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Evolving role of HR department in establishing CSR practices in manufacturing industries in India

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Abstract

This paper analysis the Evolving role of HR department in establishing CSR practices in manufacturing industries in India. The domain of CSR in the last twenty years has changed phenomenally; there is a continuous effort by management researchers to enhance the excellence in the way CSR function in a company. In the race of bottom-line enhancement companies not afford to ignore the requirement of its employees, society and the environment. Over these years CSR has taken a center stage for the manager and researchers to discover new paradigm for the quality enhancement of the lives of employees and society equally. The process of Liberalization, globalization and privatization of Indian economy brought various new concepts of CSR to India from western countries CSR, in spite of that there is a dearth of internal and external studies on the social responsibility of a company. The study provided specific suggestions for HR/CSR executives to enhance the quality of internal CSR activities. These suggestions include managers being aware of the factors and respective items mentioned in this study. Secondly, HR/CSR managers must bring these factors to notice of top leaders/management of the company and embrace the essence of the model in Management Development Programs (MDP). Thirdly, the conclusion of this work can be used to prepare/ modify the present HR policies to get the satisfactory internal CSR outcome. Fourth, the model can be aligned in Quality Management System documentation such as ISO 9001:2008, AS9100 and EMS standards to infuse outcome of the study to the company. Fifth, the model for organization structure provides information for the companies that are in an initial stage of CSR implementation. These suggestions set the path of the HR journey for the greater internal CSR image.

Keywords: CSR, manufacturing industries, liberalization, globalization, privatization, management development programs (MDP)

Introduction

Human resource department are well positioned to play an instrumental role in helping their organization achieve its goals of becoming a socially and environmentally responsible firm – one which reduces its negative and enhances its positive impacts on society and the environment. Further, human resource (HR) professionals in organizations that perceive successful corporate social responsibility (CSR) as a key driver of their financial performance, can be influential in realizing on that objective. While there is considerable guidance to firms who wish to be the best place to work and for firms who seek to manage their employee relationships in a socially responsible way, there is a dearth of information for the HR manager who sees the importance of embedding their firm's CSR values throughout the organization, who wish to assist the executive team in integrating CSR into the company's DNA. And as high profile corporate failures such as Enron make all too clear, organizations that pay lip-service to CSR while neglecting to foster a CSR culture run the risk of damaging their corporate reputation if not their demise. Indeed, HR's mandate to communicate and implement ideas, policies, and cultural and behavioural change in organizations makes it central to fulfilling an organization's objectives to "integrate CSR in all that we do." That said, it is important to understand that employee engagement is not simply the mandate of HR. Indeed people leadership rests with all departmental managers. HR can facilitate the development of processes and systems; however, employee engagement is ultimately a shared responsibility. The more the HR practitioner can understand their leverage with respect to CSR, the greater their ability to pass these insights along to their business partners towards the organization's objectives in integrating CSR throughout their operations and business model.

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History of CSR in India

Concepts of social responsibility are observed in the teaching of Vedas, Artharva Veda preaches that man must create wealth from hundred hands and distribute it from thousand hands to the needy people. During the 4th Century BC, the concept of lack of self-interest and welfare of society is considered as prime responsibility of Kings. Religious trading of India is the backbone for the CSR concept in India, its tradition in daan (charity giving), seva (service) shaped the relationship between the haves and haven't. CSR is not a new concept for India, from ancient times social duty and charity were part of business, orientations towards the social, environmental and wealth are deep rooted in the value system of business, during initial stage there was lack of documentation is observed about CSR. Proposed four stage of CSR development in India namely, a) charity and philanthropy during

industrialization, b) CSR as tool of societal developing during independence movement, c) CSR under mixed economy, d) CSR in globalized economy. classified the history of CSR in six stages, a) Industrialization period between 1850 to 1914 by colonialist with dynastic charity, b) Barriers for industries during 1914 to 1947 that is exploitative during freedom struggle, c) Socialism and protectionism between 1947 to 1996 under five year plans to support state initiatives, d) Regulations period during 1960 to 1990 under license raj with corporate CSR trust, e) Liberalization of economy during 1991 to 2013 with reducing production and CSR by public-private, NGO sponsorship, f) Globalization started 2013 onwards, considered as mandatory era of 2% CSR. History of CSR in India is taken input from the western philanthropy and from the rich religious belief of giving back to society.

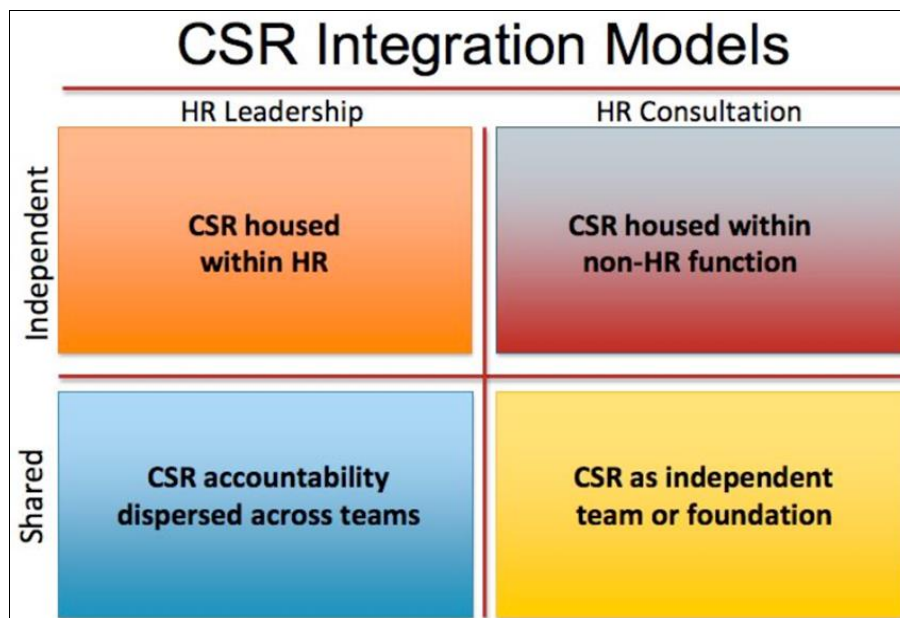


Fig 1: The Role of HR and CSR in Shaping Employee Value Proposition

HR role in CSR policy and program development

HR is also in a position to drive policy development and program implementation in HR areas that directly support CSR values. Wellness, diversity, work-life balance and flextime policies are CSR programs directly within the HR manager's purview. In organizations committed to reducing their carbon footprint HR practitioners can develop programs enabling employees to use alternative transportation to get to work (e.g. providing showers, secure bike lock-ups, parking spots for van pools and co-op or hybrid cars, bus passes, etc.) and work remotely, including other forms of headquartering and "hoteling", teleworking, etc. Wellness programs can become a platform for engaging employees in discussions about "personal sustainability" and provide support for employees in the areas of stress management, spirituality at work, health and fitness, healthy lifestyles, etc. Employee volunteering programs are also within the HR mandate, and can help build out the employee value proposition and employer brand while concurrently delivering on the firm's CSR goals for community engagement and investment. A related policy could be the development of an unpaid leave program for employees to pursue personal projects aligned with company values. Successful wellness, carbon reduction and employee

volunteer programs require management support, role-modeling and ongoing communications – which, if in place become further vehicles to fostering employee awareness of, and engagement in, the firm's CSR approach.

Manufacturing sector and its importance

Manufacturing sector is considered as the core sectors of Indian economy and Government of India initiated many reforms to boost the industry. In India this sector is responsible for 16% of GDP. Whereas, in China it counted one third, India has only 1.4% worldwide market share, whereas China is having 13% of world share. Due to this downturn, the industry developed a cautious approach on cost controlling and risk mitigation, it also depended more on exports to make use of rupee decline against dollar. A survey carried out by Price Waterhouse Coopers (PwC) Private Limited in association with Federation of Indian Chambers of Commerce & Industry (FICCI) of various CEO, CFO and other senior executives revealed the various barriers to business growth are higher interest rates, domestic demands, oil, increased wages, regulatory pressures, reduces profitability and competition from foreign players.

Requirement of corporate social responsibility concept (CSR) to manufacturing industry

The contribution of the manufacturing sector to the Indian economy, in this section researcher made an effort to understand the requirement of carrying out the CSR activity by manufacturing companies. This sector consumes more resources from the society, be it human resource, financial resources or natural resources after using these resources for the purpose of generation of profit the company obliged to give the portion of their profit to the societal needs. Various studies across the globe concentrated on the requirement of the CSR concept of manufacturing industry. CSR in manufacturing is essential to counter balance the negative effect that its production activities has on the environment and it is also essential for social good. Indian apparel manufacturers that attract global manufacturers because of its low production cost and inexpensive work force emerged as a global apparel industry, this sector is gradually implementing CSR. In spite of a growing plea for responsible business conduct, apparel companies know little about the best CSR practices in developing countries.

Review of literature

(Buendía 2016) ^[6] CSR plays a key interface role between various levels of internationalization and business innovation, and also between the economic development and social change.

(Zhang 2012) ^[7] The Chinese firms and executives believe CSR programs has ethical conduct, voluntary activities while few firms believe CSR as a driver for economic survival and legal compliance.

(Arli & Lasmono 2010) ^[8] CSR concept is still in infancy stage in the developing countries like Indonesia. Most of the consumers are unaware and do not have special support for organizations with CSR activities, whereas in developed countries consumers extend their full support to the organizations that are actively involved in the CSR programs.

(Bimal *et al.* 2004) ^[9] The survey of contemporary CSR in India infer that, in spite of the fact that the corporate Inc. profited massively from liberalization and globalization, its move from philanthropic mindsets to CSR has been falling behind in comparison to financial growth it is witnessed.

(Mohan, A. 2001) ^[10] During the colonial period, industrialization started in India around 1850s with the beginning of family owned businesses such as Godrej, Mahindra, Tata, Birla, initiated their philanthropic activities encouraged CSR movements in India.

Statement of problem

This research aims to study the association between key Human resource concepts such as Human Resource functions, leadership, employee engagement and

organizational concepts with Corporate Social Responsibility (CSR) outcomes. Perception of employees who are associated and aware of CSR activities is gathered by structured questionnaire and interviews. From this association researcher is trying to evolve the model of Corporate Social Responsibility to be followed for manufacturing sector in Bangalore. The focus of this work is to build an effective and reliable measurement system to assess factors for CSR outcome and to construct a holistic model that covers the major components of Human Resources in a company, these factors include a) Major Human Resource functions, b) Leadership attributes, c) Cultural related aspects, d) employee engagement activities considering above four factors in mind, this study aims to answer the following research problem. In the last few years there was no clear statutory framework for CSR implementation for Indian companies and it was completely left to the discretion of individual company to decide on their CSR activities and the amount to be spent on it, this situation created less attention for CSR activities. Time and again same external CSR activities are reported in their reports for convincing stakeholders. There was no indication of internal CSR in such reports. HR Managers/CSR Manager needs to understand alignment and the impact of the holistic contribution of various HR concepts on CSR outcome. There is a problem of tool that measures internal CSR scores.

Objectives of the study

- To study the influence of Human Resources department on CSR practices in manufacturing industries in India.
- To assess the impact of leadership concepts on CSR outcome.
- To evaluate the influence of employee engagement on CSR practices.
- To estimate the effect of organization culture related practices on CSR result.
- To assess the overall impression of HR department, leadership, employee engagement and organizational culture on CSR Outcome.

Research methodology

This research work follows the features of descriptive research. Opinions, thoughts and feeling of the respondents are gathered in qualitative form. The study is planned, structured and data are inferred with the help of table data. The primary source of data collection is structured questionnaire. Secondary source of data is collected from company websites, sustainability reports and CSR audit reports. Sampling strata include CSR, HR, and other department employees and senior executives who are aware and participated in CSR activities.

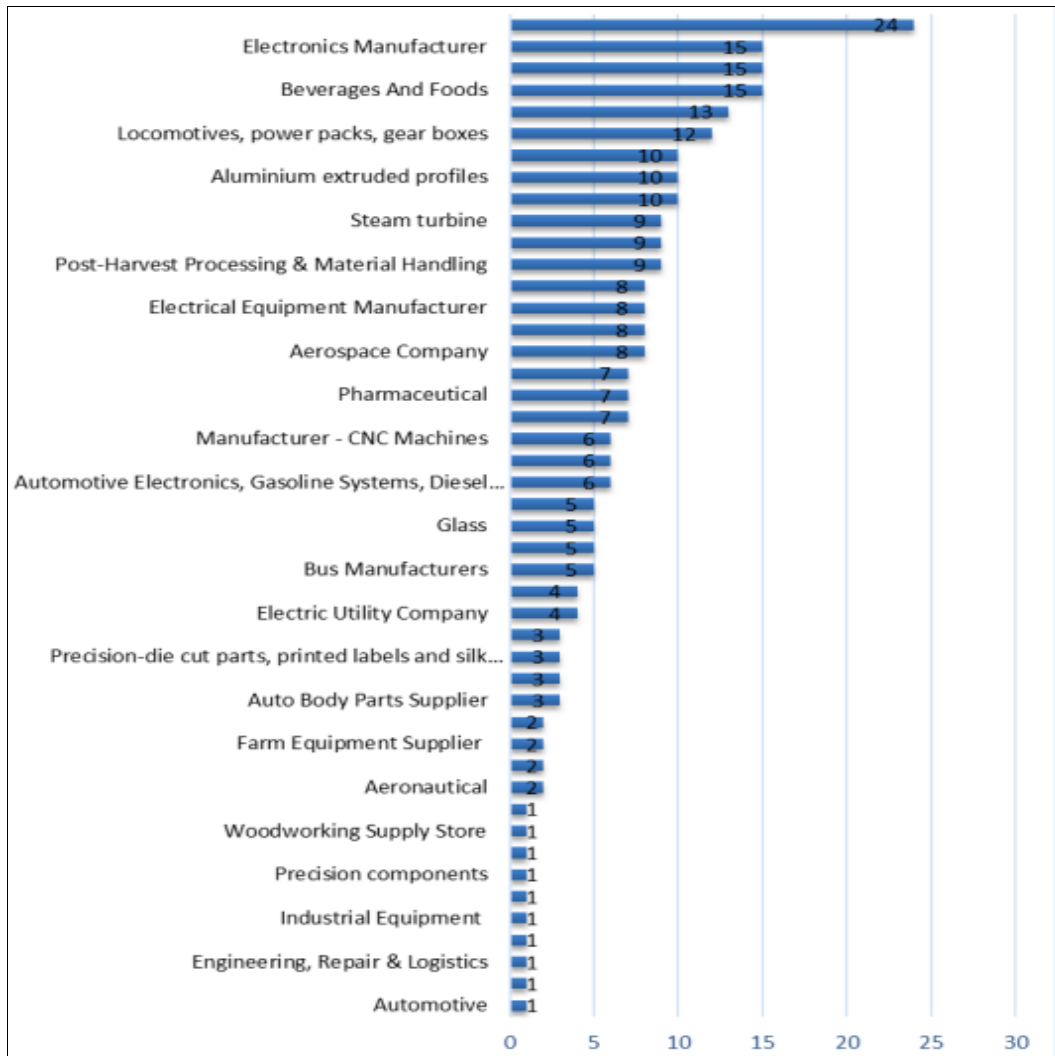


Fig 2: Different types of industries selected for the study under manufacturing sector

Table 1: Different types of industries selected for the study under manufacturing sector

SI. No.	Type of Industry	Number	%	SI No.	Type of Industry	Number	%
1	Machine tool manufacturers	24	8.57%	24	Electronics, Energy, Manufacturing - Abrasives, Automotive components	5	1.79%
2	Beverages And Foods	15	5.36%	25	Glass	5	1.79%
3	Bio-Technology	15	5.36%	26	Tile Manufacturer	5	1.79%
4	Electronics Manufacturer	15	5.36%	27	Electric Utility Company	4	1.43%
5	Aerospace and Defense	13	4.64%	28	Electrical	4	1.43%
6	Locomotives, power lacks, gear boxes	12	4.29%	29	Auto Body Parts Supplier		1.07%
7	Agricultural power machines and mini tractors	10	3.57%	30	Kitchen appliance	3	1.07%
8	Aluminium extruded profiles	10	3.57%	31	Precision-die cut parts, printed labels and silk screen printed substrates	3	1.07%
9	Generators, EPC contracts and HVAC	10	3.57%	32	Textile machine	3	1.07%
10	Handling Post-Harvest Processing & Material	9	3.21%	33	Aeronautical	2	0.71%
11	Pumps, Valves and SPM	9	3.21%	34	Elevators	2	0.71%
12	Steam turbine	9	3.21%	35	Farm Equipment Supplier	2	0.71%
13	Aerospace Company	8	2.86%	36	Machining manufacturer	2	0.71%
14	Car Manufacturer	8	2.86%	37	Automotive	1	0.36%
15	Electrical Equipment Manufacturer	8	2.86%	38	Engineering	1	0.36%
16	Textiles	8	2.86%	39	Engineering, Repair & Logistics	1	0.36%
17	Construction Equipment	7	2.50%	40	Food processing manufacturing machinery	1	0.36%
18	Pharmaceutical	7	2.50%	41	Industrial Equipment	1	0.36%
19	Soaps and Detergent	7	2.50%	42	Mechanical power Transmission	1	0.36%
20	Automotive Electronics, Gasoline Systems, Diesel Systems	6	2.14%	43	Precision components	1	0.36%
21	Gas products, industrial and liquid as products	6	2.14%	44	Solar Systems	1	0.36%
22	Manufacturer – CNC Machines	6	2.14%	45	Woodworking Supply Store	1	0.36%

23	Bus Manufacturers	5	1.79%	46	Hydraulic cylinder manufacturer	1	0.36%
					Grand Total	280	100%

Source: Primary data

A variety of manufacturing companies are selected for this study, majority of the responses are gathered from Automobiles, Automations and Automotive. Along with the machines and the machines related components, the researcher used altogether different types of industry such as pharmaceutical and textiles and special companies such as pharmaceutical, kitchen appliance for the study. The results of this research work indicated that the ethical HR practices have their influence on the perceived CSR Outcome of a company. Questionnaire responses shown that, if HR practices maintained at acceptable level the CSR outcome of a company is also perceived to be good.

Challenges and recommendations

The primary concerns and priorities expressed among participants about their organizations' CSR initiatives in relation to employee engagement emerged from four key stages: designing, implementing, communicating and assessing CSR strategy. In terms of devising CSR goals and programs, an inherent challenge exists in avoiding impressions of green-washing or adopting CSR for the sake of enhancing public relations. As reinforced in the survey feedback from employees and students, CSR efforts that are too focused in one, high-profile arena (as opposed to an approach that more fully embeds CSR in all areas of operations) might be vulnerable to employee interpretations of such acts as marketing efforts.

To maximize employee engagement in their CSR strategies, organizations should implement a co-creation model in developing CSR programs. Instead of a top down approach, organizations could foster employee engagement by using a mechanism or forum for employee consultation and feedback. Organizations should further enable employee-driven CSR goals to enhance employee engagement in this space. In implementing such CSR programs, companies also struggle with balance between standardization and customization. To some degree, both are necessary to appropriately address the needs of stakeholder communities. A more nuanced effort to move away from uniform implementation to tailored initiatives for employee segments and local communities may be necessary and more feasible as a company's CSR organizational capacity further develops. This shift to a more localized approach, where appropriate, would also help alleviate concerns of false employee perceptions of CSR as only a publicity management tool.

Conclusion

The results of this research work indicated that the ethical HR practices have their influence on the perceived CSR Outcome of a company. Data responses shown that, if HR practices maintained at acceptable level the CSR outcome of a company is also perceived to be good. The Social work performance (CSR Outcome) is the extent which company satisfies the needs of fulfilling the requirement of the society. Outcome) is the extent which company satisfies the needs of fulfilling the requirement of the society. On the other hand, CSR Outcome is measured with 15 items such as business impact on society, meaningful transformation in lives, enhanced job opportunity for the people surrounding

people, public image, legal compliance, enhanced productive and profit, good reputation, customer loyalty, no conflict with society, environmental related concern of corporate, overall community developmental related concern, absenteeism/turnover, employee morale, positive attitude of employee the result of EFA has given two factors viz impact on stakeholders and impact on company related benefits. major factors for determining the Leadership practices. Researcher suggests that factors such as management orientation, systematic approach, ethical behaviour, empowerment, envision are extracted and they are essential to maintain ethical leadership. It is suggested that for empowerment factor variables extracted such as superior empowering subordinates and regularly discussing activities, establishing good communication system, involve subordinates in decisions, build confidence and trust among team and persists till goal achievement.

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