CORPORATE SOCIAL ENGAGEMENT: NEW BASE LINE TO CORPORATE SOCIAL RESPONSIBILITY

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ABSTRACT
The present paper is meant to offer a glance over the need of business engagement in society in the present and it is being realised as businesses are constantly growing conscious of their presence in the societal and environmental spaces. The paper makes an effort to understand the scope of corporate social engagement, which involves the environmental and social elements, all the stakeholders and customers. Social and environmental challenges, Government activism, Challenges from NGO's, internet and passionate customers were identified as major drivers which incline corporate towards engaging in society. The benefits such as reputation capital, signalling effect, authenticity, green washing and long term achievement that an organization enjoys from getting engaged in society are highlighted. It focuses on various approaches to corporate social engagement .strategic corporate philanthropy is identified as a way to put together social engagement and business interests. A new and powerful framework of social engagement that is cross- sector partnership has been acknowledged to be the next step of corporate social engagement.

KEYWORDS
Corporate social engagement, Strategic philanthropy, Strategic corporate social responsibility, Social partnership.

INTRODUCTION

FROM CORPORATE SOCIAL RESPONSIBILITY TO CORPORATE SOCIAL ENGAGEMENT

Business tangibles such as 'high-quality products and services' were the dominant factor to consider a company responsible a few years ago. Today, a range of other factors on how a business conducts itself as a member of society are also part of the mix. With generating reasonable profits; however, there is also a strong requirement for companies to make real, measurable contributions to the community in order to be considered 'good and responsible'. Business over the past two decades has been learning how to operate in a more environmentally and socially sustainable manner. The outgrowth of this profound transformation is the corporate social responsibility movement. CSR has now become the new baseline for corporate citizenship. But as times change, the role of corporate citizenship must change as well.

"The clear definition of CSR is that, the Community is not just another stakeholder in our business but the very purpose of our existence"- Jamshedji Tata

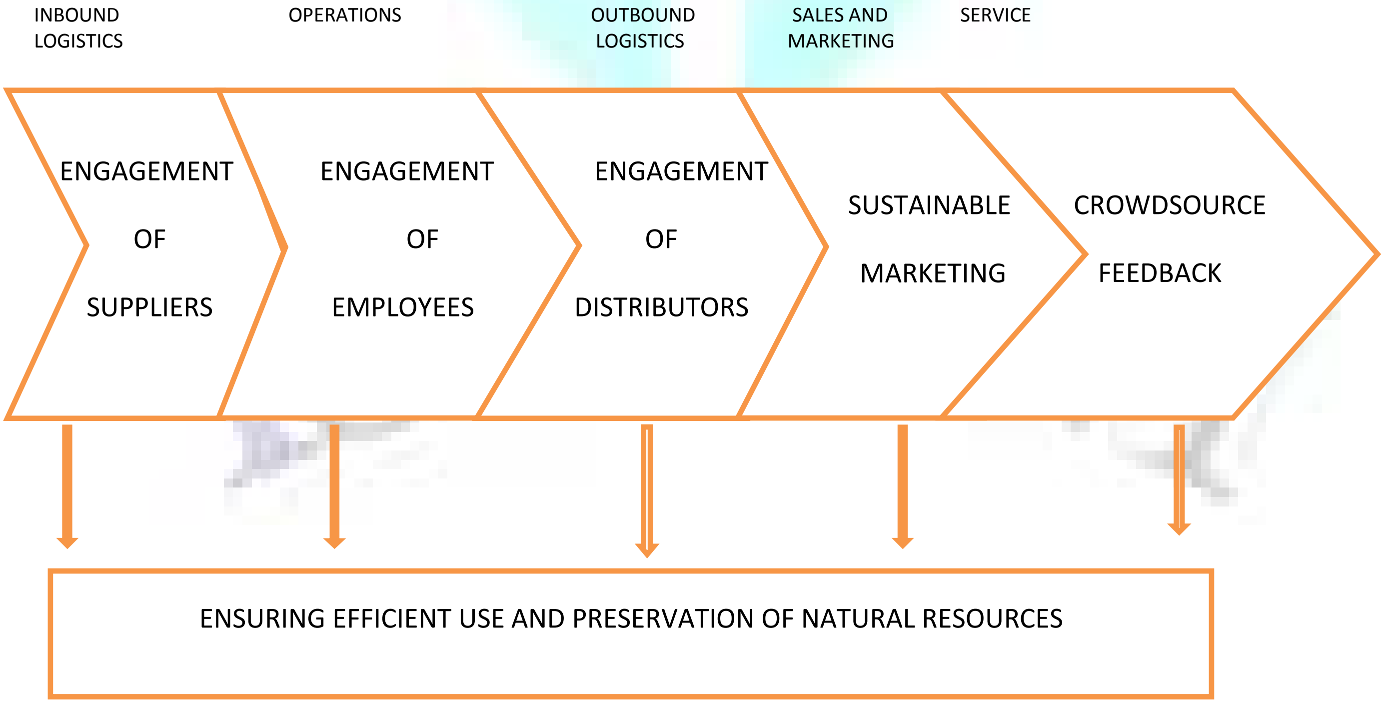
Effort to reduce their footprint on the environment and increase the same on society is visible throughout the globe by their small and big efforts.

With the moral imperative, business must now raise its level of play and move beyond corporate social responsibility – "I minimize the harm that I do" to corporate social engagement – "I maximize the good that I do." To step into this new paradigm, business must become proficient in furthering transformative social change. It must use this moral authority to encourage its multiple stakeholders to do the same – corporate social engagement. These stakeholders include its employees, communities, customers and supply chain.

DEFINITION AND MEANING OF CORPORATE SOCIAL ENGAGEMENT

Simply put, Corporate Social Engagement is a business entity's engagement in its society, environment and community for achieving results that are beyond its scope of profit.

According **to Wikipedia**, Corporate Social Responsibility/Engagement policy is defined as functions which are built-in, self-regulating mechanism whereby business would monitor and ensure its support to law, ethical standards, and international norms.



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   HYPOTHESES

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   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

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Corporate Social Engagement, this entails an open and honest discussion about social and environmental issues with stakeholders at every point in the value chain – suppliers, employees, investors, NGOs, government and, increasingly, customers. Implicit in this approach is the need to listen to their views and address their concern.(as shown in diagram above)
Social Engagement seeks to create an environment where a company can effectively engage diverse stakeholder groups, manage and communicate its social and environmental impacts and formulate locally-relevant initiatives through meaningful multi-channel, transparent and real-time dialogues.

SCOPE OF CORPORATE SOCIAL ENGAGEMENT
Specifically, Social Engagement involves:
- Addressing social and environmental issues through business-aligned CSR initiatives and communications;
- Engaging and partnering with stakeholder groups (NGOs and local governments) at the grassroots level; &
- Aligning brands with growing passionate consumer interests to jointly address social and environmental causes.

WHY SHOULD CORPORATE ENGAGE IN SOCIETY
By the mid-1970s, most scholars came to agree that business companies are important – if not crucial – social actors, and therefore have an obligation to deal with non-economic factors and forces related to the social environment.
In order to respond to social changes, business enterprises have to become socially engaged in a more proactive fashion: the concept of *responsiveness* introduced by Sethi (1975) refers to this new approach. One of the most interesting elements introduced by this new conceptualization of corporate engagement in society is a long-term vision of the relationship between business and social environment and a more proactive approach aimed at obtaining actual social improvement.
Three aspects can be mentioned among the most interesting traits of this new vision of the role of corporations towards society, as Frederick(1994) sees it: first, the re-evaluation, and consequently reduction, of the moral component of CSR; secondly, the focus on more tangible aspects of the relationship between social actors and business firms; and, thirdly, the institutionalization of the approach to social issues in terms of organizational innovation within the company in order to effectively achieve results.

DRIVERS OF CSE
In our research we have identified five major drivers that are reshaping stakeholder expectations and impacting corporate responsibility in the region:
SOCIAL AND ENVIRONMENTAL CHALLENGES
Social and environmental pressures are forcing companies to find more efficient means of consuming and using resources, and to better manage the social impact of their business, including taking care of employees and managing the social performance of suppliers.
They are inspiring ever-greater activism among influential stakeholders and raising the bar for companies entering into social contracts. This is due to an increased understanding of how business in general contributes to these pressures and declining trust in governments' ability to find solutions to the social challenges facing them
The mounting concern with sustainable growth and climate change has spawned a new breed of ethical investors. They are urging companies to report on the environmental and social costs of their operations and improve corporate governance. Investors are growing a conscience via ethical funds and sustainable indices and a string of environmental violations by companies is thrusting ethical growth on to the agenda.
GOVERNMENT ACTIVISM
Governments across the region are taking an increasingly active role in enforcing change in the corporate sector by enacting legislation on social and environmental performance. Within this changing regulatory landscape, companies that voluntarily manage their social and environmental impacts will be better adapted for the future and thus more competitive in the long term. Another way governments are demonstrating their concern for the social well-being of their citizens is through the enactment of more stringent labour laws and guidelines.
For example in India Corporate social responsibility is redefined under new guidelines that aim to encourage ethical practices in all spheres of business operations, ultimately shifting the focus away from merely shelling out cash on social causes.
The new guidelines, now being referred to as business responsibility norms, will replace the ministry of corporate affairs' voluntary directions on CSR introduced years before.
The new norms require a company to be responsible in its handling of issues related to environment and society where it functions. Apart from prescribing best practices on how a company should address concerns on human rights violations, the guidelines will suggest ways in which India Inc should interact and lobby with the government.
While the norms would still be kept voluntary, a strict process of reporting has been devised that would be periodically reviewed by regulators. An independent evaluation mechanism of how a business is performing is also being devised through rating agencies.
The business responsibility framework has been jointly prepared by the Indian Institute of Corporate Affairs, a think tank under the ministry, and Germany-based international enterprise GIZ as part of a bilateral co-operation effort.
Companies will be asked to report their activities in their annual reports. While larger companies will be required to report as per the global reporting initiative (GRI) format, which is an internationally recognized format on sustainability reporting, smaller companies will have an option of just declaring their in-principle acceptance of these norms.
Rating firms have already started ranking companies based on their performance on environment social norms. Crisil had launched its Environment, Social and Governance (ESG) index, which measures company performance on voluntary disclosures on governance and environment issues rather than financial performance.
The index ranks India's top 500 listed firms, using publicly available information to measure their performance. "Since June 2009 the ESG index has outperformed the Nifty 50, as said by Sunil Sinha, senior economist and the person in charge of creating the index. This shows that investing in environment friendly companies with good corporate governance will yield good return too.
India has already made some progress on the responsible investment front. Companies such as Yes Bank, Tata Steel, IDFC and ONGC have incorporated sustainability and, according to the Global Reporting Initiative (GRI), about 56 Indian companies include some ESG data in their annual reports or sustainability reports. The government has also introduced guidelines on corporate governance and corporate social responsibility. But industry experts say the focus of the latter is philanthropy rather than sustainability. Bloomberg collects ESG data on 3,500 companies globally including 580 Indian companies, making India the second largest participant. Similarly, India has a sustainability index, S&P's ESG index on the National Stock Exchange, which measures and ranks large-cap listed companies on their ESG performance.
With many of such government activities and companies considering the fear of losing credibility and goodwill is way bigger than money spent; corporate social responsibility is in vogue.
GROWING INFLUENCE OF NGOs
As NGO networks become more organized, larger international and domestic NGOs are cooperating with smaller local NGOs and community groups in rural areas to help build capacity and increase influence. Domestic NGOs monitoring corporate activity on the ground are now able to reach larger organizations, which can then bring issues to light on the national and international stage. Moreover, the media, NGOs and locals are highlighting the negative repercussions of business activity with regard to industrial pollution, deforestation, land grabbing and displacement of tribals and farmers. In turn, domestic businesses are realising the need to increase their acceptability to the public. Last year, the government banned Vedanta resources listed on the London Stock Exchange, from mining bauxite in the Niyamgiri Hills of eastern Orissa state and halted the, Lavasa city project in Maharashtra both for flouting environmental laws. "Businesses

are starting to understand that natural resources like land, coal, water need to be shared and are not freely available and that acquisition needs to happen in a structured manner," says Seema Arora, head of the Confederation of Indian Industry's ITC Centre for Sustainable Development.

INTERNET AND MOBILE COMMUNICATIONS

Through blogs, online petitions, videos of environmental destruction or websites created to protest the labour practices of a specific company, stakeholders are increasingly speaking their minds locally with global impact. Moreover, their views are being regarded as credible, giving them the means to damage (or elevate) corporate reputation to a greater extent than ever before.

PASSIONATE CONSUMERS AND EMPLOYEES

The rise of the Internet and the increasing availability of information is empowering consumers and employees as never before, helping them become more vocal and more audible. Information about a company or organization provided by an employee or fellow consumer is significantly more personal than information obtained directly from the organization itself.

BENEFITS

The benefits that will accrue to a company from becoming a engaged in society are many. They include increasing customer loyalty, attracting and retaining employees, developing employee morale to help drive and sustain a company-wide corporate responsibility strategy, developing employee leadership skills, building strong partnerships with local government, community organizations and other businesses, and strengthening community visibility and goodwill. Others would include

Positive impact on reputational capital: Scholars suggest that corporate engagement in society bolsters a firm's reputational or moral capital, which in turn serves as a form of insurance.

Signalling effect: CSE activity can sometimes indicate a firm's credibility. In industries with high competition and advertising intensity, corporate giving and profits are positively related; conversely, in industries with low competition and advertising intensity, the relationship is negative.

Perception of authenticity: CSE activity increases the authencity of organisations.

Commercial Benefit: Increased visibility among consumers and employees

Green Washing: Focusing the attention of consumers on certain actions only. This would help to reposition the company's image in the market.

Political-social relationships: To enjoy certain social and political benefits.

The long Term Achievement : Companies with motives to really help the society, gain more than just mere good marketing. They gain a long term reputation and trust of people at large which seeps into their employees too.

APPROACHES TO CSE

Corporate social responsibility and corporate giving should be strategically aligned with the organization's core competencies in order to benefit society as well as generate return for the company.

As the world is increasingly getting conscious about the energy and environment sustainability, corporate houses are getting more focused on their efforts to mainstream CSE. Business entities are taking responsibility for the impact of their activities on environment as well as the customers, suppliers, employees, shareholders, communities and other stakeholders. These responsible acts have many methods and approaches.

According to Porter and Kramer an organization can involve in society at three levels: generic, value chain and competitive context. (as shown in the diagram below)

At generic level, it would involve supporting and funding the events (which is completely outside of what people associate with the company) for the welfare of society. In value chain context, each of the elements should take care of as not to harm the society or environment. In order to fit within competitive context (i.e. be strategic), then a company must understand its brand equity. For example Volvo, stands for safety while Toyota represents environmental friendliness. Once companies understand their brand equity, then finding relevant, strategic social causes that offer differentiation with competitors will not seem a far-fetched notion.

CORPORATE INVOLEMENT IN SOCIETY: APPROACHES

• GENERIC SOCIAL IMPACT	• VALUE CHAIN SOCIAL IMPACTS	• SOCIAL DIMENSION OF COMPETITIVE CONTEXT
• GOOD CITIZENSHIP	• MITIGATE HARM FROM VALUE CHAIN ACTIVITIES	• STRATEGIC PHILANTHROPY THAT LEVERAGES CAPABILITIES TO IMPROVE SALIENT AREAS OF COMPETITIVE CONTEXT
• **RESPONSIVE CSR**	• TRANSFORM VALUE CHAIN ACTIVITIES TO BENEFIT SOCIETY WHILE REINFORCING STRATEGY	• **STRATEGIC CSR**

Three main approaches which are commonly adopted by companies are discussed here. These approaches are:

STRATEGIC CORPORATE SOCIAL ENGAGEMENT

INCORPORATE THE CSE STRATEGY DIRECTLY INTO THE BUSINESS STRATEGY OF AN ORGANIZATION

In recent times, to achieve a more integrated approach to Corporate Social Engagement, business houses have started incorporating social missions. For example, social mission of Bharti Airtel is to get cell phones into the hands of the hundreds of millions of people in India who otherwise have no way to communicate with each other. Tata Motors has a similar goal with respect to providing low-cost transportation in the form of the Nano. The social mission of the pharmaceutical and healthcare company, Dr. Reddy's, is to address the unmet medical needs of the poor in India as well as around the world. Hindustan Unilever's "Project Shakti" uses microfinance principles to create a sales force in the poorest regions of the country.

While corporates are realizing that CSE is more than a mere voluntary act, some countries have turned it to a legislative requirement.

In the annual general meeting of CII in 2007, Prime Minister Manmohan Singh had addressed in his speech about the CSR as "corporate social responsibility must not be defined by tax planning strategies alone. Rather, it should be defined within the framework of a corporate philosophy which factors the needs of the community and the regions in which a corporate entity functions."

CORPORATE STRATEGIC PHILANTHROPY

Traditionally, corporations have donated, in average, rather small amounts of money to a quite great number of social causes or non-profit organizations, thus affecting the effectiveness of the donation. Moreover, only very seldom did the corporation have the chance or the will to verify how the recipient organization carried out the program for which it received the grant.

The connection between donor and grantee was, in those cases, limited to the transfer of money from an institution to another institution, leaving no room to establish a deeper and more productive relationship. During the 1980s, the concept of *enlightened self-interest* starts to become central in the debate on the social role of business. The rationale that underlies this new vision is of great importance for companies: in this view, business philanthropic engagement is intended to be a means to produce actual social value in the very interest of the corporation. As Peter Drucker states, "in the next decade it will become increasingly important to stress that business can discharge its 'social responsibilities' only if it converts them into 'self-interest,' that is, into business opportunities" (Drucker, 1984, p. 59).

The idea that social engagement, and philanthropy, should be linked to the corporations' bottom line opens the path to a new vision of the relationship between private sector and society. Craig Smith (1994) describes what he refers to as "the new corporate philanthropy" as a new opportunity for business to strategically

make use of their resources for philanthropic purposes. In other terms, Smith (1994) is convinced that corporations could make much more profitable use of their resources if they would reconsider philanthropy in terms of strategy.
Since the early 1990s corporate strategic philanthropy has represented a new way for business to approach social issues. In times of economic and financial troubles for companies, the only way for them to continue to contribute to social improvement seemed to be the alignment of philanthropic initiatives to business strategic goals, particularly because "the strategic use of philanthropy has begun to give companies a powerful competitive edge" (Smith, 1994, p. 105).
Craig Smith, in his 1994 *Harvard Business Review* article, was among the first to announce that this "new corporate philanthropy" was being carried out successfully by industry giants such as IBM, AT&T, Reebok, and several others. By linking charitable giving to corporate strategy, these companies were "corporate citizens" who had found ways to align "a broad view of self-interest" with a commitment to the greater good (1994:107). As a result of this approach, these companies manage to "increase their name recognition among consumers, boost employee productivity, reduce R&D costs, overcome regulatory obstacles, and foster synergy among business units"

EMPLOYEE VOLUNTEERING

An increasingly important form of corporate giving involves time and expertise, in the form of employee volunteering. Several companies have adopted employee volunteer programs (EVPs), in which companies sponsor employees to spend time volunteering, typically in partnership with local non-profit organizations. Certain companies dedicate a "day of service" every year; others loan out employees to do fulltime paid volunteer work; others offer travel service sabbaticals and structured skills based volunteering.
Strategic philanthropy is presented as distinct from other approaches to charitable giving. Bruch and Walter (2005) provide one such typology, which describes four types of philanthropy.

1. Dispersed philanthropy, which consists of mostly uncoordinated, disparate charitable initiatives without clear decision-criteria. This is typically the approach used in corporate donations and tends to be based on personal preferences of managers or board members rather than a strategic assessment of stakeholder needs and core competencies. As a result, such initiatives run the risk of being misunderstood by directors, management, and employees, and of being ineffective to beneficiaries in the long run.
2. Peripheral philanthropy, which is highly oriented towards external demands and expectations and can improve company reputation, customer demand, and attractiveness to employees. But, not being tied to the company's core competencies, these activities can seem irrelevant or superficial and are unsustainable in the long-term.
3. Constricted philanthropy, which bases philanthropic activity on the company's core competencies but neglects to address the needs and expectations of key stakeholders. Thus, it runs the risk of being seen as irrelevant or superfluous.
4. Strategic philanthropy, which they consider the most effective approach, integrates a concern for external stakeholder and market expectations while paying attention to the company's internal core competencies. This approach can arguably generate sustainable social benefits while also improving employee motivation and corporate reputation.

Based on Bruch and Walter (2005) typology, a matrix can be developed- MATRIX OF PHILANTHROPY. As inferred from Bruch and Walter (2005) typologies, the philanthropic approach can have two orientation i.e. charity orientation (the concept of traditional giving) the sense of giving can come either because of
INTERNAL FOCUS - personal preferences of managers or board members without any external demands
EXTERNAL FOCUS – focuses due to external demands and expectations which are necessary to improve company reputation, customer demand, and attractiveness to employees
And the Strategic orientation (the concept of institutionalization of concept of giving in the core competency of the organization) which would include two dimensions-
EXCLUSIVE - neglects to address the needs and expectations of key stakeholders, while concentrating on core competency
INCLUSIVE – takes into consideration the needs and expectations of key stakeholders, while concentrating on core competency

MATRIX OF PHILANTHROPY
CHARITY ORIENTATION

		INTERNAL FOCUS	EXTERNAL FOCUS
STRATEGIC	EXCLUSIVE	• Dispersed philanthropy	• Peripheral philanthropy
ORIENTATION	INCLUSIVE	• Constricted philanthropy	• Strategic philanthropy

SOCIAL PARTNERSHIP

Corporate strategic philanthropy, as described above, can be seen as a one-sided process. The corporation identifies an area of interest and sets up a philanthropic program investing its own resources, with no – or little – consultation with external actors. During the last twenty years a new model of social engagement has been developed. This approach can be referred to as strategic alliances or partnerships between corporations and non-profit organizations.
The establishment of strategic alliances is a well-known process in the for-profit sector. As Kanter (1994) points out, the creation of alliances between corporations in order to acquire collaborative advantages has become more important as a strategic tool since the 1990s. The idea behind this type of mutual engagement is to create more value together than the value that can be created by acting alone.
According to Kanter (1994), the key to successfully implement an alliance mainly rely on the mutual commitment of both organizations: collaboration is the key-word. This means that both parts have to actively contribute to the cause by adding their own value in order to achieve results.
Another key-factor is represented by interpersonal connections between professionals who actually undertake and carry out the collaboration. In other terms, a strong and well organized framework alone does not guarantee the success of the partnership: it is necessary that key-persons from both organizations stay in contact and work together, thus establishing a link that will eventually become a catalyst for value creation.
The process of creating a link between different sectors requires the constant investment of time and resources, forcing the organizations to carefully consider the goals that they want to achieve. The main purpose for establishing cross-sector partnerships is the creation of social value: this is the goal that partner organizations have in common the deep commitment to the cause of those two corporations is demonstrated by the great amount of executives' time and other corporate resources that have been invested in the non-profit organization

CONCLUSION

In the era of globalization and in today's knowledge economy, there is the need to realise that it is required to move a step ahead corporate social responsibility i.e. towards corporate social engagement, for the success of organization and the welfare of society. For the survival in the competitive and changing environment it is important to get engaged in society at each level, while making it a part of their strategy and focusing on their core competency.

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