



## Lecture Four

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# Corporate Social Responsibility



# Overview

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- Meaning of CSR,
- Evolution of CSR,
- Nature of CSR;
- Related concepts in CSR
  - Corporate Citizenship,
  - Corporate Social Performance,
  - Corporate Environmental Reporting



**HAUNTING IMAGES OF THOSE WHO RELIVE THE TRAGEDY DAILY: Rupesh, Adil, Shanu - Some survivors of the Bhopal gas tragedy**

# Instances of Activism against Business

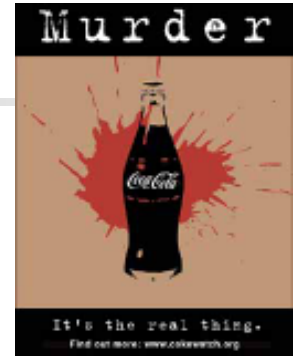


- Facilitators: IT (esp Internet), media, low cost travel

- Boycotts, brand damage, influence legislation, domino effect



- e.g. Shell in Nigeria, Exxon in Cameroon, Sinopec in Sudan, Apparel Industry (Nike, Gap), GMO, Wood Products, etc.





# Allegations Against Business

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- **Business -**

- Has little concern for the consumer
- Cares nothing about the deteriorating social order
- Has no concept of ethical behavior
- Is indifferent to the problems of minorities and the environment
- These claims have generated an unprecedented number of pleas for companies to be more socially responsible.



# Case of Two Scenarios but the Same Business

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- Business for society
- Reinvest dividends
- Ford Motor Company, Michigan USA
  - Ford Snr (1919)
  - Ford Jnr (1999)



# The Concept of **Corporate Social Responsibility (CSR)**

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- Historical Antecedents
  - Ancient Mesopotamia's King Hammurabi, around 1700 BC introduced codes to sanction builders, farmers innkeepers etc
  - senators of Ancient Rome agitate on the failure of business entities to contribute taxes that are sufficient to finance their military escapades
  - Africa Traditional Societies
  - The Bible/Quran – Almsgiving etc



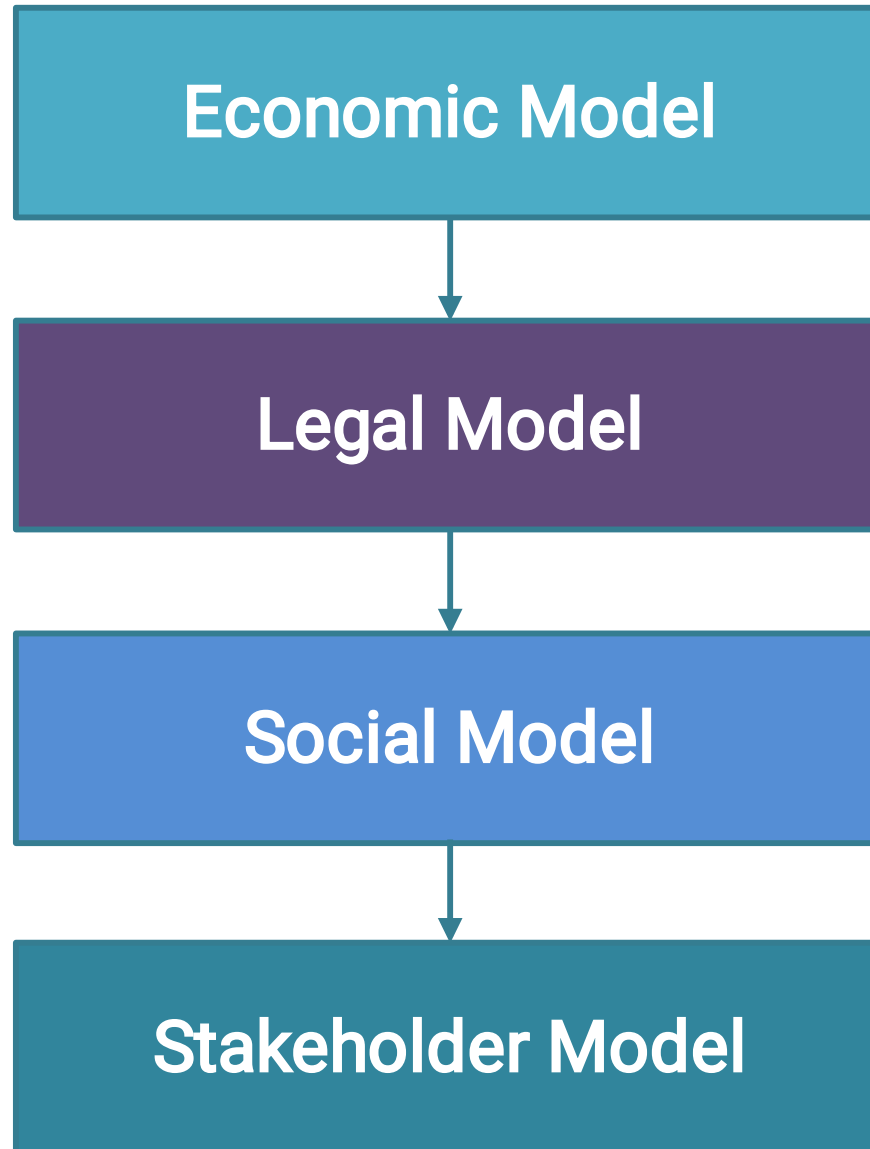
# What is Corporate Social Responsibility

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- Early Definitions –
  - CSR means seriously considering the impact of a company's actions on society.
  - CSR requires the individual to consider his or her acts in terms of a whole social system, and holds him or her responsible for the effects of his or her acts anywhere in that system.
  - These definitions provide useful insights into the concept of Corporate Social Responsibility.



# Historical Perspective on CSR





# Contemporary Definitions of CSR

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- ...is seriously considering the impact of the company's actions on society.
- ... is the obligation of decision makers to take actions that protect and improve the welfare of society as a whole, along with their own interests.
- ...supposes that the corporation has economic and legal obligations as well as responsibilities to society that extend beyond these obligations.



# A Four-Part Definition of CSR by A. Carroll

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While each definition is valuable, we will focus on the types of social responsibilities business has. Corporate social responsibility encompasses the:

**Economic**

**Legal**

**Ethical, and**

**Discretionary/Philanthropic**

expectations that society has of organizations at a given point in time.



# The Pyramid of CSR

**Philanthropic Responsibilities**  
*Be a good corporate citizen.*

**Ethical Responsibilities**  
*Be ethical.*

**Legal Responsibilities**  
*Obey the law.*

**Economic Responsibilities**  
*Be profitable*

# The CSR Equation

Economic Responsibilities

Legal Responsibilities

Ethical Responsibilities

Philanthropic Responsibilities

=

Total  
CSR

**The socially responsible firm should strive to: Make a profit; Obey the law; Be ethical; Be a good corporate citizen**

# Nature and Practice of CSR

## Top 20 CSR Activities

- Makes products that are safe
- Does not pollute air or water
- Obeys the law in all aspects of business
- Promotes honest/ethical employee behavior
- Commits to safe workplace ethics
- Does not use misleading/deceptive advertising
- Upholds stated policy banning discrimination
- Utilizes “environmentally friendly” packaging
- Protects employees against sexual harassment
- Recycles within company
- Shows no past record of questionable activity
- Responds quickly to customer problems
- Maintains waste-reduction program
- Provides/pays portion of medical
- Promotes energy-conservation program
- Helps displaced workers with placement
- Gives money to charitable/educational causes
- Utilizes only biodegradable/recycling materials
- Employs friendly/courteous/responsive personnel
- Tries continually to improve quality



# Argument AGAINST CSR

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- **Classical Economics:** The classical economic view is that business' only goal is the maximize profits for owners.
- **Business Not Equipped:** Business is not equipped to handle social activities.
- **Dilutes Business Purpose:** It dilutes the primary purpose of business.
- **Too Much Power Already:** Businesses have too much power already .
- **Global Competitiveness:** It limits the ability to compete in a global marketplace.



# Argument FOR CSR

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- **Enlightened self-interest:** Businesses must take actions to ensure long-term viability.
- **Warding off government regulations.** This is one of the most practical reasons.
- **Resources Available:** Business has the resources and expertise. Let it try.
- **Proaction is better than Reaction.** Proaction is also less costly.
- **Public supports:** the public strongly supports CSR.





# The Business Case for CSR

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## Business Benefits of CSR

1. Win new business
2. Increase customer retention
3. Develop and enhance relationships with customers, suppliers, and networks.
4. Attract, retain, and maintain a happy workforce and be an Employer of Choice.
5. Save money on energy and operating costs and manage risk.
6. Differentiate itself from competitors
7. Improve its business reputation and standing
8. Provide access to investment and funding opportunities
9. Generate positive publicity and media opportunities due to media interest in ethical business activities.



# Related Concepts of CSR

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- Corporate Social Responsiveness
- Corporate Social Performance (CSP)
- Corporate Citizenship

Note: The concept has grown from.....

*Responsibility..... Responsiveness.....*  
*Performance..... Citizenship.....*



# Corporate Social Responsiveness (CSP)

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## Corporate Social Responsiveness -

- An action-oriented variant of CSR.

## Responsibility -

- Implies a state or condition of having assumed an obligation.

## Responsiveness -

- Connotes a dynamic, action-oriented condition.



# Corporate Citizenship

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- **Corporate citizenship -**
  - Embraces all the facets of *corporate social responsibility, responsiveness* , and *performance* .
  - A Political Concepts used in Business
  - Who is a citizen
  - Companies as “citizens” of the countries in which they reside
  - CP: **Companies have certain responsibilities that they must fulfill in order to be perceived as good corporate citizens**
  - Corporate Citizenship serves a variety of stakeholders.



# *Corporate Citizenship Cont'*

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## ■ **Broad View**

- A reflection of shared moral and ethical principles.
  - A vehicle for integrating individuals into the communities in which they work.
  - A form of enlightened self-interest that balances stakeholders' claims and enhances a company's long-term value.
- ***Note: "just as private citizens are expected to fulfill these responsibilities, companies are as well."***



# *Corporate Citizenship*

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## Narrow View

- Corporate community relations
- it embraces the functions through which business intentionally interacts with
  - nonprofit organizations,
  - citizen groups, and
  - other stakeholders at the community level.



# Drivers of Corporate Citizenship

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What motivates companies to embrace corporate citizenship/ become corporate citizens

## Internal motivators

- Traditions and values
- Reputation and image
- Business strategy
- Recruiting/retaining employees

## External pressures

- Customers and consumers
- Expectations in the community
- Laws and political pressures



# Benefits of Corporate Citizenship

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- **Improved employee relations** (improves recruitment, retention, morale, loyalty, etc.)
- **Improved customer relationships** (increases customer loyalty; a tiebreaker)
- **Improved business performance** (positively impacts bottom-line returns, increases competitive advantage)
- **Enhanced marketing efforts** ( helps create a positive company image)





# THANKING YOU

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