WHAT IS CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations. This obligation is seen to extend beyond the statutory obligation to comply with legislation and sees organizations voluntarily taking further steps to improve the quality of life for employees and their families as well as for the local community and society at large.

Development and analysis
The debate about CSR has been said to have begun in the early 20th century, amid growing concerns about large corporations and their power[1]. The ideas of charity and stewardship helped to shape the early thinking about CSR in the US.

Ida Tarbell’s 1904 work The History of the Standard Oil Company helped lead to the decision of the Supreme Court of the United States decision to break up the company on antitrust grounds. Similarly, Upton Sinclair’s 1906 book The Jungle led to the passage of the Pure Food and Drugs Act and the Meat Inspection Act by the United States Congress. These can be seen as early attempts to mandate socially responsible corporate behavior.

The term CSR itself came in to common use in the early 1970s although it was seldom abbreviated. The term stakeholder, meaning those impacted by an organization's activities, was used to describe corporate owners beyond shareholders from around 1989.[2]

Many large companies now issue a corporate social responsibility report along with their annual report. The CSR report concentrates on their non-financial societal activities (usually positive contributions in nature).

The increased awareness of CSR has also come about as a result of the United Nations Millennium Development Goals, in which a major goal is the increased contribution of assistance from large organizations, especially Multi-National Corporations, to help alleviate poverty and hunger, and for businesses to be more aware of their impact on society. There is a lot of potential for CSR to help with development in poor countries, especially community-based initiatives.

In the UK, the term "Corporate Responsibility"[3] is increasingly used instead of CSR, as a conscious move to expand the boundaries away from purely social or community issues to include broader areas of governance and environmental sustainability.

Definitions of CSR
There is no universally accepted definition of CSR. Selected definitions by CSR organizations and actors include:

"Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" World Business Council for Sustainable Development [4]

"CSR is about how companies manage the business processes to produce an overall positive impact on society." Mallen Baker

"Corporate social responsibility is undertaking the role of “corporate citizenship” and ensuring the business values and behaviour is aligned to balance between improving and
developing the wealth of the business, with the intention to improve society, people and the planet[1][2]

"CSR is a company’s commitment to operating in an economically, socially and environmentally sustainable manner whilst balancing the interests of diverse stakeholders." CSR Asia

"Corporate social responsibility is the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development." International Finance Corporation [5]

"A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis." European Commission[6]

"There is one and only one social responsibility of business-to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud." (Milton Friedman) [7]

"Corporate Responsibility is about ensuring that organisations manage their businesses to make a positive impact on society and the environment whilst maximising value for their shareholders." Institute of Chartered Accountants in England & Wales [8]

**Approaches to CSR**
Some commentators have identified a difference between the Continental European and the Anglo-Saxon approaches to CSR.[9]

An approach for CSR that is becoming more widely accepted is community-based development projects, such as the Shell Foundation's involvement in the Flower Valley[3], South Africa. Here they have set up an Early Learning Centre to help educate the community's children, as well as develop new skills for the adults. Marks and Spencer is also active in this community through the building of a trade network with the community - guaranteeing regular fair-trade purchases. Often alternative approaches to this is the establishment of education facilities for adults, as well as HIV/AIDS education programmes. The majority of these CSR projects are established in Africa. A more common approach of CSR is through the giving of aid to local organizations and impoverished communities in developing countries. Some organizations do not like this approach as it does not help build on the skills of the local people, whereas community-based development generally leads to more sustainable development.

**Auditing and reporting**
To demonstrate good business citizenship, firms can report compliance with a number of CSR standards, including:
- AccountAbility's AA1000 standard, based on John Elkington's triple bottom line (3BL) reporting
- Global Reporting Initiative's Sustainability Reporting Guidelines
- Verite's Monitoring Guidelines
- Social Accountability International's SA8000 standard
- The ISO 14000 environmental management standard
- UN Global Compact's Communication on Progress (COP) is a company’s report to demonstrate the continual improvement of the implementation of the ten Compact's universal ten principles.[4]
FTSE Group's FTSE4Good index is an evaluation of CSR performance by assessing companies according to various criteria. [5]

Some nations require CSR reporting, though agreement on meaningful measurements of social and environmental performance is difficult. Many companies now produce externally audited annual reports that cover Sustainable Development and CSR issues ("Triple Bottom Line Reports"), but the reports vary widely in format, style, and evaluation methodology (even within the same industry). Critics dismiss these reports as lip service, citing examples such as Enron's yearly "Corporate Responsibility Annual Report" and tobacco corporations' social reports.

The business case for CSR
The scale and nature of the benefits of CSR for an organization can vary depending on the nature of the enterprise, and are difficult to quantify, though there is a large body of literature exhorting business to adopt measures beyond financial ones (e.g., Deming's Fourteen Points, balanced scorecards). Orlitzky, Schmidt, and Rynes[10] found a correlation between social/environmental performance and financial performance. However, businesses may not be looking at short-run financial returns when developing their CSR strategy.

The definition of CSR used within an organisation can vary from the strict "stakeholder impacts" definition used by many CSR advocates and will often include charitable efforts and volunteering. CSR may be based within the human resources, business development or public relations departments of an organisation[11], or may be given a separate unit reporting to the CEO or in some cases directly to the board. Some companies may implement CSR-type values without a clearly defined team or programme.

The business case for CSR within a company will likely rest on one or more of these arguments:

- Human resources
  A CSR programme can be seen as an aid to recruitment and retention[12], particularly within the competitive graduate student market. Potential recruits often ask about a firm's CSR policy during an interview and having a comprehensive policy can give an advantage. CSR can also help to improve the perception of a company among its staff, particularly when staff can become involved through payroll giving, fundraising activities or community volunteering.

- Risk management
  Managing risk is a central part of many corporate strategies. Reputations that take decades to build up can be ruined in hours through incidents such as corruption scandals or environmental accidents. These events can also draw unwanted attention from regulators, courts, governments and media. Building a genuine culture of 'doing the right thing' within a corporation can offset these risks[13].

- Brand differentiation
  In crowded marketplaces companies strive for a unique selling proposition which can separate them from the competition in the minds of consumers. CSR can play a role in building customer loyalty based on distinctive ethical values[14]. Several major brands, such as The Co-operative Group and The Body Shop are built on ethical values. Business service organisations can benefit too from building a reputation for integrity and best practice. so businesses should be more responsible for their environment.
License to operate
Corporations are keen to avoid interference in their business through taxation or regulations. By taking substantive voluntary steps they can persuade governments and the wider public that they are taking current issues like health and safety, diversity or the environment seriously and so avoid intervention. This also applies to firms seeking to justify eye-catching profits and high levels of boardroom pay. Those operating away from their home country can make sure they stay welcome by being good corporate citizens with respect to labour standards and impacts on the environment.

Critical Analysis
CSR from a Business Perspective
It is apparent that in today’s business practice, CSR is entwined in many multinational organizations strategic planning process. The reasons or drive behind social responsibility towards human and environmental responsibility is still questionable whether based on genuine interest or have underlining ulterior motives. Corporations are fundamentally entities that are responsible for generating a product and or service to gain profits to satisfy shareholders (Prof Malloy, 59). As Milton Friedman believes, there is no place for social responsibility as a business function. However a business still comprises people those posses both the humanistic and naturalistic view points. The humanistic view is that a deteriorating environment and planet is of no relevance in sustaining human life let alone a business. The naturalistic view is where we draw the line between exploiting our natural resources and destroying our fauna and flora for the sake of profiteering and sustainability (Grace and Cohen 2005,144). The need to create an ideal scenario that is “pareto efficient” may be the main reasons such mediators are there to adjudicate. Influence from the population, government and competitors are possible forces that can destabilize an organization should its motives or unethical processes become clear. Legal structures in place, are created to ensure international borders are not left exposed to multimillion dollar organizations self interest. Stringent laws and penalties are governed by legal bodies such as the International Court of Justice that are capable of sanctioning non abiding organizations (ICJ 2007).

CSR has been an issue of some debate. There are some people who claim that Corporate Social Responsibility cherry-picks the good activities a company is involved with and ignores the others, thus ‘greenwashing’ their image as a socially or environmentally responsible company. There are some other people who argue that it inhibits free markets.

Disputed business motives
Critics of CSR will attribute other business motives, which the companies would dispute. For example, some believe that CSR programmes are often undertaken in an effort to distract the public from the ethical questions posed by their core operations. Some that have been accused of this motivation include British American Tobacco (BAT) [15] which produces major CSR reports and the petroleum giant BP which is well known for its high profile advertising campaigns on environmental aspects of their operations.

Critics who believe that CSR is self interested
This group argues that the only reason corporations put in place social projects is for the commercial benefit they see in raising their reputation with the public or with government. They suggest a number of reasons why self-interested corporations, solely seeking to maximise profits are unable to advance the interests of society as a whole[16].

They would point to examples where companies have spent a lot of time promoting CSR policies and commitment to Sustainable Development on the one hand, whilst damaging revelations about business practices emerge on the other. For example the McDonald’s Corporation has been criticized by CSR campaigners for unethical business practices, and was the subject of a decision by Justice Roger Bell in the McLibel case (which upheld some of
These critics generally suggest that stronger government and international regulation rather than voluntary measures are necessary to ensure that companies behave in a socially responsible manner.

Other views from this perspective include:
- Corporations really care little for the welfare of workers or the environment, and given the opportunity will move production to sweatshops in less well regulated countries.
- Companies do not pay the full costs of their impact. For example the costs of cleaning pollution often fall on society in general. As a result profits of corporations are enhanced at the expense of social or ecological welfare.

**Hindrance of free trade**
These groups are generally supporters of Milton Friedman who argued that a corporation's principal purpose is to maximize returns to its shareholders, while obeying the laws of the countries within which it works. Friedman argued that only people can have responsibilities[17].

Because of this, moderate critics would suggest that CSR activity is most effective in achieving social or environmental outcomes when there is a direct link to profit. This approach to CSR requires that the resources applied to CSR activities must have at least as good a return as that these resources could generate if applied anywhere else. This analysis drastically narrows the possible scope of CSR activities.

Critics who believe that CSR runs against capitalism would go further and say that improvements in health, longevity or infant mortality have been created by economic growth attributed to free enterprise. Investment in less developed countries contributes to the welfare of those societies, notwithstanding that these countries have fewer protections in place for workers. Failure to invest in these countries decreases the opportunity to increase social welfare.

**Drivers of Corporate Social Responsibility**
It is difficult to concede if CSR may is purely driven by the intentions of corporate members to exert ethical conduct or is it a distraction and/or opportunity to over shadow or distracts society and consumer perception based on the amoral standing of an organization. Examining some of the following drivers may provide some answer to the principles.

**Ethical Consumerism**
Ethical consumerism can certainly be linked in shaping the methodologies of corporate processes and responsibility. The population has significantly increased in the last two decades placing great pressure on the resources required to meet the demands (Grace and Cohen 2005, 147). Technology has provided many new tools and resources that meet human needs. Industrialization in many third world countries is booming as a result of technology, in turn fuelling globalizations. Consumers are well aware of the risk associated with global warming and climate change however the correlation between what they buy and their day to day needs have no relevance. Society as a whole are aware of the CSR, but the on a day to day level fail to act on belief or relate to something that is intangible, and invisible.
“Consumers relate to brands and not corporations” (Centaur Communications Ltd 2007). Examples are the number of people who still purchase Nike apparel when it is publicly known that third world nations are exploited in producing these goods. Resource industries continue to profits from mining of natural resources while the R&D on newer, cleaner technology has a far less focus given the environmental concerns even though evidence suggest that such technology will mean a competitive advantage (Fields 2002).

**Globalization and Market Forces**

There are major challenges in today’s corporate arena that impose limitations to the growth and potential profits of an organization. Government restriction, tariffs, globalization, environmentally sensitive areas and exploitation are problems that are costing millions of dollars for organization. It may be apparent that in some cases, ethical implications are simply a costly hindrance that potentially forces businesses to finding alternative means to shift viewpoints. It is certainly a potential strategic tactic to gain public support to sustain a competitive advantage. There is no doubting that social contributions provides a subconscious level of advertising that suggest that profit targeting may be the purpose and questions the ethical marketing techniques (Fry, Keim, Mieners 1986, 105) Globalization is certainly making it difficult for competition and many organizations are merging/acquiring other businesses with competitive and alternative core competencies. This not only prolongs sustainability but enables transition to other business landscapes that are subject to or limited in terms of complex cultural differences and laws. The ability to claim on one hand, to support communities in need of assistance and development, while on the other hand, providing jobs and opportunity for third world employees that virtually earn $1.00 if that, for every $100 dollars profited. Further to this, employment conditions are far worst compared to an average workplace of a 1st world nation (The Corporation 2006) The implications could be further interrogated to suggest that somewhere in a corporate home nation, employees of that nation would have lost their jobs to lower paid workers in a foreign land.

**Social Awareness and Education**

There is highly visible change in behaviour among corporate stakeholders as a result of high publicity on environmental and human right movements in present times. With global warming, and corporate behaviour so publicly available to broadcast, there appears to be a trend in social behaviour slowly changing from an individualistic mindset to a more holistic and collective reasoning. The Kyoto Protocol is an example of societies coming together and seeing the need for change on a global level (Bulkeley 2001). Peer pressure from society is paving the way business is conducted. Through education and dialogues the development of community in holding businesses responsible for their actions is growing (Roux 2007).

Unlike the past, the public has taken a significant shift in holding businesses responsible for their actions. This in turn causes businesses to satisfy their customers’ needs. This view is also shared by Bansel and Roth (Bansal and Roth 2000). Amoral attitudes and behaviour are unaccepted by consumers who have the potential to impact the sustainability of the organization (Fields 2002, A143).

**Corporate Behaviour and Culture**

Another driver changing the behaviour and culture of employees is credited to ethics training. The aim of such activities is to help employees make ethical decisions when the answers are unclear. Organizations believe the rewards are demonstrated in the loyalty and pride employees hold towards the organization. This also equates to reducing the likelihood of “dirty hands” (Grace and Cohen 2005), fines and damaged reputations for breaching laws or moral norms. Caterpillar and Best Buys are examples of organizations that have taken such steps (Thilmany 2007). Tullberg believes that humans are built with the capacity to cheat and manipulate a view taken from (Trivers 1971, 1985), hence the need for learning normative values and rules in human behaviour (Tullberg 1996).
Government Laws and Regulation
Another plausible driver of CSR is by independent mediators to ensure that corporate goals don’t harm or disadvantage anyone or environment. This remark supported by Friedman feels demonstrates that governments themselves should set the agenda for social responsibility by the way of laws and regulation that will allow a business to conduct themselves without disadvantage or degradation. In many instances separate organizational bodies are established to administer the workings of fair-trading on a local and global front. The issues surrounding government regulations poses some problems; the first, regulation in itself is unable to cover every aspect of detail in a corporation’s process. This leads to the argument and interpretation of the law and the debatable “grey areas” (Sacconi 2004). General Electric is an example of a corporation that has failed to clean up the Hudson River after contaminating it with organic pollutants. They continue to argue via the legal process on the decisions of liability, while the cleanup remains stagnant. (Sullivan & Schiafo 2005). The second issue is the financial burden this places on an economy if such a corporation contributed significantly to the nation’s economy. This view shared by Bulkeley, who identifies the Australian Federal Governments actions to not comply with Kyoto in 1997, on the concerns of economic loss and national interest especially relating to the energy and resources industries. Signing the Kyoto pack would have caused significant economic losses than any other OECD nation (Bulkeley 2001, pg 436). The Bush administration is another government body, who is opposed to regulatory measures along with resistance from many big US businesses who think alike. The burden and inconvenience to stakeholder are unjustified (Fialka 2006).

Consequences and Events
Unfortunately many consequential events are a reason why CSR policies become evident. One of the most active stands against environmental management is the CERES Principle that eventuated after the Exxon Valdez incident in Alaska in 1989 (Grace and Cohen 2006). Many highly media publicized incidents have resulted in ethical and social responsibility by corporations to rectify the problems. The lead poisoning paint used by toy giant Mattel saw a recall of millions of toys globally, initiating new risk management and quality control processes. Mageline Metals in the West Australian town of Esperance was responsible for lead contamination killing thousands of birds in the area. The immediate cease of business and the cleanup was executed along with independent regulatory bodies called to provide assistance and assessment of the impacts.

This group may also point to:
- The rule of corporate law that a corporation's directors are prohibited from any activity that would reduce profits

The burden of the existing social and environmental regulation that companies must comply with. Detractors of CSR point out that organizations pay taxes to government to ensure that society and the environment are not adversely affected by business activities.

[edit] See also
Business ethics
Business philosophy
Civil society
Corporate behaviour
Corporate benefit
Corporate governance
Corporate sustainability
Corporate personhood
Corporation
Customer engagement
Ethicism
Ethical banking
Ethical consumerism
Global Reporting Initiative
Inclusive business
Not Just For Profit
OECD Guidelines for Multinational Enterprises
Socially responsible investing
Sustainability
The Corporation
United Nations Global Compact
Voluntary compliance

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Brand Strategy 2007. CSR FOCUS: 10 key things to know about CSR London. pg. 47. [19]
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External links

CorporateRegister.com Includes a global directory of companies with CSR reports

Other related areas
Net Impact
Dow Jones Sustainability Index
FTSE 4 Good Index Series
Useful definition
Usual good offering from BusinessBalls
Usual good offering from RapidBI on CSR for SME's
CSR Wire Services
CSRwire.com US news wire service specializing in CSR
CSRwire.ca Canadian news wire service specializing in CSR

Further reading
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Wheeler and Silanpaa (1997) The Stakeholder Corporation. This is an excellent introduction to the evolution of the concept and the different angles involved.


European Commission - Employment and Social Affairs - CSR
The Link Between Competitive Advantage and Corporate Social Responsibility (Harvard Business Review): Michael Porter and Mark Kramer

Business Action for Africa: an international coalition of businesses and business organisations working together to end poverty.

Business Case Studies: Examples of CSR-related activities by corporations.

Investor Suffrage Movement: A novel approach for placing CSR back in shareholders' hands.

Canadian Critique of the 'Triple Bottom Line' approach to measuring CSR

Looking at CSR in a cultural context

The Way it Works Information and implementation of existing practices of CSR

Inherent Rules of Corporate Behavior. Critiques corporate social responsibility as a naive approach.

Mother Jones Magazine Bill McKibben critiques CSR.

Milton Friedman article on why corporations should focus on profit alone.

Milton Friedman Was Right: "Corporate social responsibility" is bunk by Henry G. Manne Center for Global, International, and Regional Studies History and Critique of Corporate Social Responsibility (PDF file)

Business and Society: The biggest contract: The Economist on advantages and limitations of CSR.