

# Mapping the Landscape: Corporate Social Responsibility for Universal Market Access

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## ABSTRACT

*This paper examines how small and medium enterprises (SME) of a developing country are addressing corporate social responsibility (CSR) issues. The authors see corporate social responsibility or CSR as an important tool or channel which can ensure greater market access and enable a better engagement in the global market. The paper aims to examine the view of executives of Small and Medium enterprises (SMEs) of corporations regarding CSR and they rank the benefits CSR in this Global Market. Result shows that CSR is an important tool to pick up the brand image and reputation of corporation.*

*The research is based on survey data, which have collected through personal visit, e-mail and post mail. SPSS software 11.5 version has been employed to bring-out the result.*

**Keyword:** *Corporate Social Responsibility, Small and Medium Enterprises (SMEs), Market access, Business strategy, Brand name.*

## Introduction

Today in most challenging business world corporate social responsibility may emerge as one of the business' preferred strategy because the figures of conscious customers are dramatically escalating. They are concerned about the environment, community and workplace management of the corporation before acquiring their products or service. Specially, when the issues come for corporate customer regarding their raw material or outsourcing, the figure of conscious customers much higher. Corporate improve their reputation or brand image through focusing their commitment towards the sustainable development.

As we know that a brand is a name or trademark connected with a product or producer, and has become increasingly more important component then ever-before for Global market access. Especially for a developing country, like India facing such type of issue more often noticed. At the same-time, executives share their experience to say that the

small and medium enterprises have been rejected to provide raw material in the global market unless they have CSR activities. Though Indian companies are no stranger to corporate social responsibility (CSR), the discipline itself has metamorphosed in the last 100 years or so Today, businesses have realized that, in order to continue thriving, they have to adopt a more holistic and inclusive business model, which has a direct correlation with the business performance. This includes a system of triple bottom-line reporting - economic, social and environmental - and a focus on transparency and accountability.

CSR is more than philanthropy and does not necessarily refer to 'giving and receiving'. To quote Mr Hari S Bhartia, Co-Chairman, The Confederation of Indian Industry (CII) National Summit on CSR 2009, and managing director, TVS Motors and Sundaram Clayton, 'an effective CSR initiative must engage the less privileged on a partnership basis. 'Over 80 per cent companies in India are engaged in CSR-oriented activities, marking a 17 per cent

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jump since 2004. Significantly, a recent study by the Nottingham University Business School has ranked India number one, in terms of CSR penetration among the seven Asian countries surveyed. And, while the government has been evolving a large number of welfare schemes for the people, these benefits rarely reach the most deserving. Industries, on the other hand, have expertise in man management, financial management and business planning - and can easily provide the missing ingredients of leadership and organization, and establish the 'last mile connectivity' to reach the benefits to the deserving people. Therefore the focus of CSR could be 'unlocking' the last mile connectivity, especially in fast-developing countries like India.

In this research we intended to stumble on reason behind the social activities by the corporations. A questionnaire has been distributed among the executives of 123 SMEs in India; we have received 70 questionnaires, whereas only 63 questionnaires are useable. The questionnaires have been distributed through mail and personal appointment. We concluded our research that increasing brand name and reputation is core benefit of CSR activities. SPSS software 11.5 version has been exercised to make the rank through mean and standard deviation.

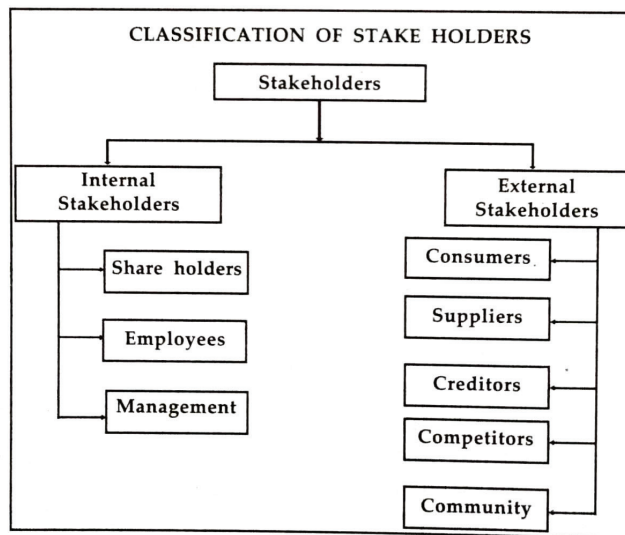
### Concept and Dynamism of Corporate Social Responsibility

CSR can be well understood under the "3 waves of CSR".

- a. Community engagement
- b. Socially responsible production process
- c. Socially responsible employee relations

It could be clearly analyzed under the "3 waves of CSR" that the corporate world need to shell out a part of their profit initially to tap the long run economies of scale (LREoS), be it internal or external. Beyond good intentions some of the benefits that the corporate world reaps are:

- Powerfully aligning the firms operations and social environmental "Foot print" with managements values,
- Understanding and transforming public perception of the company and industry,
- Attracting investment in the firm, sector and overall economy,
- Increased market share and new market penetration,
- Mobilizing and energizing the company's own human capital,
- Reducing risk



In developing countries like INDIA, business can succeed only if industries maintain good relationships with all their stakeholders. These relationships can be strengthened, if organizations fulfill their obligations towards the stakeholder.

As far as the community is concerned, it gives the business the right to build or rent facilities, benefit from the tax revenues raised in the form of local services, infrastructure, etc. In return for their services, the firm should act in a responsible way.

The firm cannot expose the community to unreasonable hazards in form of pollution and toxic waste. A firm's responsibility towards the society includes:

- Respecting human rights and democratic institutions,
- Supporting public policies and practices that promote human development through harmonious relations between business and other segments of society.
- Collaborating with such activities that aim at improving the standards of health, education, work place safety and economic well being,
- Promoting and stimulating sustainable development and playing a leading role in preserving and enhancing the physical environment and conserving the earth's resources,
- Supporting peace, security, diversity and social integration: respecting the integrity of local cultures,
- Encouraging charitable donations, educational and cultural contributions and employee participation in community and civic affairs Example: DABUR INDIA LTD – Sundesh

Corporate Social Responsibility briefly known as CSR means the responsibility of company towards economy, environment and society. Business would embrace responsibility for the impact of their activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, business would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. Though there is no universal definition of CSR, it has been defined by several institutes as following;

According to World Bank (2011), CSR is the commitment of business to contribute to sustainable economic development-working with employees, their families, the local community and society at large to improve the quality of life in ways that are both good for business and good for development.

**CSR in India:** CSR is not a new concept in India. Corporatist like the Tata Group, the Aditya Birla

Group, and Indian Oil Corporation, to name a few, have been involved in serving the community ever since their inception. Many other organizations have been doing their part for the society through donations and charity events.

Today, CSR in India has gone beyond merely charity and donations, and is approached in a more organized fashion. It has become an integral part of the corporate strategy. Companies have CSR teams that devise specific policies, strategies and goals for their CSR programs and set aside budgets to support them.

These programs, in many cases, are based on a clearly defined social philosophy or are closely aligned with the companies' business expertise. Employees become the backbone of these initiatives and volunteer their time and contribute their skills, to implement them. CSR Programs could range from overall development of a community to supporting specific causes like education, environment, healthcare etc.

For example, organizations like Bharath Petroleum Corporation Limited, Maruti Suzuki India Limited, and Hindustan Unilever Limited, adopt villages where they focus on holistic development. They provide better medical and sanitation facilities, build schools and houses, and help the villagers become self-reliant by teaching them vocational and business skills.

On the other hand GlaxoSmithKline Pharmaceuticals' CSR programs primarily focus on health and healthy living. They work in tribal villages where they provide medical check-up and treatment, health camps and health awareness programs. They also provide money, medicines and equipment to non-profit organizations that work towards improving health and education in under-served communities.

CSR has come a long way in India. From responsive activities to sustainable initiatives, corporate have clearly exhibited their ability to make a significant difference in the society and improve the overall quality of life. In the current social situation in India, it is difficult for one single entity to bring about change, as the scale is enormous. Corporatists have the expertise, strategic thinking, manpower and money to facilitate extensive social change. Effective partnerships between corporate, NGOs and the government will place India's social development on a faster track.

## **Golden Peacock Award for Corporate Social Responsibility**

In India, Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the work force, their families as well as of the local community and society at large. Business needs a stable social environment that provides a predictable climate for investment and trade. Understanding stakeholders expectation is quite simply enlightened self-interest for business in today's interdependent world. It provides opportunity to demonstrate the human face of business. The Golden Peacock Award For Corporate Social Responsibility will help to build organizations brand equity on Corporate Social Responsibility. These are the awards which are given at the national and global level.

- Some of the past winners are Ordnance Factory, Indian Ordnance Factories, Medak,
- Mahindra and Mahindra Ltd, Farm Equipment Sector, Mumbai
- Reliance Energy Ltd, Dahanu Thermal Power Station
- All India Management Association, Centre for Management Services, New Delhi
- Bhilai Steel Plant, Steel Authority of India Ltd, Bhilai
- Aditya Birla Insulators, A unit of Aditya Birla Nuvo Ltd, Rishra, West Bengal

### **Benefits of CSR**

Corporate social responsibility (CSR) is not just about doing the right thing. It means behaving responsibly, and also dealing with stakeholder who do the same. It also ensures benefits for the business. By publishing corporate social responsibility (CSR) activities corporations may ensure that customers, suppliers and the local community about what they are doing. CSR lends itself to good news stories. Publicity like this can be a key part of using CSR to win contracts. People want to buy from businesses they respect. CSR can be particularly effective for targeting ethical companies, the public sector and non-profit organizations (Business Link, 2011).

At the same time, CSR can be seen as part of a continuing process of building long-term value. Everything done by the corporation should help improve its reputation and encourage customers

and other stakeholders to stay involved with this corporation. A business that buys recycled paper - but exploits its customers and ignores the community - has missed the point.

CSR is a good 'business case'. Companies invest in CSR activities because it makes business sense. It is neither a pure philanthropic activity which aims to 'do good to the community' nor an activity that aims to 'pay back to the society'. Some experts observe that the role of nation-state is diminishing and large multinational corporations, which have command on huge financial, human and technical resources play the dominant role in influencing government policy (through lobbying and other means) and also in bringing social changes.

Therefore, often the nation-state fails to protect the interest of those groups of the society who have no linkage with companies. In this situation, the society expects the corporate sector to take voluntary action to protect the interest of the local community and the society in general. The local community also expects companies to play an important role in social development. Social expectations are expressed through mass agitations, campaign by voluntary organizations and media campaign. The CSR initiative is the response of the corporate sector to societal expectations.

Companies invest in CSR activities because they derive significant benefits from those activities. CSR activities help companies to build reputation, make environment less vindictive, reduce litigation, and attract talent. In addition to those benefits, companies that invest in CSR activities develop good understanding of social culture and dynamics and identify social changes much in advance of those companies which are not involved in CSR activities. Visionary companies identify social undercurrents and latent social needs and often convert them in business opportunities. CSR is a very potent tool for managing reputational risks.

It is unfortunate that many companies try to present CSR activities as purely philanthropic. This might be a public posture, but this sets a wrong tone in the organization and employees fail to see the 'business case' and act with the perception that CSR activities are discretionary in nature. This is detrimental to the long term interest of the company.

Effective CSR helps a corporation to continue differentially, even with dozens of competitors. A real commitment to CSR lets corporations stand out. As well as affecting the way a corporate

behaves, CSR can lead to new products and services that reflect corporate values and those of its stakeholders. Over time, it can all add up to a powerful brand - and a winning business. We summarize core benefits of CSR from our literature review, these are as following;

### **Improved Image and Reputation**

The definition of the word "image" as it relates to management is the process of managing the desired visual image communicated to others. "Visual" is the mental impression or record made in the short term and perhaps long-term memory of others (Wikipedia, 2009a). The company's management should check up on that image, make corrections (not after an event occurs but sees the event coming), and begin to know to make adjustments as the events begin to impact the company's image. The best managed image may be created through responsible attitude towards the customer, environment, society and workplace. Reputation is the current sum total of the specific attribute to a company by people. A company's reputation is produced by the memory impressions of its perceived actions over time. Practice of corporate social responsibility push-up the image and reputation of the corporation which assist SMEs to get global market access.

### **Improved Trust and Understanding**

CSR improves business trust and understanding within its customers because responsible businesses are always careful about after sales service which is the best tool to achieve customer satisfaction. According to Scott (2002), Customer service is a series of activities designed to enhance the level of customer satisfaction - that is, the feeling that a product or service has met the customer expectation.

Customer service may be provided by a person (e.g., sales and service representative), or by automated means called self-service. Examples of self service are Internet sites. The experience a customer has of a product also affects the total service experience. Better customer service lead corporations to access Global market through improving trust and understanding within stakeholders (e.g. customer, supplier)

### **Better Market Position**

Corporate Social responsibility may play a role to get better market position through potential customer. A responsible corporation ensures better customer satisfaction by minimizing cost of

production, which allow customer to get better product with a less price. One study in 1993 at Wright State University in Dayton, Ohio, found that managers believe corporate social actions have an effect on perceived market share (Makower, 1994). Corporate social responsibility ensure better market position through global market access.

### **Improve Financial Performance**

Corporate Social responsibility improves the financial performance through cost reduction, efficient employee performance and more sales. There are several research that support the view that CSR ensure better financial performance for corporations. Research shows that responsible corporation has better reputation which led to the better financial performance than the irresponsible corporation. In 1994 study at Florida International University that tried to link social performance with financial performance found a significant positive relation between CSR and growth in sales, return on assets and so on (Makower, 1994).

### **Increase Attractiveness to Potential Recruits**

When a corporation improves its workplace management, show respects towards all level of employees, responsible attitude towards the society and straight towards the conversation of heritage, the next thing comes automatically e.g., better company culture. Better company culture led the organizations toward increasing attractiveness to potential recruits. When a corporation is able to recruit potential candidate then the corporation may able earn more revenue by efficient workforce.

### **Cost Saving and Increased Efficiency**

Environmental friendly business process may cost more in the short run business but it is really meaningful for long-run business. Environmental friendly process also encourages employees to work efficiently and reduce the total cost in a long financial time series. There are lot of example that are surrounding the world. One of Indian experience is that Tex Cycle Sdn Bhd reduce their total cost through environmental friendly business process. They are currently using solar system for their electricity and reduce their water bill through recycling.

### **Increase Employees Motivation**

One of the most difficult job for any corporation is to make happy its employees. But corporations may reach in the optimal position through better

responsible business attitude. Recent surveys indicate that corporate social responsibility is increasingly an important factor in attracting and retaining a talented and diverse workforce (Globescan Inc 2005). Companies that account for the interests of their employees by offering good working conditions will achieve better performance in terms of quality, delivery and, therefore, experience higher levels of productivity (Brine and et al, 2009).

**Efficient Risk Management System**

The investment community is increasingly viewing corporate social responsibility as akin to long-term risk management and good governance practice. Recent surveys indicate that analysts place as much importance on corporate reputation as they do on financial performance (Hill & Knowlton 2006). At the same time corporate social responsibility brings new business network which assist corporation to understand financial as well as non-financial risk.

**More Business**

Corporate social responsibility not only vital for big corporation but also bring prospect for small and medium corporation. Now-a-days big corporations are also careful about the supplier. They are asking their supplier to introduce responsible business. At the same time corporations are rejected by the responsible consumer group, if they are irresponsible. In this way, CSR brings more business for the corporations.

**Research Methodology & Data Analysis**

Once we set the core benefits of CSR, we made questionnaire with this core benefits and we asked Indian Managers to rank the most important benefits of CSR. The respondents were asked to rank the observation in terms of importance from your point of view. The most important factor will receive rank 1; second most important factor will receive rank 2, etc. No rank should be repeated. We send 123 questionnaire and we get back 70 filled questionnaire e.g., percentage of receive questionnaire is 59.34%. In the below table 1.1, we summarize respond of questionnaire.

**Table 1.1: Percentage of respondents**

No	Medium of correspondence	Number	No of received	Percentage	Reject	Useable
1	Personal appointment	43	42	97.67%	1	41
2	Post mail	35	18	51.43%	4	14
3	E-mail	45	10	22.22%	2	8
Total		123	70	59.34%	7	63

We have used the SPSS software 11.5 to get mean and standard division of the rank made by 63 respondents. As we mentioned earlier, we ask the respondent to rank as 1 for most important benefit of CSR and 2 for second most important and so on. So the most important benefit's mean will be least one. When we put their responses in SPSS software, we got the following table 1.2, from the table we can see that the most chose core benefit of CSR is improved image and reputations, whereas the second one is improved trust and understanding.

**Critical Evaluation CSR practices by SMEs**

According to the respondents the most beneficial aspect of CSR practice is to improve image and reputation, with the lowest mean score of 2.72 with 2.37 standard divisions. It means that the managers of SMEs feel that they practice CSR simply for image and reputation. Although there are some more benefits of CSR the most chosen one is improve image and reputation. Questions may raised that why the Small and Medium enterprise (SMEs) are now careful about the image and reputation. And

why they rank image and reputation as most important benefits of CSR. In personal interview they mentioned that image and reputation is needed

for global market access, specially, when a product goes to the develop countries from a developing country.

**Table 1.2: Core benefits of CSR**

Core benefits of CSR	Mean	SD*	Rank
Improved image and reputation	2.72	2.37	1
Improved trust and understanding	4.56	2.47	2
Better market position	4.80	2.33	3
Improve financial performance	5.54	2.58	4
Increased attractiveness to potential recruits	5.56	2.47	5
Cost saving and increased efficiency	6.07	2.29	6
Increased employee motivation	6.32	2.44	7
Efficient risk management system	6.33	2.50	8
More Business	6.40	2.37	9

\* SD refers Standard Division

The second most significant issue is that CSR improves trust and understanding, which can increase the gross profit of the firm. Respondents mentioned during the interview that the customer likes to purchase goods and services from the responsible organization. It is some kind of assurance that the product they are purchasing is of better quality. Practices of CSR bring trust and understanding from customers and assist the SMEs to access global market.

When a corporation achieves the trust and understanding then the second thing comes automatically e.g., better market position which improves financial performance of SMEs. Through the practices of CSR, SMEs get image and reputation from the customer which led SMEs to attract better potential recruits. And potential recruits save the cost of production through efficient management. All these bring efficient risk management and more business of SME. So we can summarize that the benefits of CSR is not one or two like reputation and image, rather CSR bring cycle of benefits which come one after another.

One more issue that was raised by the Manages of SMEs is that the initial cost of CSR is sometime higher for them, as they are conducting small business. This extra cost may rise-up the unit price of product, which create barrier for them to access

local market. They ask for Government support or tax holiday for CSR activities.

### Conclusion

The expectation from the society for SME is to play an essential role for creating economic, environmental and social prosperity, because small and medium-sized enterprises (SMEs) play an important role in any economy. SMEs constitute majority of enterprises and a good number employment at national level especially for developing countries. In India, 99.3% or 518,996 of business establishments are small and medium enterprises (Wee, 2007). According to experts, SMEs will be developed to be more competitive and resilient enterprise for the sustainable development. To ensure the sustainable development and Global market access, Indian Government encourages SMEs to practice Corporate Social Responsibility (CSR) in their business field. According to TONY HOSKINS, the Virtuous Circle says, "Our analysis shows that CSR is no longer merely fashionable but an essential component in delivering improved performance, requiring committed leaders to put it at the heart of business".

Hence, the policy makers need to further action, most notably strengthening the existing provisions so that CSR becomes a boon for developing Nations.

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