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Corporate Social Responsibility: Good for Business and Society

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Abstract

Corporate social responsibility (CSR) is no longer to assess only any business organization in context of contribution to the society. Perhaps, it has gained popularity among the corporations due to its prospects of yielding better business performance in the long range. The purpose of this paper is to sketch out an overview of CSR based on the acclamation and criticism from diverse perspective. Looking over through the extant literatures, this paper reviews the present status of CSR among the scholars, practitioners, development organizations, and governments. This paper reveals the supportive arguments for the notion that CSR is 'giving back' to society by the business entities. In the business context, CSR found to be more effective and significant in the financial sector of a country. Considering the diminishing role of the state economic activity and limitation of generating public funds by the state, raise the dependency and expectation on the business sector, which would possibly eradicate the critical and severe issues of the society in developing countries. However, this paper opens up new thought towards CSR, which is more, an apt paradigm for returning back to the society.

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1. Introduction

The universal definition of CSR is hard to find. Corporate Social Responsibility (CSR) is commonly known as the company and its management's ethical steps towards society and the shareholders. Some suggest that CSR is about what the business returns back to the society, in return for the benefits it received from society. CSR implies that business has the obligation to act in a socially accepted manner. CSR is an important part of sustainable development- by taking ethical steps that creates economic contribution for the society and CSR also helps improving the quality of life of the workforce and their families that are part of the society at large. The concept of CSR is highly debated as sustainable development has many viewpoints and various interpretations (Watts & Holme, 1999, pp.3).

2. Issues to be addressed

This paper is focusing on CSR and the question that set for this paper is how CSR helps to increase the quality of life through business society relationship? To get the answer to the questions and for analysis of some relevant issues, one has to look first, into the evolution of CSR and its adoption by some business entities. The contribution of CSR and compulsion of CSR both have to be assessed. The analysis of new dimensions of CSR will unfold the business society relationship. If both the criticisms and contributions of CSR are analyzed then it will address the questions raised. The vision for CSR consists of the following major aspects:

(a) Promoting business activities that bring simultaneous economic, social and environmental benefits.

(b) Work in partnership with the private sector, community bodies, unions, consumers and other stakeholders.

(c) Encourage innovative approaches and continuing development and application of best practice.

(d) Ensure decent minimum levels of performance in areas such as health and safety, the environment and equal opportunities.

(e) Encourage increased awareness, open constructive dialogue and trust.

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(f) Create a policy framework which encourages and enables responsible behavior by business (Corporate Social Responsibility- a government update- pg.2).

CSR is playing role in areas like human rights, employee rights, environment protection, community involvement, supplier relations, monitoring, stakeholders' right (Watts & Holme, 1999, pp.5). Therefore CSR is not only practiced by the TNC's but NGOs, UN and various other stake holders are actively participating in the current movement of CSR.

3. Evolution of CSR

Now briefly the evolution of CSR practices is discussed. While the subject of business ethics has a long history, CSR has become a distinctive topic more recently. The nature and scope of corporate social responsibility has changed over time. The concept of CSR is a relatively new one; the phrase has only been in wide use since the 1960s. But, while the economic, legal, ethical, and discretionary expectations placed on organizations may differ, it is probably accurate to say that all societies at all points in time have had some degree of expectation that organizations would act responsibly, by some definition.

In the 1960s and 1970s the civil rights movement, consumerism, and environmentalism affected the idea that business needs to be more socially responsible. The expectation on the business community was to become more proactive and take responsibility on solving various social issues voluntarily even though the business communities were not directly responsible for creating these social problems. The expectation was that the business community would go beyond their legal and economic roles and therefore give priority on solving the social issues for social betterment. Many legal mandates were placed on business related to equal employment opportunity, product safety, worker safety, and the environment protection.

The issue of CSR has been discussed in the World Business Council for Sustainable Development (WBCSD). The WBCSD consists of 120 international companies and their goal is mainly environment protection and economic growth; followed by sustainable development. The organization has a thriving global network of national and regional business councils and partner organizations mainly in developing countries and countries in transition. The organization focuses on four major areas: eco-efficiency, corporate social responsibility, sustainability in the

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market, climate and energy, natural resources and trade and environment (Watts & Holme, 1999).

During the 1980s, the United Nations grappled with the international code of conduct on TNC's, covering such areas like labor standard, consumer rights, and women rights, the environment, corruption and restrictive business practices. The code was never approved, largely because of US government and corporate opposition to its scope and legal status.

Modern CSR was born during the 1992 Earth Summit in Rio de Janeiro, as an explicit endorsement of voluntary approaches rather than mandatory regulations. The UN center on Translational Corporations (TNCs) was charged with researching the regulation of business and coming up with regulatory proposals. It produced a set of recommendations on corporate regulation for the Earth Summit's Action Plan. But these were rejected after western states and business lobbied in favor of a manifesto for voluntarism drafted by the World Business Council for sustainable development, a coalition of companies united by shared commitment to sustainable development (Christian, 2004).

The Global Compact (GC) is an initiative intended to promote corporate social responsibility and citizenship in the new global marketplace. The Global Compact is a shared effort between- the United Nations, the international labor, NGOs and the business corporations. GC uses the power of transparency and dialogue as its main tool.

3.1 The UN Global Compact principles

With the help of Global Compact, the business community embraced the idea of social responsibility in the areas of human rights, labor standards, the environment and anti-corruption (Hamann & Kapelus, 2004).

(a) On human rights

1) Businesses should support and respect the protection of internationally proclaimed human rights; and
2) Make sure that they are not complicit in human rights abuses.

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(b) On labor standards

3) Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

4) Elimination of all forms of forced and compulsory labor;

5) Effective abolition of child labor; and

6) Elimination of discrimination in respect of employment and occupation.

(c) On environment

7) Businesses should support a precautionary approach to environmental challenges;

8) Undertake initiatives to promote greater environmental responsibility; and

9) Encourage the development and diffusion of environment friendly technologies.

(d) On anti-corruption

10) Businesses should work against all forms of corruption, including extortion and bribery.

The GC is not designed as a regulatory instrument. Nor should it be seen as a substitute for any regulatory arrangement that either countries or companies might wish to construct. It simply represents an altogether different type of organizational activity, an open ended experiment intended to identify, disseminate and promote good practices based on universal principles (Ruggie, 2000).

CSR is widely being practiced by different translational companies and multinational companies like Shell, Unilever, General Motors, DuPont, Novartis, British Petroleum, Coca Cola, Anglo American, De Beers and also many other organizations. Not only private sectors but nowadays there is a growing interest in partnerships between international organizations and the corporate sectors in the field of CSR. The organizations are practicing CSR in protecting employee rights, protecting environment, investing in community development, investing in schools and hospitals, investing in fighting the spread of HIV/AIDS (Watts & Holme, 1999. pp.516).

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4. Factors driving CSR initiatives

There are much debate and criticism against the notion of CSR. CSR is driven by certain agendas which reveals the true face of CSR and hence helps to understand the criticism and current debate on CSR.

4.1 Arguments for and against Corporate Social Responsibility

The concept of corporate social responsibility (CSR) can be understood as the "economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time"(Carroll & Buchholtz, 2011).

The American economist Milton Friedman has strongly argued for the "Economic" viewpoint of CSR. Friedman has argued that the primary responsibility of business is to follow laws and make a profit for its owners and if the business organization cannot solve a social problem; then the social problem becomes the responsibility of the government. Friedman has further argued that if all the business organizations are conducting their business activities properly, then from a utilitarian perspective the self-interested actions of millions of participants in free markets will lead to positive outcomes for society (Carroll & Buchholtz, 2011).

4.2 Arguments For and Against CSR

For

(a) The rise of the modern corporation created and continues to create many social problems. Therefore, the corporate world should assume responsibility for addressing these problems.

(b) In the long run, it is in corporations' best interest to assume social responsibilities. It will increase the chances that they will have a future and reduce the chances of increased governmental regulation.

(c) Large corporations have huge reserves of human and financial capital. They should devote at least some of their resources to address social issues.

Against

(a) Taking on social and moral issues is not economically feasible. Corporations should focus on earning a profit for their shareholders and leave social issues to others.

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(b) Assuming social responsibilities places those corporations doing so at a competitive disadvantage relative those who do not.

(c) Those who are most capable should address social issues. Those in the corporate world are not equipped to deal with social problems.

Globally, the Corporate Social Responsibility (CSR) is gaining acceptance as the contribution towards social and environmentally sustainable development. Besides the usual financial reporting, 'non-financial' or 'sustainability' reporting is accordingly also fast gaining usage in recent times.

Stated briefly, CSR is about (i) keeping a record of the economic, social and environmental contribution of a business, (ii) reducing the negative impacts and strengthening the affirmative action of CSR on the society (iii) starting the community development and action programs to reduce social exclusion and inequality and to highlight the key sustainable development challenges (meeting the needs of the present without compromising the ability of future generations to meet their own needs).

Because of the ethical and public interest dimensions, many of the social and environmental practices have to follow certain laws and regulations (safe and healthy work environment, diversified workforce management policies-equal opportunity and fair treatment in respect of gender, promoting ethnicity in hiring and career advancement, avoidance of child labor, and so on). CSR programs and actions engage voluntarily to other social practices that go beyond such compulsory compliances; these social practices include promoting equitable and sustainable development. Besides the self-evident ethical case, a strong business case for CSR (as an investment in a strategic asset or distinctive capability, rather than an expense) is also getting clearer with developing practice; seen as benefiting a business by:

- Building reputation, brand value, customer loyalty, employee motivation and retention;
- Mitigating risks in own operations and in assessing suppliers and clients;
- Cutting down wastes (of energy, raw materials etc.), driving up efficiency;
- Gaining new markets for products and services, in the communities/social groups benefited by the CSR actions.

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5. The Effects of Corporate Behavior on Society and Individual

Due to the dominance of capitalist corporations in Western societies the behavior of corporation can be seen to have significant impacts on individuals and society. A person or group of people can have links to a corporation or corporations that range from weak to strong, if a person or group of people exhibit corporate behavior that does not mean the person or group of people is employed by a corporation or corporations. A person or group of people may show corporate behavior for different lengths of time, for some people they exhibit this behavior at their place of work; for others it is exhibited at work, home and outside the home. Many people display corporate behavior but do not agree with actions and outcomes that result from it.

The fact that individuals may not agree with the outcomes of corporate behavior is central to the concept in itself, the characteristics of capitalist corporations do not reflect the characteristics of any individual or group of individuals but are the characteristics required for the survival of capitalist corporations due to the nature of the system within which corporations operate.

Under the law, corporations are treated in many ways as persons in order that corporations can conduct business as if the corporation were a person. Since corporations are not actual people, corporations do not have ethics as such. The people within the corporation provide the ethical framework for a corporation. The ethics of a corporation is the combined ethics of the people working in the corporation always keeping in mind that power differences among peoples that some people and their ethical framework influence the behavior or the corporation more than others.

CSR is the heart of a business so it should be evident in a company's policies, manufacturing procedures and employment practice. CSR is a commitment to do business ethically and to comply with environmental regulations and with due regard to the rights of the local community. Most CSR choices involve balancing competing values, interests and costs. CSR also involves decisions about sustainability in invoking the 'triple bottom line' of economic, social and environmental performance.

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6. Corporate behavior in the context of the Financial Sector

In the past few years, the discourse on corporate citizenship has become part of the global agenda for sustainable development. This arises from a growing realization that the future of business cannot be guaranteed unless it recognizes and acts on its social, economic, cultural and environmental obligations. The United Nations Agenda 21 (UN, 1992) has emphasized that 'human beings are at the center of concerns for sustainable development'. Thus corporate citizenship is a call for the business sector to recognize and accept that the sustainability of its operations also depends on the sustainability of society as a whole, and that it is therefore imperative that the sector should actively contribute to the welfare of broader society (Moyo & Rohan, 2006. pp.289). The financial services sector plays a critical role in promoting sustainable development through its financial intermediation. Increasingly, the process of financing business activities is being seen as a way to stimulate the business sector to control its broader environmental, social and economic impacts. The resources that flow through the financial sector provide the lifeline for economic activities. Any form of economic development, whether sustainable or not, must be financed through these financial markets. At the same time, the inaccessibility of financial services for both individuals and microenterprises is a fundamental impediment to progress towards sustainable development, particularly in Asia and Africa. The finance sector has tremendous influence on the move towards a sustainable economy through its role in allocating financial capital to various economic activities and various social groups.

It would be of strategic, longer run competitive advantage for banks and financial institutions in Bangladesh to embrace CSR in their management approaches and operations, with initiatives chosen in broad-based, extensive stakeholder engagement. Besides adoption of socially and environmentally responsible practices in own internal operations, banks and financial institutions can make major CSR contribution towards narrowing and eventually eliminating the now prevalent financial exclusion of large socially disadvantaged rural and urban population segments; drawing them in with appropriate financial service packages and financing programs innovatively designed to generate new employment, output and income. The following could be some priority areas, among the broad range of prospective useful initiatives:

(a) Self-employment credit and Small and Medium Enterprise (SME) lending programs, taken up solo or in association with locally active Micro Finance Institutions (MFIs), designed to

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create productive new on farm/off farm employment, such initiatives are of particular urgency for regions with endemic high seasonal unemployment (e.g., the hunger afflicted Northern districts);

(b) Credit programs for installation of biomass processing plants (e.g. biogas plants), solar panels in rural households, for waste recycling plants in locations populated by urban poor;

(c) Credit programs for diversified production of crops, oilseeds, spices, vegetables and fruits by rural households, the credit disbursed directly to the grower households or to suitable intermediaries in the value chain;

(d) Mobile phone based/local MFI outlet supported programs promptly delivering remittances from migrant workers abroad to recipients in remote rural households; programs for card based/mobile phone based delivery of financial services to such households.

With the employment and new income generated by successfully executing programs on the above lines, the targeted population segments can eventually constitute big new client bases for financial products and services.

Banks and financial institutions are also well positioned to foster CSR in their client businesses in various economic sectors, engaging with them in assessing the social and environmental impacts of the enterprises/projects seeking finance. For smaller enterprises, the apex funding agency for microcredit in Bangladesh (PKSF) has developed a set of guidelines known as Revised and Updated Guideline for Management of Microenterprise Environmental Health and Safety (EHS) Risks but PKSF for this purpose, revised and updated guideline for management of microenterprise environmental health and safety (EHS) risk, in 2004 (PKSF, 2004). For larger projects the Equator Principles, a set of guidelines developed under the aegis of IFC, are being used by a large number of leading international banks (Equator Principles, Revised 2006).

7. CSR and Development Debate

Ferguson (1990) redirected analysis of rural development projects away from the question of whether or not they met the objectives advertised by the development industry itself. He did so because the question about whether these projects fulfilled their planners' promises was indeed naive, but not for the reasons given by their critics. Indeed, whether one is referring

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to development planners or CSR practitioners, it is surely misleading to suppose, along the lines (Newell, 2005) suggests, that they are systematically engaged in doing one thing-managing the corporate image- while claiming to be doing another- tackling poverty. This conclusion would render CSR a fraud, and its advocates and practitioners nothing more than camouflage experts (Sharp, 2006. pp. 215).

A critical anthropological approach would take CSR discourse more seriously than this, while at the same time recognizing that there is a world of difference between intentions and effects in any activities as complex as those associated with CSR. As Hamann and Kapelus (2004. pp. 85-92) note, CSR discourse in the form of the 'business case for CSR' is not simply a smokescreen that hides the 'real' interests of business corporations; rather, it is an orderly system of knowledge and practice that embodies particular ways of interpreting and acting on the world. For this reason the relationship between business corporations' interests, which may change rapidly in different contexts and the business case for CSR, which has the stability and coherence of any system of knowledge and practice, is a complex one? Certainly one cannot read the changing interests of particular corporations directly into or off the CSR discourse (Sharp, 2006. pp. 215).

Since the late 1990s there has been a concerted move by international and national development agencies to add development to the list of business corporations' social responsibilities. In the process, some aspects of earlier development discourse have been carried over into the business case for CSR, and others have been radically modified. The concern to depict poverty as an original condition and a matter of where people happen to live in the world (mainly in the South of the globe) remains at least constant, and may even have intensified as business corporations take over from governments as the main agents of development. In this regard, Fig (2005. pp. 599-617) shows that South African businesses are more resistant to the actual concept of 'corporate social responsibility' than they are to the notion that they have a part to play in development. This is because they are averse to the implication that they are in any way responsible for exploitation and oppression - for making people poor during the apartheid era (Sharp, 2006. pp.216).

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Part of what this signifies is a shift in the moral basis of development interventions. Development acquired a new dimension of morality in the 1960s and 1970s, partly as a result of the dependency theorists' arguments about the causal link between 'development' in one part of the world and 'underdevelopment' in another (e.g. Frank, 1969). As noted above, this dimension was manifest, in practice, it calls for general social 'upliftment' and an all-out fight against poverty as the core of the transition to modern economies; but the new business discourse of development sets out to limit what can be expected of corporations. It does this not by jettisoning all notions of fighting poverty and uplifting the poor, but by adding a new, legalistic notion of who the poor that are entitled to development might be. They are the stakeholders or the members of 'host communities', whose entitlement stems from the fact that they are directly affected by, or in some way involved in, the core business of the corporations concerned (Sharp, 2006. pp.217).

The intentions of CSR practitioners will surely vary across a wide spectrum, from 'image management' to wanting to 'do one's bit' to 'make poverty history'. Newell (2005. pp.541-557) insistence that CSR is 'not intended to tackle poverty and exclusion' may therefore be accurate in some instances, but cannot be adduced as an iron(ic) law of CSR. On the other hand the characteristics of the CSR discourse uncovered above clearly make it impossible that any of this range of intentions could be realized in practice in straightforward fashion. Image managers may yet, despite their intentions, end up benefiting some women or some of the disabled and antipoverty warriors would have to contend with the fact that to develop stakeholders leaves non-stakeholders untouched (Sharp, 2006).

8. Partnerships with NGOs

Partnerships are emerging between NGOs and the corporate sector (as distinct from the private sector, which includes small and micro enterprises), as large companies, and particularly multinational corporations (MNCs), become increasingly concerned about the impact of their activities in less developed countries. Most companies now have voluntary codes of conduct on social and environmental issues which they wish to see enacted, while also wishing to protect the values associated with their products from allegations that they are using exploitative and hazardous working practices. NGOs in turn also recognize the increasing importance of companies in development, both locally and internationally, as private flows of foreign direct

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investment to developing countries increase and flows of official aid fall, and governments are less able to provide adequate services. Both businesses and NGOs see the need to move from a confrontational approach to one of collaboration, without losing the freedom to be confrontational when necessary. Whether a close liaison with the private sector compromises an NGO's freedom remains an open question for many NGOs.

Attitudes in the corporate sector to partnerships with NGOs are changing, and as large companies use the developing world as a source for their products, so their responsibility-as viewed by themselves and consumers-to be involved in development issues rises proportionately. NGOs are seen as a valuable source of knowledge and experience of social and environmental issues, and as more approachable and trustworthy than government because they, usually take a pro-people stance with greater for the future generation.

Furthermore, their involvement may also help to neutralize campaigns against the companies concerned.

There is limited documentation, however, of development projects that involve the corporate sector and NGOs. The article by (Husselbee, 2000) seeks to raise issues about such collaboration, and to assess the essential elements of such partnerships, through the example of SCF's work with some of the sporting goods manufacturers represented by the Sialkot Chamber of Commerce and Industry (SCCT) in Sialkot, an industrial city 144 kilometers north east of Lahore, Pakistan, and their international partner brands, represented by the World Federation of Sporting Goods Industry (WFSGI), which wishes to guarantee that children do not stitch footballs (Husselbee, 2000).

The growing literature on civil society-business engagement is quite rich in examples of engagement between environmental NGOs and business. Below we present a brief description of such case (Covey & Brown, 2001).

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(Case Study: McDonald and EDF on Solid Water Management).

In the mid-1980's McDonald's, the world's largest fast food chain, came under attack for its environmental practices. It's 'clamshell' packaging became the symbol of poor waste management, although activists were also concerned with other sustainability issues. Because consumers cared about waste, McDonald's recognized a growing need to solve this problem.

The leaders of McDonald's and the Environmental Defense Fund (EDF), a national environmental NGO of the USA with considerable technical and legal expertise, met on a cable TV program, where it became clear that EDF had technical competence in this area. EDF proposed to McDonald's that they assist the corporation to manage its solid waste problem.

After a year of discussions and negotiations the two organizations formally agreed to form a solid waste management task force. Both parties perceived the cooperation to be risky. Their agreement was explicit about the task forces' mandate and limits, and the rights of both parties in the agreement. Important elements were:

a) The task force would evaluate McDonald's materials use and solid waste issues, and develop strategies to reduce the company's US-based restaurant solid waste;

b) Larger issues such as rainforest destruction, global warming and the high-consumption, highly disposable nature of McDonald's business were strictly off-limits;

c) Both parties would continue with their ongoing business and advocacy activities;

d) EDF reserved its right to criticize McDonald's;

e) McDonald's required EDF task force members to work in one of its restaurants for at least a day each;

f) There would be no acceptance of any monetary or in-kind support at any time;

g) Either party could terminate the project at any time if few or no substantive agreements were forthcoming;

h) If either party disagreed on research findings or conclusions, the final report would consist of separate statement reflecting each party's perspective.

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The company and its suppliers opened their doors to the task force. The greatest tensions arose over the clamshell, which some McDonald's staff continued to defend. Within a year and a half the task force produced 42 recommendations. McDonald's implemented 23 of them within two years. A year later, it had implemented all 42, and added 58 other projects. Both organizations monitored implementation of the recommendations. They later collaborated to establish another task force that included several other corporations and a university.

9. CSR as "Giving Back" by Business to the Community

As the concept of CSR raises up the business agenda so an increasing number of companies has decided to demonstrate commitment to their local communities through giving to local charitable projects. Motivations may vary, but in the main they come down to a desire to demonstrate to the world, the local community and their own employees that they care about the lives of those around them they are keen to 'give something back'. The net effect is to improve the company image as a good and caring employer, and as a positive presence in the society and entire business community. Corporate Philanthropy is usually on a systematic or planned basis and can be understood to be an investment placed in the community. Good practice in 'giving back' includes:

- Starting by conducting a 'needs analysis' on a participative basis with the prospective beneficiaries.
- Working with partners including NGOs and Government Departments
- Ensuring good internal and external communication to ensure that everyone knows who 'needs to know' about company CSR policy and practice in 'community investment' and 'Corporate Philanthropy'.

Donating money is important but companies have many other valuable assets for the community. The private sector also has a role in poverty alleviation through its employment practices and community involvement beyond 'simple' Corporate Philanthropy. By being a good corporate neighbor and by investing in its community, by 'giving back', the business has the following commercial gains:

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- Increased brand awareness and recognition

- Enhanced corporate image and reputation

- Positive consumer purchasing and investment decisions

- Customer loyalty

- Recognition as a responsible neighbor

- Competitive advantage in recruiting and retaining employees

- Improved inter-company collaboration and communication

- Sense of purpose by its managers and employees

- Risk reduction when problems and disputes occur (Reed, Rodney, 2008, p.II-12).

10. Conclusion

Given the power of corporations today it is time to look afresh at the role of business in society. Not only has the number of 'transnational corporations' (TNCs) risen tenfold since 1970 but their turnovers dwarf that of many national economies. Their ability to escape state regulation or even dictate that regulation, has given rise to growing concerns about TNC accountability. Their involvement with the basic building blocks of development, however, such as food, shelter, medicines and infrastructure, raises questions about how TNCs might contribute to achieve the Millennium Development Goals (MDGs).

Corporate Social Responsibility is not new in South Asia. Some leading industrial houses have pioneered progressive workplace and community practices but many business entities have not yet taken up CSR very seriously. Yet, the severity of poverty demands new levels of engagement. A practical agenda building on existing humanitarian traditions and engaging in the key issues and covering wide areas of business activities is needed.

With diminishing role of the state in economic activity and the limitations of the state to generate public fund for meeting huge social needs, businesses need to adopt wider social responsibilities. Given that most people in South Asia live below the poverty line and have little or no access to basic public services, the potential for firms to contribute positively needs exploring.

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