

Multinationals, CSR and Social Reporting: A Sociological Analysis

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Abstract - *The role of business in society brings the importance of community as a stakeholder who is a central concept in Corporate Social Responsibility (CSR). There has been a changing role of business in a society where companies are found to engage themselves for community development and to be accountable to society through social reporting of their initiatives and outcomes towards society. CSR communication through corporate websites has become an essential way to disclose the company's engagement in a multi-stakeholder dialogue acting as an interactive process rather than a static annual reporting. Keeping this as background, the paper attempts to understand the importance of social reporting and corporate gaining social power, thereby making a sociological analysis of Multinationals and transparency. The study is carried by secondary sources of data collection. Although the issue of CSR has grown remarkably in recent years, there is limited evidence about its reporting practices in companies' annual reports in developing countries compared to developed countries. Moreover, only a few studies have investigated that the information reported by companies had fulfilled the stakeholder's expectation. Hence, the study gains importance as it highlights corporate citizenship and global compact as a new approach to regulating corporate social power.*

Keywords - *Corporate Social Responsibility, Corporate Social Performance, Social Reporting, Multinationals, Community Development.*

I. INTRODUCTION

Globalization has created bigger companies such as multinational corporations, which are predominantly dominant in capitalist production and ideology. It is critical for companies to embrace social and environmental responsibility in order to meet the demands of their investors, employees, and communities they serve. There has been investment in society for development, thereby bringing a harmonious balance between business and society. There is the pressure and prominence of global corporations and expectations of the socially responsible involvement of large corporations. Moreover, modern industrialization has weak state power, resulting in more failure by government, which results in the rise of the role of Modern corporations as an alternative to the path of

development. . Multinationals are understood to be huge financial investors for social development, especially focusing on rural areas. They not only engage in profit-orienting business endeavors but also are seen to concentrate on the development of rural areas in India. Such socially responsible initiatives undertaken by them are known through corporate social responsibility.

CSR is defined as the integration of business operations and values whereby the interest of all stakeholders, including investors, customers, employees, and the environment, are reflected in the company's policies and actions. Corporate social responsibility is a business approach that contributes to sustainable development by delivering economic, social, and environmental benefits for all stakeholders. Community stands as the most important stakeholder. It is moral motives for a social initiative that business has an ethical duty to "give back" to society. It is a form of corporate self-regulation integrated into a business model where the corporate social responsibility of the companies involves in the social initiatives to bring social change [1]. Therefore, corporate engage in social initiatives help organization to predict when companies are likely to participate in such activities and explain different approaches toward implementation.

CSR from a stakeholders' orientation extends beyond the organization's boundaries, and that is driven by an ethical understanding of the organization's responsibility for the impact of its business activity, seeking in return society's acceptance of the legitimacy of the organization [2]. Engaging stakeholders involves establishing partnerships within the local community and society at large [3]. The process of corporate social responsiveness helps in production, monitoring, evaluation, compensation, and rectification through which the firm connects itself to information, stakeholder issues which all can be measured. There arises the concept of social reporting to highlight the accountability and transparency that the multinationals hold towards society. Corporate social performance categorizes business activity, focusing on the impact and outcome for society, stakeholders, and the firm itself [4] to understand the accountability and assess the company's motive. Sometimes, criticisms of this



corporate dominance include arguments that they own and influence the media, influence government, and manipulate international agreements.

II. METHODOLOGY

The relationships between business and society have been studied for decades with outcomes being influenced by economic paradigm [5], but the modern concept of CSR states that the business enterprises in their usual process of business decision making should pay due attention to the social interest of the people in the community [6]. This entails the research gap that CSR has always been treated as a structural component from a management perspective, neglecting the sociological significance of such altruism of the multinationals and the impact that they set in the contributing community development. The impact assessment is measured by invoking the inadequacy of the institutional means of accountability of the companies, which most often exaggerates the output on the development of the community for their brand image. [7] Fosters a stakeholder management model to provide a framework for describing, evaluating, and managing corporate performance. A common set of corporate social performance measures is needed by both academic research and business that seek to assess corporate social impacts [8]. Such performances by large multinationals are often measured through social reporting and accountability practices. The effort is made to critically analyze the actual social performance of companies through social reporting as a medium to assess the impact of CSR on community development. The present paper attempts to bring out a critical understanding of the social reporting practices of multinationals depicting their transparency and accountability towards society, and CSR is recently understood as a significant agent for social development.

III. FINDINGS AND DISCUSSION

A. Corporate social performance and Ethical Theory

The concept of corporate social performance (CSP) in the 1970s became an established larger term embracing both descriptive and normative aspects of the field, focusing on socially responsible initiatives of corporations. The fundamental ideas of CSR are that the business corporation has an obligation to work towards meeting the need of a wider array of stakeholders because business as producers of economic wealth does not only have economic impact rather social impact from business as well [9]. The ethical theory of corporate social performance is given by Garriga and Mele [10]. It brings a stronger

relationship between society and business. The entire multinationals' adherence to the norms of the society shows morality constraints the business to be ethically correct. The main characteristic of the ethical approach is the focus on ethical aspects rather than the possibilities for profiting from CSR. They are understood to be corporate citizens and follow the principles that express the right thing to do or the necessity to achieve a good society. However, the degree of adherence varies across companies and across sectors. Garriga and Mele show Ethical theory is subdivided into four dimensions, i.e., Normative Stakeholder Theory, Universal Rights, Sustainable Development, and Common Good Approach. The normative stakeholder theory is a way to integrate social demands. It has a normative core based on two major ideas, that is, stakeholders are persons or groups with a legitimate interest in procedural aspects of corporate activity. The interest of all stakeholders is of intrinsic value that is beyond the mere motto of furthering the interest of some other groups. Secondly, The Universal Rights of the UN Global Compact includes the area of human rights, labor rights, and environmental protection as a basis for CSR.

The third component, Sustainable Development, requires the integration of social, environmental, and economic considerations to make a balanced judgment for the long term. It should match the organization's strategy as an appropriate response to the circumstance in which the organization operates. The fourth component of the common good approach maintains that business, as with any other social group or individual in society, has to contribute to the common good because it is a part of society, and it shouldn't be harmful to society. It includes Utilitarianism and contractualism [11]. Utilitarianism shows that it is the total sum of well-being that moral agents are obligated to maximize; it follows that the well-being of all humans (or sentient beings) should be taken equally into account. A utilitarian approach would imply that companies take everybody's interest into account, meaning that companies should consider the interests of the local community, implying that companies should direct a large portion of their CSR resources towards the needs of the poor living far away from where they operate. The key idea of contractualism relates to normative truths or agreements between the relevant agents. Reciprocity and mutual acceptability are key terms. Due to the reciprocal nature of contractualism, the theory offers strong protection to all parties, and especially to those in a weak, real-life bargaining position. Hence, the linkage of society and business is relegated through ethics.

B. Social reporting and legitimacy

Corporate Social Performance can be measured through social reports, environmental reports, and annual reports social or environmental disclosure. Such social reporting brings legitimacy to the existence of Multinationals in society having a common good approach. Transparency and accountability are essential to promote and sustain stakeholder's participation. The companies are involved in the strategic implementation of CSR for empowering women. These community development initiatives are reported to the public, which shows their accountability and transparency towards society. It has become a legitimizing identity (brand) for researchers in the business and society field, but it has not developed into a viable theoretical or operational construct. Corporate social reporting is defined as the process of communicating the social and the environmental effects of organizations' economic actions to particular interest groups with the society end to society at large [12]. CSR accountability is manifested in a variety of indicators within companies where free-standing CSR reports play a core role of stakeholder demands fulfillment carrying pressure from NGOs, media, etc. [13]. It is seen that companies do definitely impact their surrounding for which the concept of the company is responsible for the action arises, where NGOs and media are found to pressure for the impact of their operations. When voluntary social and environmental disclosure significantly increased from the 1980s to the 1990s, and corporate social reporting has emerged.

The involvement of socially responsible companies in financing the infrastructure projects of local communities is an example of successful results of implementing CSR [14]. Therefore, CSR guarantees the active participation of a company in ensuring social development in the region, improving the social cohesion and sustainable development of the region. Implementation of CSR allows maintaining successful business at the same time making a valuable input into the social development of a community and creating favorable conditions for successful business development in the region. The United Nation Guiding Principles on Business and Human Rights which are the global standards for addressing the risk of human rights violation related to business activity. Besides these, there are a few international social accountability standards that enable organizations to become accountable, responsible, and sustainable. OECD has brought out an OECD CSR policy tool that aims to help companies gain insight into their current CSR activities, assess its value and determine other CSR activities. Hence, a properly implemented CSR concept can bring along a variety of competitive advantages, such as enhanced access to capital and markets, increased sales and profit, operational cost saving, improved

productivity and quality, efficient human resources, improved brand image and reputation, enhanced customer loyalty, better decision making, and risk management process and community development.

Media and social responsibility help the companies to be legitimate the corporate behavior and the society's perception at one end and build a corporate reputation on the other hand. It is seen that societal changes will bring about a change in the accounting discipline. So, corporate social reporting or accountability may be considered as inevitable because as society changes, demanding greater and different degrees of accountability, the accounting system must review to satisfy these demands [15] because evidence of CSR as a component of business society relations is manifested where annual reports are the most accessible, credible and preferred medium for disclosure and various theoretical bases have been used to explain corporate social reporting. There has been an increase in public awareness of corporations' impact on society because of the dissatisfaction of many groups with the business performance in meeting social needs and expectations [16], for which the companies with increased pressure report their social responsibilities. Studies conducted also show that corporate do disclosure to show their moral responsibility by giving a positive impact on the performance of the organization, legitimizing the influence on the perception of other stakeholders. Kolk [17] conducted a study on fortune global 250 firms are found that their report about the corporate attempts shows their economic implications, in addition to the environmental and social aspects of their activities that have traditionally received more attention in the context of CSR.

There is a debate over the CSR social report in practices between the companies in India and abroad. Some studies have also highlighted that India lags behind other countries in social reporting. Despite the perceived CSR in India and abroad recognition of the significance of CSR in contemporary business practices, the number of companies that have CSR information on their websites is strikingly low. Studies conducted found that firms tend to highlight individual examples and projects rather than giving overall insight into their impact [18]. Similarly, Rowe [19] finds that at the conceptual level, corporate social reporting helps to legitimate the corporate behavior and the society's perception at one end and build a corporate reputation on the other hand. CSR communication through corporate websites has become an essential way to disclose the company's engagement in a multi-stakeholder dialogue [20], acting as an interactive process rather than static annual reporting. There are many countries where transparency helps in legitimacy

and to earn corporate social power. Corporate social power situates multinationals to have political control over society. Big businesses hold not only huge economic power but also social. They legitimize their image of corporate citizenship. The changing role of business impacts society on a negative path often. Those companies which fail in their social initiatives on internal stakeholder, they try to balance it by rendering services towards external stakeholder for a good brand image. MNCs are highly influential in a less developed country like India, where they are seen to monopolize their power in economic as well as political dynamics of numerous governments, forming offshoots of western colonialism. It is seen that MNCs overpower the state in decision-making in nation-states.

C. Rural Development and Gender Equity Approach

Corporate Social Responsibility Rules, 2014 was notified by the Govt. on 27th Feb 2014. Both the Act and its Rules were to be implemented with effect from 1st April 2014. . As per the act, every company shall have to spend in every financial year at least 2% of its average net profits made during the three immediately preceding financial years on CSR activities. The activities as per Schedule VII of the Companies Act, 2013 may focus on eradicating hunger, poverty, and malnutrition, promoting preventive health care and sanitation and making available safe drinking water, Promoting education, including special education and employment, enhancing women skill among children, women, elderly and the differently-abled and livelihood enhancing projects. Promoting gender equality, empowering women, setting up homes and hostels for women and orphans, setting up old age homes, daycare centers, such other facilities for senior citizens, and measures for reducing inequality faced by socially and economically backward groups.

The companies are seen to address those issues through their investment and implementation of the program, depending on the demand of the local area. The key issues are environmental management, eco-efficiency, responsible sourcing, stakeholder engagement, labor standards, and working conditions, employee and community relations, social equity, gender balance, human rights, good governance, and anti-corruption measures. There are yet other explicit issues undertaken by the companies in social responsiveness where the focus area includes health care development, education, women entrepreneurship, self-help group for women, social inclusion, sustainable environment, development of agriculture, promotion and preservation of ethnic identity, promotion of rural enterprises, vocational training, mother & child health, communicable diseases, tribal culture, sports, etc. A properly

implemented CSR concept can bring along a variety of competitive advantages, such as enhanced access to capital and markets, increased sales and profit, operational cost saving, improved productivity and quality, efficient human resources, improved brand image and reputation, enhanced customer loyalty, better decision making, and risk management process and community development. The role of multinationals in empowering rural women through social entrepreneurship has also been found in India [21].

The companies undertake the demands of the local people in the peripheral areas of the plant and address the social issue in a strategic business approach. Multinationals have set up separate departments exclusively for CSR and scrutinize their implemented program. The local NGOs and governmental schemes also make partnerships for effective implementation. The gender equity approach basically focuses on bringing gender development not only through the welfare approach but also through the real participation of women in the development process. Multinational are found to prioritize their social development initiatives to be undertaken for the community, depending on the local context. In almost every Multinational CSR's focus, women have their importance. Companies address gender quality by empowering women through health care facilities, education, income generation, and capacity building. Women empowerment is taken as an important issue for the development of the community. Women being 'empowered' or possessing 'power' gives an equity approach towards inclusion and mobilization of disadvantaged groups. In this context, empowerment is considered as the expansion of assets and capabilities of poor people to participate, negotiate with, influence, control, and hold accountable institutions that affect their lives. The social reports immensely reveal the outcomes of the empowerment projects undertaken by companies. However, their approach and degree of success vary across companies. The companies that have been more successful in women's development projects include Tata Steel, Vedanta, Infosys, Tata Power, Titan, etc. all this definitely depicts a sociological approach towards CSR fostering women empowerment [22] to make a greater understanding of the gender equity approach.

IV. CONCLUSION

Multinational companies do definitely impact their surrounding, for which the concept of a company is responsible for the action arises, where NGOs and

media are found to pressure for the impact of their operations. Multinationals are engrossed in the community through corporate social development and are required to show transparency and accountability. The corporation is also becoming a primary concern, particularly in terms of their operation in developing countries; hence it becomes imperative to examine issues related to CSR activities in research and academics, particularly in the domain of community development. CSR performance data is thus becoming an increasingly important feature of companies' annual reports. Since 1993, the percentage of companies with CSR reports has been increasing. This would enable the companies to be evaluated not only from financial but also social dimensions and criteria. Thus, there is a need for such valuable Corporate Social Responsibility campaigns from prominent companies, which can surely change the fate and face of women in Indian society in the significant areas of women. The government, media, NGOs should collectively join hands with corporate in the common interest of the upliftment of women. This would enable the companies to be evaluated not only from financial but also social dimensions and criteria.

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