

INTRODUCTION TO CSR



Corporate Social Responsibility

Chapter overview:



- **Definition of CSR**
- **Meaning of CSR**
- **Should corporations be involved in CSR?**
- **Two views of CSR : Shareholder or Stakeholders**
- **The pros and cons of CSR**
- **Carroll's CSR pyramid.**

Definition of CSR



“Companies with a defined corporate commitment to ethical principles do better financially than companies that don't”.

DePaul University, 1997



What is CSR?

“CSR is continuing commitment to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large”.

Moir, 2001



What is CSR?

“Only social -welfare-promoting actions performed over and above the economic and legal requirements of business in a country qualify as corporate social responsibility.

Archie B. Carroll, 1979



What is CSR?

“The idea that business has a duty to serve society in general as well as the financial interests of stockholders”.

Pearce & Robinson



Meaning of CSR

- CSR is the integration by companies of social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.
- " The concept of social responsibility means going beyond the fulfillment of legal requirements by investing more in human capital, the environment, and relations with stakeholders.



Meaning of CSR

➤ It is a voluntary instrument, but must be implemented reliably so that it fosters trust and confidence among stakeholders.



Why is CSR important?

- Customers and clients are influenced by a company's **reputation** in social and environmental areas.
- The **employment** market is competitive and good recruits want to work for and stay with companies that care.
- Social performance increasingly influences **investors'** decisions, as the ethical investment market grows evermore quickly.
- CSR enables the **strategic management** of internal and external risks in social as well as environmental areas.
- Existing **socially responsible actions** become more visible and are better communicated.
- Social and environmental responsibility has been demonstrated to **reduce operating costs**.

People - Planet - Profit.

- Human resources
- Work and life balance
- Other fundamental rights at work
- Environmental issues
- Public safety and health (including product safety)
- Profitability and productivity





Two views of corporate social responsibility

The shareholder view

- The only social responsibility of business is to create shareholder wealth.
- Corporate management cannot decide what is in the social interest.
- The costs of social responsibility which do not increase the value of stock, will be passed on to consumers.



The multiple stakeholders view

- All customers and employees are treated with dignity.
- Relationships with suppliers must be based on mutual trust.
- Belief in fair economic competition.
- Business can contribute to social reform and honor human rights



Should Corporations be involved in CSR?

Classical view:

Few trends would so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to **make as much money for their shareholders as they possibly can**”

Behavioral view:

“In addition to making a profit, **business should help to solve social problems** whether or not business helps to create those problems even if there is probably no short-run or long-run profit potential”

Arguments for CSR

- Balancing Corporate power with Corporate responsibility
- Discouraging the creation and imposition of Government Regulation.
- Focusing on Social problems.



Arguments against



Stakeholders bear the costs of corporate social actions (shareholders, employees and consumers) which affect a “corporation’s operating efficiency and weaken competitive position and advantage.”

Mismatch of the roles and expectations between the organization and society.

The prospect of corporations becoming powerful – exercising considerable power over society.

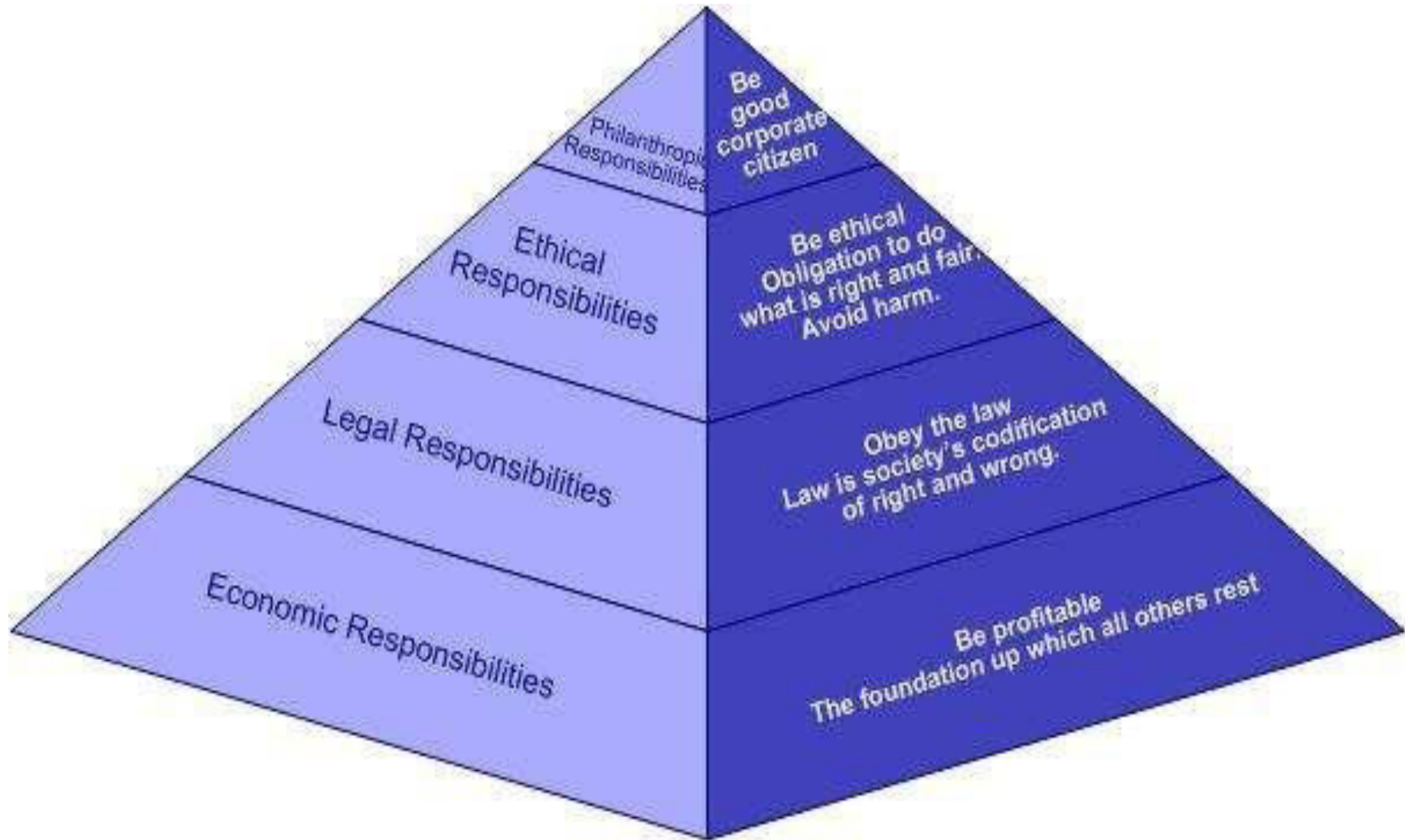
Management trained in functional areas of management

The face of CSR circa 1910 West Virginia



The face of today





Carroll's CSR Pyramid