



Corporate Social Responsibility – Charity or Marketing gimmick?

Description

Introduction :-

Corporate Social Responsibility (CSR) is a relatively new term in the business sphere. The term was first coined in the 1960s, but it is only recently that it has gained popularity amongst businesses. In recent times, under the new mandate of the Companies Act, 2013, it is now compulsory for businesses to contribute two percent of their profits for the betterment of society.

The relevance of CSR :-

1. CSR and consumers: CSR has a definite positive impact on consumers. Research shows that CSR is responsible for more than 40% of a company's reputation. 42 percent of people based their feelings about a company on the firm's CSR. McKinsey also found that 95 percent of CEOs felt that society now has higher expectations of businesses taking on social responsibilities than five years ago. About 93 percent of people want to see more of the products and services they use supporting worthy social/environmental causes.
2. CSR and Employees: Research has found that 88 percent of millennials chose employers based on strong CSR values, and 86 percent would consider leaving if the company's CSR values no longer met their expectations. Net Impact found that 53 percent of workers thought that "a job where I can make an impact" was important to their happiness. About 35 percent would even take a pay cut to work for a company committed to CSR. Another study found that the more actively a company pursues worthy environmental and social efforts, the more engaged its employees are.
3. CSR and Community: Research has found that CSR activities that help in developing the community's backward and downtrodden greatly impact the way it is perceived in the community. People feel that by buying products from such companies, they are effectively helping society.

Analysis :-

Given the above information, it can be easily seen that companies definitely benefit from undertaking CSR projects. So, the question arises whether they truly want to give back to society or are they just doing it for the profits.

The distinction is a difficult one but it can be perceived by taking a closer look at the kind of CSR activities that the company undertakes. CSR activities are demanding in nature. They require elaborate planning, resources, workforce, planning, and infrastructure. CSR projects are planned by roping in marketing teams, ad agencies, and strategists.

The key giveaway between the real and the marketing gimmick is the duration of the CSR projects. Companies which are doing it just to get more sales usually launch a project for 2-3 months a year. While companies who really want to give back to the society perceive CSR as not just a responsibility but their duty to society. Their projects are continuous, with no timeframe to end them. They aim at building self-sustaining projects that can serve as hubs for serving the society. The profits from them may even be nothing, but society should develop from them. This is the key difference between real CSR and marketing gimmicks.

The benefits from a long-term CSR plan may not be perceivable right away, but they pay dividends in the long run. Whereas short term CSR projects may lead to an instant surge in profits, but they do not stand the test of time.

A case in point: The Tata Conglomerate is known for its CSR and philanthropic practices. The group was engaged in it even before the term was coined. Thriving in India and the world for almost 2 decades now, the Tata conglomerate is one of the favorites amongst the Indian population. It has stood the test of time and thrived despite all odds. The key to its success is the core values that the group has always followed i.e. serving and giving back to the people of India.

Conclusion :-

CSR practices may be a marketing gimmick or charity depending on the nature and duration of the projects adopted by the businesses. Only philanthropic and people-centric CSR projects that stand the test of time are the ones that truly change the society as well as positively develop the businesses. Thus, creating a win-win situation.

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Your Turn...

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