging in rain-water harvesting programs to reduce fresh water footprint. The products of these industries are designed and promoted with waste material, environment friendly production processes. In larger interest of environment both the organizations are taking appropriate steps toward environmental care.

Both the organizations work with government schools to ensure that students have access to quality education, do not drop out of school and move clearly toward skilled career paths. Special education and employment enhancing vocational skills among children and women are encouraged through life skills and spoken English projects in schools. Awareness on gender issues and rights of the girl child, support to meritorious students especially girls to continue their education through scholarships and sponsorships. These educational seeks to reduce imbalances and inequalities emanating due to lack of education.

Challenges faced

The CSR teams are confident and skillful as the employees engaged are given proper training by calling in house trainers and sending them to workshops to have a proper hold of things once they are in the field. The well-trained professionals also do not have a smooth ride as path toward fulfilling the task of CSR is not easy. The implementation of activities carried out for the community is hurdled with certain bottlenecks. The subsequent paragraphs indicate the problems faced by the companies while implementing CSR in the respective areas.

For the respective industries, one of the biggest challenges faced while carrying out CSR was mobilizing people. The project of vocational training was for both the genders, but the participation of females belonging to the underprivileged category was skewed. The socioeconomic background of female beneficiaries does not allow them to come out of homes and attend the training programs. CSR staff faced problems in convincing reluctant parents to send to take up training. Both the industries are working with communities situated in the northern agricultural belt of India. Here, linguistic hurdle was another challenge. The dialect, language spoken in the community in which the industries are serving, is rough that dissuade the CSR team from interacting with the local people.

The beneficiaries of both the industries belong to a social class that perceives education and skill training merely a time-wasting activity. The value of education is not understood by beneficiaries. For CSR team of both the organizations, it was quite painstaking to make the beneficiaries understand the value of education and the need for future development. Another challenge faced by the CSR team of was the lack of acceptance of the efforts put in by the industries. The beneficiaries held the viewpoint that they are happy the way they are; they do not want any interventions from the organization. The community people longed for money than any educational or skill based interventions, a hurdle that derails the pace of CSR initiatives. keeps coming up time and again whenever the industries propose something new. Resistance is in the form getting things done as per their call not the way the organization is doing.

Analysis

The manufacturing industries are performing a significant role in undertaking CSR activities. The two large industries and their CSR practices have been observed. Their CSR operations are based in the Northern agrarian belt of India that is riddled with numerous socioeconomic, health issues. Through CSR, the two organizations are implementing activities such as education, women empowerment, vocational skills training, and environmental sustainability.

The projects undertaken are novel and aims to change the socioeconomic situation of the communities where the organizations are implementing CSR initiatives. Education related activities seek to change the mindset tilted toward inequality and discrimination, likewise skill development project has been instrumental in creating employment opportunities for the beneficiaries in their own factories wherever possible. Such acts close the loop of unemployment and create long-term livelihood opportunities by linking at least one member of a rural family to jobs in the organized sector. The steps are little but add to the efforts toward reducing poverty. The other projects related to women empowerment are also an attempt to address issues of gender discrimination and problems emanating due to its perpetuation.

However, the task of implementation of these activities is not easy. The CSR committee of both the manufacturing industries faces challenges while operating in the field that slows down the pace of development initiatives. It was noted that both the organizations are facing the similar problems which are in the mindset of the local community members.

Both the organizations are putting efforts in making CSR fruitful for the public in large. However time and again certain hurdles crop up, and these hurdles cannot be crossed in one go. Need of the hour is to take small steps toward achieving the bigger goal of CSR. Hence, based on the finding, some of the recommendations are:

- Sensitizing local people on the need be educated.
- Creating awareness about the usefulness of attending vocational trainings.
- CSR team should have a non-judgmental attitude toward the beneficiaries.
- Counseling sessions for the parents should be held to enlighten them about the benefits of training and education for their wards.
- A clear understanding of the socioeconomic background of the beneficiaries needs to maintain by the CSR team.

- Ensuring and communicating positive relationship with the community.
- Communication with the community should not be stopped at any point of time.

CONCLUSION

The mandate of Companies Act, 2013, has provided a path toward working for the benefit of society, through CSR. The manufacturing sector is gigantic so is their CSR contribution. The organizations are investing time, money and effort in CSR activities such as education, health, vocational training, and environmental sustainability. The path is filled with certain leaps which cannot be ignored. Having an open communication with the locals, showing willingness for the development of society, positive attitude and professional approach can be helpful in overcoming the major block of proper implementation. Overall, CSR is a tool which if properly strategized toward prioritizing the real and felt needs can help in yielding effective results.

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