Corporate Social Responsibility (CSR)

- What does it mean?
- Why?
- How?
CSR could be interpreted as an organization’s contribution to both generating and solving social and environmental problems.

- Responsibility for (having done) something
- Responsibility to do something

A seminal book on CSR

“Social Responsibilities of the Businessman”
Bowen, 1953

... Since then a long debate on corporate social responsibility (CSR) has been taking place

=> a great proliferation of theories, approaches and terminologies
“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, p. 25).

A definition

“Most definitions of corporate social responsibility describe it as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”.

(EU, 2001 – Green Paper)
The European Council makes a special appeal to companies’ corporate sense of social responsibility regarding best practices on lifelong learning, work organisation, equal opportunities, social inclusion and sustainable development.

Lisbon, March 2000

EU commitment on CSR

EU on CSR: Key policy documents

2001
Green Paper
Promoting a European framework for corporate social responsibility

2002
Communication
Corporate Social Responsibility: A business contribution to Sustainable Development

2006
Communication
Implementing the partnership for growth and jobs: making Europe a pole of excellence on corporate social responsibility
... Integration of social and environmental concerns in their business operations
 ➔ holistic approach vs sporadic and isolated fact

... on a voluntary basis
 ➔ something beyond common regulatory and conventional requirements (beyond the law)

... in their interaction with their stakeholders
 ➔ strong commitment on stakeholders (stakeholder approach)

Why?

Organizations implement CSR policies for a number of reasons:
✓ because they hope to enhance their economic results (strategical reasons) and/or
✓ because they have a set of values or ethical beliefs that impose social responsibilities (ethical foundation) and/or
✓ because they want to integrate different stakeholders’ expectations into their objectives for either ethical or instrumental reasons
CSR Theories: Mapping the territory

An approach suggested by Garriga e Melé (2004)

Bibliography

A particular perspective

“...In order to contribute to a clarification of the field of business and society, our aim here is to map the territory in which most relevant CSR theories and related approaches are situated. We will do so by considering each theory from the perspective of how the interaction phenomena between business and society are focused.”

(Garriga and Melé, 2004)


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1. Instrumental theories

Corporation is an instrument for wealth creation and this is its sole social responsibility.

Only the economic aspect of the interactions between business and society is considered. So, any supposed social activity is accepted if, and only if, it is consistent with wealth creation.

CSR is a means to the end of profit
1. Instrumental theories: “The business of business is business”

“The only one responsibility of business towards society is the maximization of profits to the shareholders within the legal framework and the ethical custom of the country”.

(Friedman, 1970)

1.1 – Maximizing the shareholder value
→ Focus on share price
   (short-term profit orientation)

1.2 – Strategies for achieving competitive advantages
→ Focus on long-term profits

1.3 – Cause-related marketing
1.1 Maximizing the shareholder value

Any investment in social demands that would produce an increase of the shareholder value should be made, acting without deception and fraud. In contrast, if the social demands only impose a cost on the company they should be rejected.

1.2 Strategies for achieving competitive advantages

(a) social investments in competitive context;
(b) natural resource-based view of the firm and its dynamic capabilities;
(c) strategies for the bottom of the economic pyramid
1.3 Cause-related marketing

Cause-related marketing refers to a particular form of marketing involving the cooperative efforts of a "for profit" business and a “nonprofit organization” for mutual benefit. “the brand manager uses consumer concern for business responsibility as a means for securing competitive advantage. At the same time a charitable cause receives substantial financial benefits” (Smith and Higgins, 2000, p. 309).

Group II – Political theories

Goal attainment

→ Politics

► Political theories
2. Political theories

The social power of corporation is emphasized, specifically in relationship with society and its responsibility in the political arena associated with power. This leads the corporation to accept social duties and rights or participate in certain social cooperation.

2.1 Corporate constitutionalism

2.2 Integrative social contract theory

2.3 Corporate citizenship
2.1 Corporate constitutionalism

“Social responsibilities of businessmen arise from the amount of social power that they have” (Davis, 1967, p. 48).

The social power equation

“Whoever does not use his social power responsibly will lose it. In the long run those who do not use power in a manner which society considers responsible will tend to lose it because other groups eventually will step in to assume those responsibilities” (1960, p. 63).

The iron law of responsibility

2.2 Integrative social contract theory

Social responsibilities come from consent.

Two levels of consent:

- a theoretical macrosocial contract appealing to all rational contractors (“Hyper-norms”);
- a real microsocial contract by members of numerous localized communities.
2.3 Corporate citizenship

This notion has always connoted by:
- a sense of belonging to a community;
- partnership (the willingness to improve local community);
- consideration for the environment

From local to global citizenship

Group III – Integrative theories

Social integration

→ Social integration

▶ Integrative theories
3. Integrative theories

Business ought to integrate social demands.

Business depends on society for its continuity and growth and even for the existence of business itself.

3.1 Issues management
3.2 The principle of public responsibility
3.3 Stakeholder management
3.4 Corporate Social Performance
3.1 Issues management

Social responsiveness

capability to close the gap between what a company is expected to be and its actual performance (“zone of discretion”)

Issues management

the processes by which the corporation can identify, evaluate and respond to those social and political issues which may impact significantly upon it

(“process of institutionalization”)

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3.2 The principle of public responsibility

Preston and Post (1981): an appropriate guideline for a legitimate managerial behavior is found within the framework of relevant public policy.

“Public policy includes not only the literal text of law and regulation but also the broad pattern of social direction reflected in public opinion, emerging issues, formal legal requirements and enforcement or implementation practices.”
3.3 Stakeholder management

Stakeholder management tries to integrate groups with a stake in the firm into managerial decision-making.

Stakeholders are people or groups who affect or are affected by corporate policies and practices.

3.4 Corporate social performance

- Carroll (1979, 1991) and the “Pyramid of Corporate Social Responsibilities”
  - Corporate performance model
    - a) a basic definition of social responsibility
    - b) a listing of issues
    - c) the philosophy of response
- Wood (1991) CSP Model
Corporate performance model:
- a basic def. of social responsibility
- a listing of issues
- the philosophy of response

Carroll (1979, 1991)

Corporate social performance model (Wood, 1991)

1. Principles of CSR
2. Processes of corporate social responsiveness
   - (environmental assessment, stakeholder management, issues management)
3. Outcomes of corporate behavior
   - (social impacts, social programmes, social policies)
4. Ethical theories

The relationship between business and society is embedded with ethical values. This lead to a vision of CSR from an ethical perspective and as a consequence, firms ought to accept social responsibilities as an ethical obligation above any other consideration.

The right thing to do!
4. Ethical theories

4.1 Normative stakeholder theory

Freeman, 1984: “managers bear a fiduciary duty to stakeholders”

Donaldson and Preston, 1995:
1) stakeholders are persons or groups with legitimate interests
2) the interests of all stakeholders are of intrinsic value
4.2 Universal rights

- UN Global Compact
  (http://www.unglobalcompact.org)
- The Global Sullivan Principles
- SA8000
- ...

All based on the Universal Declaration of Human Rights

4.3 Sustainable development

“Sustainable development seeks to meet the needs and aspirations of the present without compromising the ability to meet those of the future”.

4.4 The common good approach

“Business, as with any other social group or individual in society, has to contribute to the common good, because it is a part of society”.

“Business should be neither harmful to nor a parasite on society, but purely a positive contributor to the wellbeing of the society.”
The four theories and the reality

Donati (1991) reviewed many aspects of the work of Parsons (1961)
→ he suggests that the four groups have to be understood as four interconnected dimensions present in every social phenomenon.
→ the concept of business and society relationship (and therefore the CSR theories and approaches) must include these four aspects or dimensions and some connection among them must (or at least) exist.

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