

Corporate social responsibility of large corporations

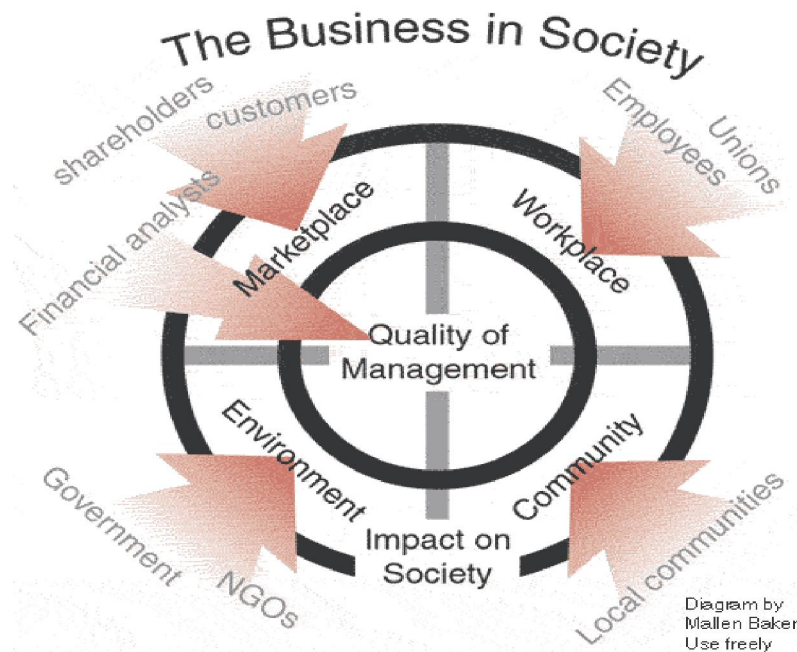
Introduction

Corporate Social responsibility (CSR) is a widely used term in business circle at present. As per Nexen (2009) CSR is a commitment to behave ethically and contribute to economic development while improving the quality of life of our workforce and their families as well as the local community at large (Nexen, 2009). Kotler & Lee (2004) defined CSR as commitment to improve community well-being through discretionary business practices and contributions of the corporate resources (Kotler & Lee, 2004, p.3) But the above two definitions seem to be too narrow as the CSR has wider aspects to deal with apart from the ones mentioned above. The definition of Eufin.org (2009) seems to be more appropriate than the two mentioned above. Eufin.org (2009) defined CSR as a concept companies take themselves to reflect social and environmental concerns within their activities and in their relationships with the various corporate stakeholders (Eufin.org, 2009). This paper explains different aspects of corporate social responsibility.

Literature review – Corporate Social Responsibility (CSR)

Companies need to answer to two aspects of their operations; the quality of their management and quantity of their impact on society in the various areas (Baker, n.d). It is not necessary that all the better performing companies are equally contributing to the society. A company which professionally managed, causing no harm to the environment and contributing something to the society in which it operates, can be regarded as a better company.

Each and every company has to interact with lot of internal and external components as illustrated in the figure given below. All these components can influence the functions of a company.



(Baker, n.d)

Since the company is operating in a society, it cannot stay away from the social issues. The society provides both customers and resources to fulfill the business objectives of the corporate companies (Hawkins, 2006, p.2). An important aspect of CSR is how enterprises interact with their internal and external stakeholders; employees, customers, neighbors, non-governmental organizations, public authorities, etc (Enterprise and Industry, n.d). Any problems occurred in the society can affect the organization as well and hence the wellbeing of the society is the responsibility of the organization also. Since the companies are utilizing immense resources of the society, they should take the responsibility of serving them as well. Giving

employments to the public alone need not be the responsibility the organizations should undertake. They have much wider aspects to cover as far as the strength of the society is concerned. Moreover, the society has already accepted the tension between corporate rationality and social responsibility as an inescapable condition of living prosperously (Steven et al, 2007, p.17) and the companies should respect that.

CSR is visualized differently by different countries. In the United States, CSR has been defined in terms of a philanthropic model in which the companies make profits, unhindered except by fulfilling their duty to pay taxes and donate a certain share of the profits to charitable causes. In European model, CSR focused on operating the core business in a socially responsible way, complemented by investment in communities for solid business case reasons (Baker, n.d)

The basic question at the heart of the CSR is as old as the business itself, such as what is a business and what contribution does it make to society (Crane et al, 2009, p.3&4). Business is not for making profit alone as believed earlier. Business people who exploit the public properties must work for the public as well. Corporate social responsibility (CSR) is about understanding your business impact on the wider world and considering how you can use this impact in a positive way (Corporate social responsibility, n.d). Companies should realize that their CSR is limited to their activities alone. They should cut their ties with others who cause immense damages to the society and environment in order to highlight their CSR. For example, PepsiCo along with more than a dozen oil companies and consumer goods manufacturers has withdrawn its investments from Burma because of human right concerns. (Vogel, 2006, p.2) Other major CSR policies can be summarized as: Adoption of internal controls reform in the wake of scandals; Commitment to diversity in hiring employees and avoiding discrimination;

Management teams that view employees as assets rather than costs; Integration of the views of employees into decision-making processes; Adoption of policies in line with social and environmental laws etc (As you sow, 2006)

Globalization has tremendously amplified corporate power- shrinking the state and making the global corporation arguably the most powerful of our modern institutions (Visser et al, 2008, p.6) In fact in some countries the corporate companies are even powerful than the governments itself. So such companies can do a lot for raising the levels of the poor in that country. Poor countries always welcome big corporate companies to their soil in order to attract foreign investment and to boost their economy. These big companies should realize that they have a double role to play in such countries like; making profit and also to help those countries in raising the economy living standards of the poor. Companies play important roles in public policies not only in countries where standard of governance is low, but also in countries in which the international governance mechanisms are low (Blowfield & Murray, 2008, p.11).

As the impact of business on society grown, the range of stakeholders whose concerns a company needs to address has fluctuated from a narrow view of owners to a broader range of constituents including employees and customers (Werther Jr & Chandler, 2005, p.3). It is not possible for an organization to limit their attention to their customers and employees alone currently. Business is influencing the society in many ways and hence the organizations need to address the issues which are influencing the society negatively. They should work for improving the lives of millions of people and help the making of a stable and less dangerous world (Prahalad & Porter, 2003, p.3). CSR provides a platform for corporations to be involved in economic development and wellbeing of disadvantaged people (Hopkins, 2008, p.2). In fact big corporate

are as powerful as some of the governments as far as financial capabilities are concerned. For example, Microsoft, PepsiCo, Coke etc are big companies whose financial strengths are more than imaginable. These companies are operating globally irrespective of rich or poor countries. So they can help the poor people of the countries in which they operate as part of their CSR. While CSR does not have a universal definition, many see it as the private sector's way of integrating the economic, social, and environmental imperatives of their activities (Corporate Social Responsibility, 2009). But irrespective of private or public, all the organizations have an important role to play in achieving social justice. Private companies are more prominent in many countries compared to public companies. It is impossible for the government organizations alone to raise the living standards of the poor. Since both public and the private companies are operating on the resources of the general public, both of them have a responsibility to keep an eye on the living standards of the poor as well. "There is urgency for concerted efforts by the private sector, public sector and non-governmental organizations to develop structures and institutions that contribute to social justice, environmental protection and poverty eradication" (Dobers & Halme, 2009)

When business is booming and the bottom line comfortable, corporate responsibility seems an achievable goal. But in difficult times, "responsibility" and "accountability" are – *surprise, surprise* – much trickier terms to define and employ (Connor, 2009). Big companies will spend some money for social causes, when they earn more whereas it will be less when they earn less. CSR should never depend on the company performance. It is a much needed responsibility from the part of big companies irrespective of their performance records. They should remember that while firms with superior CSR performance have done well in the past whereas firms with poor CSR reputations have performed poorly (Vogel, 2008)

Even though, companies publish huge volumes of literatures with respect to their works for the wellbeing of the society, in practice many companies define their obligations in a much more limited. (Geoffrey, 2008, p.2) Normally, the published claims and the actual things may not balance each other. Lot of declarations on CSR may lie on paper alone. Companies use such tactics to cheat the public in the name of CSR. The big companies will do small things for the wellbeing of the society and they will use such things as a curtain for their exploitation of the society.

There are also certain myths about CSR like; the market can deliver both short-term financial returns and long-term social benefits; the ethical consumer will drive change; there will be a competitive 'race to the top' over ethics amongst businesses; countries will compete to have the best ethical practices etc (Source watch, 2009) But all the above things has nothing to do with corporate social responsibility. It is not necessary for the public to think in terms of big things from the corporate companies. But even small things from all the companies together can make lot of changes in the society.

Conclusions

The importance of serving the society where the companies are operating is a legal and moral responsibility for both the public and private companies. Big companies are always exploiting the resources of a place and they should compensate for that. Companies should understand that, it can stay in the market with the help of the customers and the society in which it operates alone. Neither financial abilities nor the smart governance or management will help the companies in achieving their long term goals. In order to achieve long term goals, the companies need to execute their social responsibilities in a fruitful manner.

Corporate social responsibility is not helping the poor and needy people alone. The company should keep morality and ethics in all its operations in order to fully execute their social responsibilities. Companies should never try to exploit the natural resources injudiciously. Moreover they should never engage in activities which are harmful to the environment. In short, corporate social responsibility is a wide topic which includes a company's commitment to the society, stakeholders and the environment in which it operates.

References

1. As you sow, (2006), *Corporate Social Responsibility*, Retrieved on 19 October 2009
from <http://www.asyousow.org/csr/>
2. Baker, Mallen (n.d), *Corporate Social Responsibility - What does it mean?*, Retrieved on

- 19 October 2009 from <http://www.mallenbaker.net/csr/definition.php>
3. Blowfield Michael & Murray Alan, (2008), *Corporate Responsibility: A Critical Introduction* Publisher: Oxford University Press, USA (March 15, 2008)
 4. *Corporate social responsibility*, (n.d) Retrieved on 19 October 2009 from <http://www.businesslink.gov.uk/bdotg/action/layer?topicId=1075408468>
 5. *Corporate Social Responsibility*, (2009), Retrieved on 19 October 2009 from <http://www.ic.gc.ca/eic/site/csr-rse.nsf/eng/home>
 6. Connor Michael, (2009), *Trying Times for Corporate Responsibility*, Business Ethics, The magazine of corporate responsibility Mon, 02/23/2009, Retrieved on 19 October 2009 from <http://www.business-ethics.com/node/123>
 7. Crane Andrew , McWilliams Abigail, Matten Dirk, Moon Jeremy & Siegel Donald S. (2008) *The Oxford Handbook of Corporate Social Responsibility* Publisher: Oxford University Press, USA (October 18, 2009)
 8. Dobers Peter , Halme Minna, (2009), *Corporate Social Responsibility and Environmental Management*, Willey Inter science, Retrieved on 19 October 2009 from <http://www3.interscience.wiley.com/journal/122557911/abstract>
 9. Enterprise and Industry, (n.d), *Corporate Social Responsibility*, Retrieved on 19 October 2009 from http://ec.europa.eu/enterprise/csr/index_en.htm
 10. Eufin.org, (2009), *Glossary*, Retrieved on 19 October 2009 from <http://www.eufin.org/glossary,en,41.html>
 11. Geoffrey Heal, (2008), *When Principles Pay: Corporate Social Responsibility and the Bottom Line* Publisher: Columbia University Press (May 1, 2008)

12. Hawkins David E.(2006), *Corporate Social Responsibility: Balancing Tomorrow's Sustainability and Today's Profitability* Publisher: Palgrave Macmillan (September 4, 2006)
13. Hopkins Michael (2008) *Corporate Social Responsibility and International Development: Is Business the Solution?* Publisher: Earth scan Publications Ltd. (November 2008)
14. Kotler Philip & Lee Nancy, (2004), *Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause*, Publisher: Wiley; 1 edition (December 13, 2004)
15. Nexen, (2009), *Glossary*, Retrieved on 19 October 2009 from <http://www.nexeninc.com/Sustainability/glossary.asp>
16. Prahalad C. K.& Porter Michael E. (2003), *Harvard Business Review on Corporate Responsibility* Publisher: Harvard Business Press; illustrated edition (July 10, 2003)
17. Source watch, (2009), *Corporate Social Responsibility*, Retrieved on 19 October 2009 from http://www.sourcewatch.org/index.php?title=Corporate_Social_Responsibility
18. Steven May K., Cheney George & Roper Juliet,(2007), *The Debate over Corporate Social Responsibility* Publisher: Oxford University Press, USA (April 12, 2007)
19. Visser Wayne, Matten Dirk, Pohl Manfred, & Tolhurst Nick, (2008), *The A to Z of*

Corporate Social Responsibility: A Complete Reference Guide to Concepts, Codes and Organizations, Publisher: Wiley (February 11, 2008)

20. Vogel David, (2006) *The Market for Virtue: The Potential And Limits of Corporate Social Responsibility* Publisher: Brookings Institution Press (August 1, 2006)

21. Vogel David, (2008), *CSR Doesn't Pay*, Retrieved on 19 October 2009 from http://www.forbes.com/2008/10/16/csr-doesnt-pay-lead-corporations08-cx_dv_1016vogel.html

22. Werther Jr. William B.& Chandler David (2005), *Strategic Corporate Social Responsibility: Stakeholders in a Global Environment* Publisher: Sage Publications, Inc (November 11, 2005)

