



**STAKEHOLDERS AND CORPORATE SOCIAL RESPONSIBILITY: ARE THEY INTERLINKED AND CONTRIBUTING TO THE SUSTAINABLE DEVELOPMENT GOALS**

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**ABSTRACT**

Freeman chose the word Stakeholder on the basis of the traditional term - stockholder which takes only a look at the economic point of view, where the stakeholders are defined as “any group of individual who is affected by or can affect the achievement of an organization’s objectives” (Freeman 1984).

The paper provides detailed understanding of stakeholders, analysis of various models on stakeholders, stakeholders of CSR and its analysis, linkages between different stakeholders and its contribution to the SDG’s.

The methodology is multiple-definitional and case study research, and the research aim is attained by classifying it into various objectives and using interdisciplinary approach for each objective. The methodology adopts documenting of comprehensive theoretical analysis on the basis of available literature (Thakur and Datta, 2020).

Further, the expenditure on CSR has been increasing over the years in India and the Companies Act 2013 has made India the first country to make CSR spending mandatory through a law (MCA 2014). The higher fund flow would lead to increase in the social activities and social development. More companies would spend which could address reduction of poverty and unemployment. This in a way would strengthen the Sustainable Developmental Goals (SDG’s) which aims to reduce poverty in all forms and create new opportunities for partnerships (Thakur and Datta, 2019).

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**INTRODUCTION**

**Engaging with the stakeholders** is the essence of CSR, since the company responds to the perceptions and expectations of the stakeholders to produce the desired sustainability report (Line et al, 2007). It was during the 1980’s when CSR started involving considerably with the civil society that included various NGOs, consumer groups, and trade unions raising questions against issues such as child labour, sweatshops, fair trade and oil pollution (Utting, 2005). Dealing with the stakeholders can be a delicate process since it requires meeting their expectations. In order for a business to sustain its capital strength, it is necessary to build good relations with the society through inducing change by consensual agreements (Gramsci, 1944). However, Utting (2005) noted that the elite businesses are constantly trying to take the advantage by giving CSR its meaning along the lines of the business context that could possibly cater to their hidden agenda. It is important for businesses to acknowledge the fact that it must interact with not only the shareholders but also to the society as a whole that includes other relevant members such as NGOs, consumers, environmentalists, and local communities.

**Freeman (1984)** states that engaging the stakeholders have become the reason due to which the dispersion of growth and knowledge among various actors, such as Civil Society Organisation (CSO) and networks.

In India business houses like Tata and Birla have practiced CSR for decades, long before it become a popular talking point. This in turn has become a ‘role model’ to be followed by others subsequently. Other traditional Indian business houses have also funded education, healthcare and strong employee welfare practices. The founder of the Bajaj Group was influenced heavily by Gandhi’s idea of trusteeship. He followed this principle in the running of his business and the group has earned a lot of respect in the society for their way of doing business.

Today, there has been a growing acceptance of the plea that corporations should be responsible to the society. The basic idea of corporate social responsibility is that business and society are inter-woven rather than distinct entities; therefore, society has certain expectation for appropriate business behaviour and outcomes (Wood 1991).

Also today, partly due to the interdependencies of many groups in our society, the social involvement of businesses has increased (Knootz and Wehrich, 1998). Zadek, et al (1997)

observed that the main drivers of CSR are the values, strategy and public pressure. *Shrivastava and Venkateswaran (2000)* observed that CSR is culture specific and the issue is only that of prioritization. The CSR measures should focus on benefiting "people and communities other than those whom they are contractually obliged to", namely those "who are socially and/or economically disadvantaged.

*Puranik and Mehta (2005)* reviewed the historical development of CSR in India and observed that in the post-Independence period, several landmark steps were taken by the firms and government to promote CSR. This included establishment of a legal framework on the part of the government and several voluntary actions by the firms. In the early days of liberalization, there was a general call for more corporate involvement in community affairs.

*Kumar et al. (2001: 1-6)* suggest that four models of social responsibility can be identified as operating in India:

- Voluntary commitment to public welfare based on ethical awareness of broad social needs: *The Gandhian model*.
- State-driven policies including state ownership and extensive corporate regulation and administration
- The Nehru model of corporate responsibility primarily focused on owner objectives:
- The Milton Friedman model stakeholder responsiveness which recognises direct and indirect stakeholder interests:

This framework emphasizes that CSR emerges from corporate responsiveness to: charity and support of those in need; state-driven notions of responsibility defined by legal requirements; the need to sustain business based on fulfilling risk takers' expectations; and the need to take account of all those affected by corporate decisions-society and the environment as well as the economically interested stakeholders

In analysing the CSR literature from a content and research perspective, research has found that there is a stronger emphasis on philanthropy and community development in developing countries than on environmental, ethical, or stakeholder issues which are of concern in developed nations (*Mohan et al, 2001*)

Sustainable Development Goals (SDGs) were adopted on September 25, 2015 by 193 countries as a follow up to the Millennium Development Goals. The SDGs focus to end poverty, protect the planet and ensure prosperity for all, as part of a new sustainable development agenda. A total of 17 goals and 169 targets are set to be achieved by 2030 and the realization of the same calls for a collective effort from the government, the corporates and the civil society organizations. Goal 17 of the SDG focus on partnerships to achieve these goals.

#### **Objectives**

- To critically study various stakeholders based on available literature.
- To conduct stakeholder analysis related to CSR.
- To study linkage between the two stakeholders and its contribution towards SDG's.

## **METHODOLOGY**

The research investigates linkages between CSR and various Stakeholders. It uses various approaches to reach practical understanding and offer solutions for CSR and stakeholder linkages. The methodology is multiple-definitional and case study research, and the research aim is attained by classifying it into various objectives and using interdisciplinary approach for each objective. The methodology adopts documenting a comprehensive theoretical analysis on the basis of available literature (*Thakur and Datta, 2020*).

The units of analysis considered here are the multiple authors definitions on stakeholders, CSR policy, stakeholders of CSR, CSR projects, papers on SDG's and the conclusions are carried out using a cross-study approach.

The paper has covered various diverse definitions of authors related to stakeholders and has discussed the Mitcheetal, stakeholder model to understand stakeholders and how they influence or are influenced. Further the paper has developed a logical framework matrix of CSR projects to understand various stakeholders and its linkages with CSR. Finally, the paper has been able to establish that these stakeholders are contributing to the SDG's.

## **DISCUSSION 1**

### ***To Critically Study and Analyze Various Stakeholders***

A detailed analysis of definitions through review of literature has been conducted to understand stakeholder perspective.

- Johnson (1971), defines a socially responsible firm is one whose managerial staff balances a multiplicity of interest. Instead of striving only for larger profits for its stockholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the nation.
- Davis (1973), CSR refers to the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm. It is the firm's obligation to evaluate in its decision-making processes the effects of its decisions on the external social system in a manner that will accomplish social benefits along with the traditional economic gains which the firm seeks. It means that social responsibility begins where the law ends. A firm is not being socially responsible, if it merely complies with the minimum requirements of the law, because this is what any good citizen would do.
- Backman, J (1975), refers Social responsibility and accountability to the objectives or motives that should be given weight by business in addition to those dealing with economic performance (e.g., profits). Employment of minority groups, reduction in pollution, greater participation in programs to improve the community, improved medical care, improved industrial health and safety-these and other programs designed to improve the quality of life are covered by the broad umbrella of social responsibility.
- Rich Wokutch(1990), Corporate Social Responsibility refers to Japanese point of view, corporate social responsibility is a solution of social problems focusing on occupational safety and health, organizational processes,

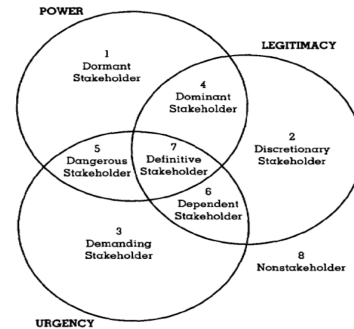
balanced stakeholders' interest's coordination seeking the welfare for employees and shareholders as well as other social groups (foreigners, racial and ethnic minorities, women, etc.).

- Hopkins (1998) refers that CSR is concerned with treating the stakeholders of the firm ethically or in a socially responsible manner. Stakeholders exist both within a firm and outside. Consequently, behaving socially responsibly will increase the human development of stakeholders both within and outside the corporation.
- Khoury et al (1999), provide an overview on the historical background and Sustainability Models of Corporate Social Responsibility. Corporate Social Responsibility is the overall relationship of the corporation with all of its stakeholders. These include customers, employees, communities, owners/investors, government, suppliers and competitors. Elements of social responsibility include investment in community outreach, employee relations, creation and maintenance of employment, environmental stewardship and financial performance.
- Van Marrewijk (2001) refers Companies with a CSR strategies integrates social and environmental concerns in their business operations and in their interactions with their stakeholders and demonstrate openly their 'triple P' performances.
- Lea (2001), highlights that CSR can be roughly defined as the integration of social and environmental concerns in business operations, including dealings with stakeholders. CSR is about business and other organizations going beyond the legal obligations to manage the impact they have on the environment and society. In particular, this could include how organizations interact with their employees, suppliers, customers and the communities in which they operate, as well as the extent they attempt to protect the environment.

**In practice**, contributions of these different theories at the governance level establish a new base to redefine the stakes of the company and its model of governance, analyzing them with regard to the expectations and to the interests of stakeholders. It is what led to us to analyze the concept of CSR. In the sights of the literature review, it seems that the application of the CSR can only come true, in general in the social and environmental sides, under reserve that this application does not prevent from financial profits (as the CSR slogan says: "doing well by doing good"). However we can notice the attitude of companies trying to take into account, in an increasing way, this "new" approach of governance, and this, facing more and more strong pressures coming from the different stakeholders. (Charles et al, 2006)

For a deeper understanding of the role stakeholders play in CSR projects, we took into consideration the Stakeholder Identification Theory according to Mitchell, Agle and Wood (1997), which focuses on three attributes through which we can define the saliency of stakeholders. These attributes are: **Power**, we take the definition also chosen by the authors, "the ability of those who possess power to bring about the outcomes they desire" (Salancik and Pfeffer, 1974). Power is transitory, so it can be obtained and then can be lost. **Legitimacy**, authors accept Schuman's definition (1995), "a generalized perception or assumption that the actions of an entity are desirable, proper, or

appropriate within some socially constructed system of norms, values, beliefs, and definitions". Legitimacy, is seen as a "desirable social good". **Urgency**, this attribute contributes to the dynamicity of the model, which is static when considering only power and legitimacy. In combination with both, urgency triggers reciprocal acknowledgement and action between stakeholders and managers" (Mitchell et al, 1997)



Source: Mitchell, Agle and Wood (1997)

**Figure 1** Stakeholder model

Using this scheme, seven stakeholders are identified: three of them possess only one of the attributes, three possess two of them and one has all the three attributes. Authors assume that managers choose salient entities, according to stakeholder's set of attributes. Important to notice is that when an individual doesn't possess any of the three attributes, it's considered a non-stakeholder by the firm. Importance and salience of stakeholders is directly correlated to the number of attributes they possess. Depending on their level of importance, the firm has to take them into account and should pay more or less attention to their needs and claims (Mitchell et al, 1997). Based on this theory the relevance of the stakeholders involved in the decision making process of a CSR project and those who will benefit from the project. When both stakeholders, initiating and benefitting from the CSR project, have the same attributes and belong to the same classification group, we can expect the project to be successful.

## DISCUSSION 2

### To Conduct Stakeholder Analysis Related To CSR

There is a special focus and direction to create an environment for social development through Corporate Social Responsibility (CSR). The Government of India has clearly outlined the agenda for CSR. The Companies Act 2013 has a separate clause on CSR and now CSR in India is governed by legislation. The Section 135 governs the CSR legislation which has clearly spelt out CSR in totality. The Section 135 provides the basis of CSR, qualifying criteria for corporates to spend CSR budget, institutional mechanism, fixing responsibility for corporates, set of activities, implementation approach, monitoring mechanism, impact mechanism, details of fund allocation spend and reason for not spending the allocated budget.

The Companies Act 2013 for CSR would approximately cover more than 16000 Companies both Public Sector Government Organisations and Private Sector Organisations to spend Rs 18000 crore on annual basis on activities provided in Schedule V11. The amount invested would create new opportunities for

the social sector and would reduce poverty, illiteracy and improve quality of life. (Thakur and Datta 2019)

In context to CSR project framework, first of all there is the need to analyze the community's needs for a general understanding of the situation and of the context; objectives of the project, activities and expected goals have to be defined and then have to be formalized in a business plan model approach, which needs to be approved. A financial proposal is drafted and is evaluated; the project is implemented, followed by monitoring phase and in the last stage the project needs to be evaluated. Following the six steps can bring successful results; however, according to Commission of European

Communities (CEC, 1993) following the six steps for a project doesn't guarantee the success of it, because the know-how and the human resources involved play a major role. It is at this point that stakeholders can play a key role in the success or failure of a project. He challenges all CSR projects lack of a proper evaluation phase, for the reasons mentioned about the difficulties of carrying out impact assessment evaluations. According to the model, CSR projects are very difficult to be objectively tracked as successful projects, because one phase is lacking or the evaluation is done qualitatively without proper assessment tools. (Ellys and Ingenbleek, 2012).

## A logical framework matrix is provided to better understand the stakeholders through CSR projects.

Table 1 Logical Framework Matrix

Companies	Projects	Framework	Strategy for a Sustainable Future
Tata Chemicals Ltd.	Tata Chemicals Society for Rural Development ('TCSR D')	Tata Sustainability Framework Analysis	Tata strategy is developed based on the opportunities and risks in operating environment. It helps Tata to remain focussed on growing business and market position, while setting a clear path for long term sustainability and maximising stakeholder value.
Mahindra & Mahindra	MRHFL	Mahindra Sustainability framework	Alternative Thinking has become native at Mahindra, it has become a distinctive practice, a driving ecosystem, and a well-accepted philosophy. It is now an 'ism'—Alternativism, and the same is reflected as the theme of this year's sustainability report. The report summarises the interrelated progress we have made in the three areas of people, planet, and profit.
Container Corporation of India (CONCOR)	Environment and Rural Development CSR project, with TERI in Himachal Pradesh	Annual Report and Book by Thakur et al 2018.	Focuses on energy efficiency, CSR, stakeholder approach, addressing environment with long term focus on sustainability. The reports and Book focus CONCOR will work with stakeholders, benefit society and create value for society.
ITC	Mission Sunehra Kal	Sustainability framework (TBL)	ITC's Sustainability Vision and Strategy draws from its abiding commitment to serve larger national priorities in the context of its businesses.
Toyota	Toyota Technical Education Programme - TTEP	Toyota Model	We Understand the fact that social and environmental sustainability is equally important as the economic sustainability. The future generation is looking towards the organizations to address the critical environmental issues that the planet is facing today.
Indian Oil	Indian Oil Vidushi	Sustainability framework (TBL)	Indian Oil's business strategy supports India's commitment to the Paris Agreement with focus on climate friendly green fuels, renewable energy options, operational excellence and mitigation of greenhouse gas emissions.
Wipro	Sustainability Education Program	Sustainability framework (TBL)	Our strategy is about driving a "Digital first" approach through four foundational pillars i.e. Business Transformation, Modernization, Connected Intelligence and Trust. As part of these, it is prioritizing and disproportionately investing to drive growth in key strategic fields such as digital, cloud, cyber security and industrial and engineering services through our "Big Bet" program.
Hindustan Zinc	Sustainable Livelihoods-implementation of Agriculture and Livestock Development Projects in rural areas.	The Vedanta Sustainability Framework	Protecting and nurturing the environment is built into our business strategy and philosophy. Our products and processes have sustainability as their central pivot, not only because this is core to our values, but because it makes business sense.
Hindustan Unilever	Suvidha: The Unilever Community Hygiene Centre	SDGs Framework	Every person has the right to safe water, sanitation and hygiene. These are basic human rights as well as major SDG challenges and shared responsibilities. While government must address the needs of its citizens, there are also significant business opportunities for forward-thinking companies to help develop solutions in this area that are scalable, collaborative and equitable.
GAIL	Hriday	GAIL's CSR Philosophy	GAIL through its consistent endeavours in the field of Sustainability, been included for third year in a row in the FTSE4 Good Index Series
HCL	HCL Foundation (HCLF)	HCL Framework	To alleviate poverty and achieve inclusive community growth and development. They do this by engaging the communities where we work to ensure that we make optimal long-term investments in education, health, livelihoods and environment, as well as providing disaster response and rehabilitation support.

Source: Own analysis

**Analysis** Stakeholder's are crucial for CSR projects and generally it's perceived that community is the major stakeholder. There are different types of stakeholders which include both primary and secondary. Primary stake holders are directly engaged in CSR implementation projects whereas secondary stakeholders play facilitation role. Generally in CSR framework, there are four major stakeholders, Government, Companies, NGO's and Community, and each one play well defined role. In the selected list of CSR projects in Logical

Framework Matrix (Table1), all the four stakeholders are engaged in delivery of the CSR agenda though in each category role of stakeholders changes based on project deliverables and outcome.

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## DISCUSSION 3

### *To study linkage between the stakeholders and its contribution towards sdg's.*

India played a prominent role in the formulation of the United Nations Sustainable Development Agenda 2030 and much of the country's National Development Agenda is mirrored in the Sustainable Development Goals (SDGs). The progress of the world to meet the SDGs largely depends on India's progress. However, with 17 Goals, 169 Targets and 306 National indicators, the SDGs might be difficult to grasp and understand, and defining and measuring success poses a challenge. Goal 17 of the SDG's focuses on partnerships to achieve the goals. Sustainable Development Goal 17 is about "partnerships for the goals." One of the 17 Sustainable Development Goals established by the United Nations in 2015, "Strengthen the means of implementation and revitalize the global partnership for sustainable development (SDG Goals 2015, UN).

The fact that CSR activities addresses SDG goals have been established and the newer paradigm is being seen for CSR having linkage with the SDGs. Though the development initiatives through CSR led initiatives are progressing well, still to attain higher impact there has to be more policy as well as implementation based interventions to achieve all round holistic development (Thakur and Datta, 2019)

Furthermore, companies are more and more urged to position themselves in front of the emergence of the "sustainable development" concept, and making it, the CSR seems to be an effective instrument for the integration of this concept by companies in their strategic orientation

## CONCLUSION

Stakeholders are important to any entity as they influence or are influenced through various policy initiatives. The stakeholder theories of various authors highlights that they must be addressed while designing any program. From CSR perspective, stakeholders are key to the success of the projects and hence each stakeholder whether primary or secondary must be efficiently mapped. One of the major contributions in stakeholder theory is Freeman Stakeholder Approach" and it is often seen as the fundamental of the stakeholder theory. Then many Economists or Sociologists have made their contribution but not always sharing Freeman concept of stakeholders. This is mainly due to the fact that stakeholder theory is not only an economic theory, having a huge part of philosophic or sociologic concepts. But in spite of these discussions, it seems possible to identify some propositions on which every author agree.

Further, in the context of sustainable development, it can be inferred that there is newer paradigms linking CSR to the SDG's. Since stakeholders are key entities in CSR and it is ascertained through SDG Goal 17, which provides a partnership model to achieve the global goals is a step forward towards linking stakeholders with the SDG's.

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