



Corporate Social Responsibility: A Primer

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Abstract The concept of corporate social responsibility (CSR) carries the idea that companies and businesses can no longer act as isolated economic entities operating in detachment from broader society. CSR is a company's commitment to manage the social, economic, and environmental effects of its operations responsibly. It is an important issue in business practice across all industries. Practicing corporate social responsibility makes a company to be conscious of the kind of impact it is making on all aspects of society including economic, social, and environmental. Companies that engage in CSR focus on the triple bottom line: people, planet, and profit. This paper provides a primer on CSR.

Keywords corporate social responsibility, corporate sustainability, corporate citizenship

Introduction

In recent years, corporations have struggled with the issue of the firm's responsibility to the society. There has been a demand on US corporations to provide both money and manpower to correct social ills. Social responsibility is the principle that requires organizations to contribute to the welfare of society (such as focusing on poverty relief, education, or the betterment of the community) and not solely be interested in maximizing profits. It is used as a strategy of relationship marketing, particularly with customers, suppliers, and distributors. It is also regarded as environmental responsibility. Enterprises play the role of corporate citizen and they achieve a balance of profitable, environmental, and charitable activities.

Corporate social responsibility (CSR), also known corporate citizenship, corporate conscience, citizenship, social performance, or sustainable responsible business, is a business approach that encourages companies to be more aware of the impact of their business on the rest of society, including their own stakeholders and the environment.

It is often associated with hopes for improved corporate governance, which is tied in with the phenomenon of globalization. It is a self-regulating business model that helps a company be socially accountable. It is a catch-all term that addresses various topics such as human rights, corporate governance, health and safety, environmental effects, working conditions, and contribution to economic growth and development. Properly understood, CSR should be regarded as claiming that business can only flourish when the communities in which it operates are healthy. Governments too are beginning to realize the competitive advantages to be won from a responsible, smart business sector.

Background to CSR

The idea of corporate social responsibility is the product of the post World War II period. It has been debated since the 1950s, amid growing concerns about large corporations and their power. Since then, attention on CSR has been growing in both academic and corporate enterprises around the world. The concept has become



dominant on the global business agenda and a strategic issue affecting the way in which a company does business. Some of the drivers pushing business towards CSR include [1]: (1) the shrinking role of government; (2) demands for greater disclosure; (3) increased customer interest; (4) growing investor pressure; (5) competitive labor markets; and (6) supplier relations. The pyramid of corporate social responsibility is shown in Figure 1 [2]. Commitment to CSR often touches every part of the business—operations, human resources, manufacturing, supply chain, health and safety, etc.

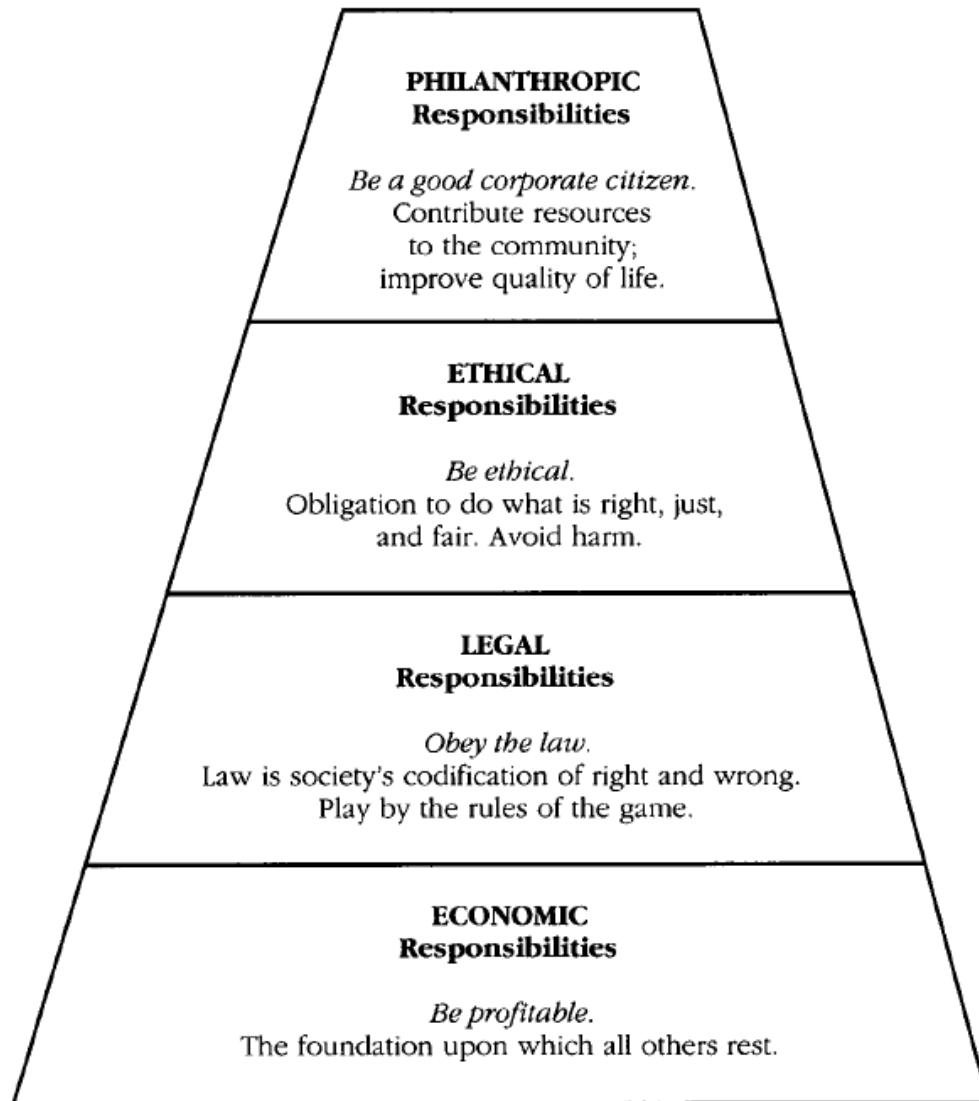


Figure 1: The pyramid of corporate social responsibility [2]

Companies are increasingly adopting socially responsible actions, activities, policies, and processes. The way CSR is implemented differs for each company or nation. For example, CSR is mandatory for large corporations in India [3] and Indonesia [4]. It is not a mandated practice in the United States; it is something *extra* that companies do to improve their local and global communities. CSR is meant to aid an organization's mission as well as serve as a guide to what it represents its stakeholders including consumers, employees, investors, and communities. Organizations may engage in CSR for strategic or ethical purposes. The rise of ethics training inside corporations, required by government regulation, has helped CSR to spread. Adoption of CSR can persuade governments and the public that a company takes safety and the environment seriously. In 2010, the International Organization for Standardization (ISO) released a set of standards meant to help companies implement CSR. ISO 26000 is the recognized international standard for CSR.



Practicing CSR

Some corporate leaders have started to see CSR as a creative opportunity to fundamentally strengthen their businesses while contributing to society at the same time. Some pursue CSR activities that can best be termed pet projects. Many companies focus on a wide range of activities to practice CSR. These include [5]:

- *Environmental Sustainability*: One primary focus of CSR is the environment. This involves recycling, waste management, renewable energy, reusable materials, 'greener' supply chains, minimizing paper use, and adopting Leadership in Energy and Environmental Design (LEED) building standards.
- *Community Involvement*: Businesses can CSR by donating money, products or services to social causes. This can include raising money for local charities, providing volunteers, sponsoring local events. CSR can also help improve the perception of a company among its staff, particularly when staff can become involved through payroll giving, fundraising activities or community volunteering.
- *Ethical Marketing*: Companies that ethically market to consumers are placing a higher value on their customers and respecting them as people who are ends in themselves. By treating employees fairly and ethically and promoting equal opportunities for men and women, companies can also demonstrate their commitment to CSR.

Benefits

CSR has several benefits that can apply to any business, regardless of its size or sector. The benefits for adopting CSR include [1,6,7]:

1. Company benefits:

- Improved financial performance
- Lower operating costs
- Enhanced brand image and reputation
- Increased sales and customer loyalty
- Greater productivity and quality
- More ability to attract and retain employees
- Reduced regulatory oversight
- Workforce diversity
- Product safety and decreased liability
- Better brand recognition
- Positive business reputation
- Better financial performance
- Greater ability to attract talent and retain staff
- Organizational growth
- Boost morale and help employees and employers feel more connected with the world around them

Some of these benefits are illustrated in Figure 2 [8].

2. Community benefits:

- Charitable contributions
- Employee volunteer programs
- Corporate involvement in community education, employment, and homelessness program
- Product safety and quality

Some of these benefits are illustrated in Figure 3 [8].

3. Environmental benefits:

- Greater material recyclability
- Better product durability and functionality
- Greater use of renewable resources
- Integration of environmental management tools into business plans
- CSR helps to protect environment.



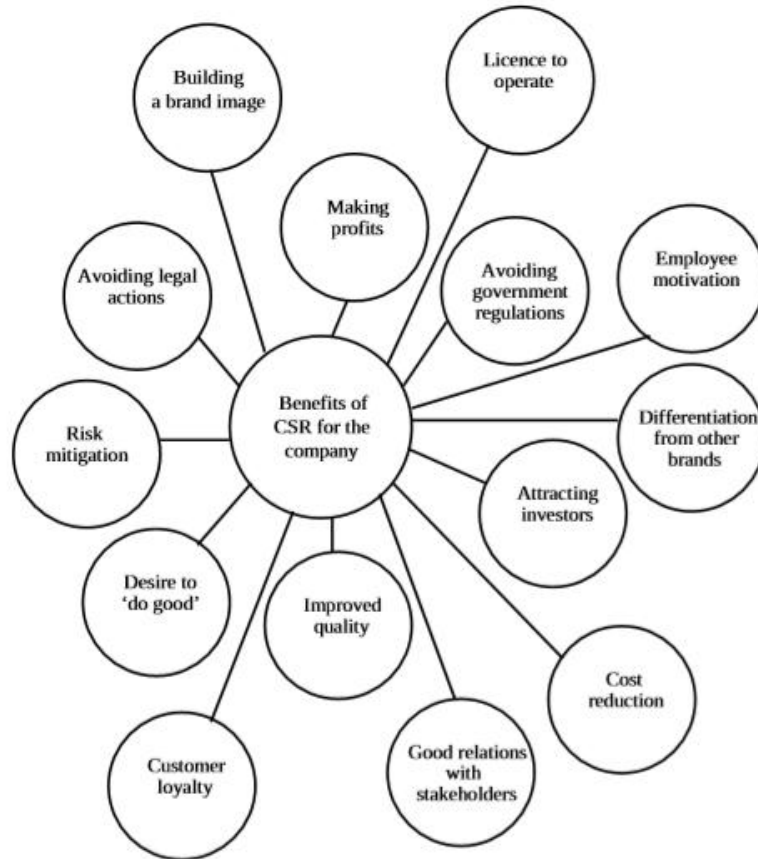


Figure 2: The benefits of CSR for businesses [8]

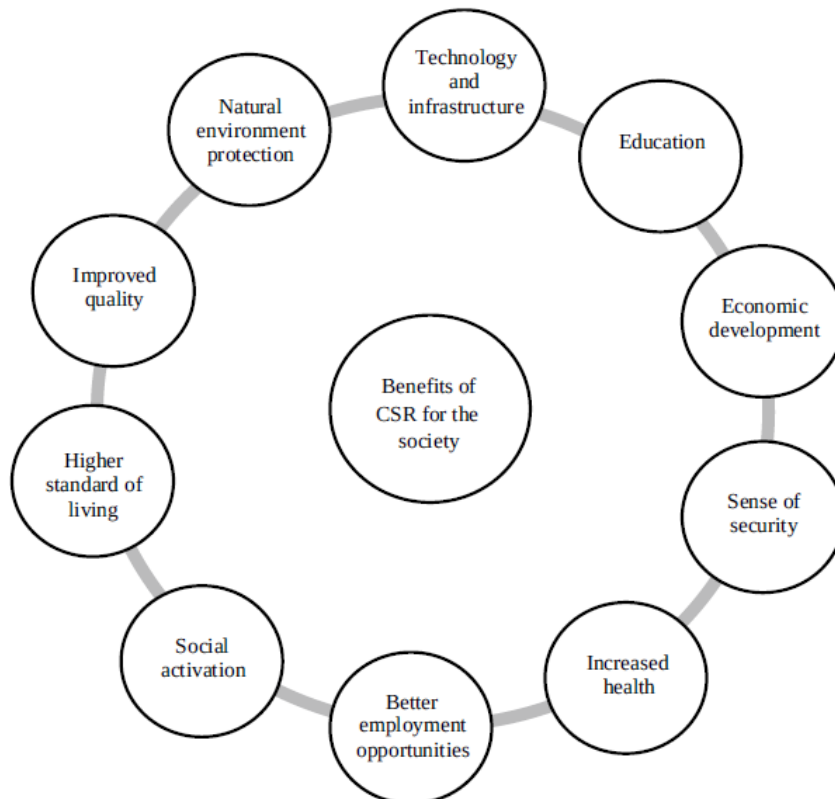


Figure 3: The benefits of CSR for the community [8]

Challenges

The concept of CSR has also some challenges. CSR still seems to be a fuzzy concept with numerous definitions. This hampers theoretical development of CSR. A key challenge facing business is the need for more reliable indicators of progress in CSR, as well as the dissemination of CSR strategies. Reporting criteria vary by company, sector and country, and they are in constant evolution.

Some critics believe that CSR runs against capitalism and that improvements in health, longevity or infant mortality have been created by economic growth due to free enterprise. They argue that the economic costs of incorporating CSR is huge. For example, the CSR cost for Nike is about \$10 million to \$12 million a year, just for the CSR staff and expenses, to attend sustainability meetings all over the world. There have been many instances of corporate social responsibility failures in recent years [9]. Some companies have been accused of hypocrisy in that they profess CSR, but in reality they indulge in corporate abuses, environmental destruction, and complicity with repressive regimes. Another criticism against CSR is that corporations such as tobacco companies, gaming industry, McDonalds, and BP undertake CSR programs to distract the public from ethical questions raised by their core business operations.

Conclusion

Corporate social responsibility refers to strategies companies conduct their business in a way that is ethical, society friendly, and beneficial to community and the environment. It may be considered as a company's commitment to improve societal, economic, and environmental well-being through business practices. CSR has become a mainstream business strategy and a key factor in the success of enterprises. It should be followed by modern businesses since it is good both for companies and societies.

The future of CSR depends on the upcoming generations. It is imperative that undergraduate and graduate business students be exposed to CSR while in college [10,11]. For more information on corporate social responsibility, one should consult the books in [12-16] and other books available on Amazon.com.

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