Chapter 11
Corporate Social Responsibility

ABSTRACT

The impression that business enterprises have some duties toward society beyond that of making profits for the owners has been around for centuries, and it is still, today, at the core of the business ethics debate. The social responsibility for a business is to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, appealing in open and free competition without dishonesty or fraud. In order to effectively communicate CSR, corporations should be transparent, use third-party verification, remember the workers, explain their metrics, and be proactive. The benefits of CSR are corporate reputation and enhanced brand image, earning and maintaining social license to operate, establishing reputation with investors, reducing and managing business risks, competing for access to resources, attracting and keeping employees, maintaining employee morale and productivity, meeting changing stakeholder expectations, and eventually improving the bottom line. This chapter explores corporate social responsibility.

INTRODUCTION

Detractors of CSR believe that management has one responsibility and that is to maximize the profits of its owners or shareholders; managers are oriented towards finance and operations and do not have social skills to make socially oriented decisions. CSR would put business into fields of endeavor that are unrelated to their 'proper aim', making the business less competitive globally. Moreover, CSR will give business social power in addition to the power that it already has.

There are several arguments in favor of corporate social responsibility. Large corporations create many social problems, thus they should attempt to address and solve them. Companies must look beyond the short-term, and realize that investments in society today will reap the benefits in the future. By engaging in socially responsive activities the corporate world may forestall governmental intervention in the form of new legislation and regulation. Businesses should assume social responsibilities because they are among the few private entities that have the resources to do so.

HOW CORPORATE SOCIAL RESPONSIBILITY IS DEFINED

In search for a universal definition of CSR, the number and variety among the various definitions has led to a significant explanation about CSR definition that will explain the difficulties to define: "Corporate social responsibility means something, but not always the same thing to everybody. To some it conveys the idea of legal responsibility or liability; to others, it means socially responsible behavior in the ethical sense; to still others, the meaning transmitted is that of 'responsible for' in a causal mode; many simply equate it with a charitable contribution; some take it to mean socially conscious; many of those who embrace it most fervently see it as a mere synonym for legitimacy in the context of belonging or being proper or valid; a few see a sort of fiduciary duty imposing higher standards of behavior on businessmen than on citizens at large'' (Votaw, 1972).

There are too special studies done in this field, one by Alexander Dahlsrud (*How Corporate Social Responsibility is Defined: An Analysis of 37 Definitions*), and the second is a research under the name of *Corporate Social Responsibility: Lessons Learned*. In both studies CSR definitions were gathered through a literature review as a first step, and in the Second step the definitions are categorized into five dimensions and frequency counts are used to explore how consistently these dimensions are invoked.

These five dimensions are: stakeholder, economic dimension, environmental dimension, social dimension, and governance performance.

- Commitment of business.
- Benefits to society/stakeholders.
- Ethical behavior.
- Environmental performance.

Altogether, 37 definitions of CSR were found and analyzed in those 2 studies. The definitions originated from 27 authors and covered a time span from 1980 to 2003. The definitions were mainly of European and American source, but meanings from India and Canada were also involved.

But it was very interesting to observe that none of the definitions actually defines the social responsibility of business, as so famously discussed by Milton Friedman (1970) who conjectured that:

…there is one and only one social responsibility for a 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.

He concluded that there is no role for CSR, but rather describe CSR as a phenomenon. This might be the cause of the definitional confusion: it is not so much a confusion of how CSR is defined, as it is about what constitutes the social responsibility of business. As a conclusion for this debate I found that there are many available definitions of CSR and they are consistently referring to five dimensions.

Although they apply different phrases, the definitions are predominantly congruent, making the lack of one universally accepted definition less problematic than it might seem at first glance.

The CSR definitions are describing a phenomenon, but fail to present any guidance on how to manage the challenges within this phenomenon. Therefore, the challenge for us is not so much to defines, as it is to understand how CSR is socially constructed in a specific context and how to take this into account when business strategies are developed.

CORPORATE SOCIAL RESPONSIBILITY: RUNNING A GREEN COMPANY

A company's sense of responsibility towards the community and environment (both ecological and

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