Corporate Social Responsibility - drivers and critical analysis
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Abstract Corporate Social Responsibility is a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, local communities and the environment. The practice of CSR is the source of criticism. Because of the importance of business ethics in the modern economy, managers need to understand CSR and implement it correctly.

Keywords - Corporate social responsibility, ethical consumerism, globalization market, socially responsible investing, environmental responsibility company.

I. INTRODUCTION

CSR concept is valid for firms wherever they operate in the domestic or international market. CSR is a concept with a growing application around the world. It’s often overlaps with similar ones such as corporate responsibility, and corporate citizenship. Governments often promote CSR concept to local businesses because it makes companies more competitive. CSR helps make local business more competitive by supporting operational efficiency gains; improved risk management; enhanced employee relations; stronger relationships with communities; and improved reputation and branding.

Corporations may be influenced to adopt CSR practices by several drivers.

For some managers, so-called CSR commitments are coming out of both the public and the government while masking socially and economically harmful business practices. Critics argue that CSR distorts from the fundamental economic role of businesses. CSR is involved in the strategic planning process of many multinational firms. The reasons or drive behind social responsibility towards human and environmental responsibility whether driven by hidden motives, initiated self-interest, or interests beyond the enterprise, is subject to criticism.

II. WHAT IS CORPORATE SOCIAL RESPONSIBILITY?

The term corporate social responsibility (CSR) came in to common use in the early 1970s although it was seldom abbreviated. This term does not have a standard definition. Generally, CSR is the way a company achieves a balance or integration of economic, environmental, and social interests while at the same time addressing stakeholder expectations.

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. In addition to integration into corporate structures and processes, CSR frequently involves creating innovative and proactive solutions to societal and environmental challenges, as well as collaborating with both internal and external stakeholders to improve CSR performance.

SR commitments and activities typically address aspects of a firm’s behaviour (including its policies and practices) concerning such key elements as: health and safety, environmental protection, human rights, corporate governance, community development, consumer protection, supplier relations, business ethics, and stakeholder rights. Firms are interested in to involve stakeholders in their decision-making and to address societal challenges because today’s stakeholders are aware of the impact of corporate decisions upon society and the environment. They can be interested in to change their corporate behaviour in response to the business case which a CSR approach promises. This includes:

- stronger financial performance and profitability,
- improved accountability to and assessments from the investment community,
- enhanced employee commitment,
- decreased vulnerability through stronger relationships with communities, and
- improved reputation and branding.

For some researchers CSR is align a company’s activities with the social, economic and environmental expectations of its “stakeholders”. Corporate social responsibility can cut across almost everything companies do and everyone they deal with. Because managers need to think about:

- the suppliers they choose and the way they deal with them,
- how they treat own employees (for the responsible business, this means doing more than simply complying with legal requirements),
- how their business affects their local community and whether they should be actively involved in,
- how what they do affects the environment and what they can do to reduce
- pollution and waste.

CSR can help managers to improve own business results. In addition, managers are ready to cope with new laws and restrictions. Companies avoid unnecessary costs such as wasted energy or paying landfill tax on their waste collection. Finally, CSR is often used to promote voluntary corporate initiatives, as an alternative to additional or existing mandatory regulations as well as a tool in promoting and improving the public image of some of the world’s largest companies.

III. CORPORATE SOCIAL RESPONSIBILITY OF DRIVERS

The most important drivers for CSR are following:
1) ethical consumerism, 2) globalization market, 3) social...
responsible investing, 4) ethics training and, 5) government laws and regulation.

The rise in importance of ethical consumerism over the last decade can be linked to the rise of CSR. Some view ethical issues as simply a costly problem. As global population increases, so does the pressure on limited natural resources required to meet rising consumer demand. Industrialization in many developing countries is result of technology and globalization. Consumers are becoming more aware of the environmental and social implications of their day-to-day consumer decisions and are beginning to make purchasing decisions related to their environmental and ethical concerns. However, this practice is not consistent and universal.

As corporations pursue growth through globalization, they have encountered new challenges that impose limits to their growth and potential profits. Some companies use CSR methodologies to obtain public support for their presence in global markets, helping them sustain a competitive advantage by using their social contributions to provide a subconscious level of advertising. Global competition forces multinational corporations to examine their entire supply chain, from a CSR standpoint.

Shareholders and investors themselves, through socially responsible investing [1] are exercising pressure on corporations to behave responsibly. Non-governmental organizations are also taking an increasing role, leveraging the power of the media and the Internet to increase their scrutiny and collective activism around corporate behavior. Through education and dialogue, the development of community in holding businesses responsible for their actions is growing [2].

Ethics training inside corporations has to help employees make ethical decisions when the answers are unclear. Humans are built with the capacity to cheat and manipulate, a view taken from, hence the need for learning normative values and rules in human behavior. The most direct benefit is reducing the likelihood of "dirty hands" [3], fines and damaged reputations for deceiving laws or moral norms. Organizations also see secondary benefit in increasing employee loyalty and pride in the organization. Caterpillar and Best Buy are examples of firms that have taken such steps [4].

To be "merely legal" is not enough for a firm to be considered ethics and socially responsible. Firms that cheat cannot be expected to stay in business very long, even if their actions are legal. Dishonest companies will be enable to obtain working capital or to form correct business relationships with suppliers and buyers. Decency in this sense is essential for business. When it comes to maximizing long-term owner value, honesty is not just the best policy, it is the only feasible policy [5].

It's important the role of the government in ensuring that corporations are prevented from harming the broader social good, including people and the environment. Some CSR critics argue that governments should set the agenda for social responsibility by the way of laws and regulation that will allow a business to conduct themselves responsibly. However, regulation in itself is unable to cover every aspect of a corporation's operations. This leads to complicated legal processes bogged down in interpretations of the law and debatable grey areas. General Electric, for example, has failed to clean up the Hudson River after contaminating it with organic pollutants. The company continues to argue via the legal process an assignment of liability, while the cleanup remains stagnant [6]. An estimated 1.3 million pounds of PCBs (polychlorinated biphenyls- the cancer-causing chemicals, were used in a number of industrial processes until the federal government banned them in 1977) were discharged by GE into the Hudson between 1947 and 1977, when they were banned. General Electric used PCBs, or polychlorinated biphenyls, in the manufacture of transformers [7]. Nearly three decades after PCBs were discovered in the upper Hudson River, General Electric has accepted obligation to dredge them from the river in one of the largest and most expensive industrial cleanups in history. The obligation appears to end years of resistance by G.E. and initiates a process in which the company could eventually spend hundreds of millions of dollars to remove PCBs from 43 miles of river bottom stretching from Hudson Falls to Troy (Fig. 1). Work started in the spring of 2007 and could be completed for six years. But there are no guarantees that the $730 million project will go smoothly, because the consent decree splits the cleanup into two phases. Under the terms of the agreement, General Electric will dredge the heaviest deposits of PCB's, at a cost of $100 million to $150 million. That work, which is expected to take about a year, will remove about 10 percent of the 2.65 million cubic yards of PCB-contaminated sediment. General Electric will have until August 2008 to decide whether to go forward with Phase 2. It has agreed to build a processing plant in Fort Edward, about 45 miles north of Troy that will be large enough to handle all 2.65 million cubic yards of contaminated sediment.

**Fig. 1.** PCBs are still leaking into the Hudson from GE's Hudson Falls plant

IV. CRITICAL ANALYSIS CORPORATE SOCIAL RESPONSIBILITY

The greatest social contribution made by corporations is through employment, the goods/services they create and the wealth these produce. Much of executives have embraced CSR, arguing that it is simply good for their companies. They were emphasizing the economic costs of following such a 'misguided virtue' as CSR.
By some researchers corporations are responsible for generating a product and/or service to gain profits to satisfy shareholders [8]. Milton Friedman and others argued that there is no place for social responsibility as a business function. He claimed that a corporation’s principal purpose is to maximize returns to its shareholders, while obeying the laws of the countries within which it doing business. By Friedman, only people can have responsibilities. Because of this, moderate critics suggest that CSR activity is most effective in achieving social or environmental outcomes when there is a direct connection with profit.

CSR was labeled by Milton Friedman as a “subversive doctrine”. These critics point to the rule of corporate law that prohibits a corporation’s managers from any action that would reduce profits.

Some critics dismiss CSR as cost-effective public relations. They claim, for example, that the CSR cost for Nike is about $10 million to $12 million a year, just for the CSR staff and expenses, to go to these sustainability meetings all over the world. They have two or three Nike people at every meeting. That’s part of the CSR game. They think that 75 cents per pair of shoes to the worker would resolve the problem. But if Nike instead paid workers 75 cents more per pair of shoes, it would cost Nike $210 million a year [9].

Other critics argue that the practice cherry-picks the good activities a company is involved with and ignores the others, thus create “greenwashing” (it’s what corporations do when they try to make themselves look more environmentally friendly than they really are) [10] their image as a socially or environmentally responsible company. CSR inhibits free markets or seeks to usurp the role of governments in controlling the socially or environmentally damaging effects of corporations’ pursuit of self-interest.

Also, some CSR critics argue that the only reason corporations put in place social projects is for the commercial benefit they see in raising their reputation with the public or with government. They suggest a number of reasons why self-interested corporations, solely seeking to maximize profits, are unable to advance the interests of society as a whole. They point to examples where companies have spent a lot of time promoting CSR policies and commitment to Sustainable Development on the one hand, whilst damaging revelations about business practices emerge on the other. For example, the McDonald’s Corporation has been criticized by CSR campaigners for unethical business practices and was the subject of a decision by Justice Roger Bell in the McLibel case which upheld claims regarding mistreatment of workers, misleading advertising, and unnecessary cruelty to animals. Consequently, stronger government and international regulation, rather than voluntary measures, are necessary to ensure that companies behave in a socially responsible manner.

Many of corporations in the US practice CSR through philanthropy, some making cash donations exceeding 2% of gross income (Target) or approaching $200 million (Wal-Mart) while others donate products as well (Pfizer). Managers often use charity to influence on public opinion, not to affect social progress. Even when managers are inspired by a certain cause, CSR-inspired donations could often be better spent on directly improving the firm’s profitability, rather than indirectly promoting the firm’s reputation. For example, Ford Motor Co. uses CSR to improve its reputation. Ironically, Ford, which has financial problems, touts its financial commitment to environmentalism and has launched a new marketing campaign (“it’s not easy being green” – Fig. 2) promoting the hybrid car [11]. Ford could probably have saved many workers from the layoffs if it focused less attention on the environmentalism. In fact, the cost of Ford’s donation to the construction of the environmentally-friendly Ford Field by itself might have saved the Midwest plants that will shut down this year, preserving the stock price for shareholders.

Fig. 2. “It’s not easy being green” – Ford’s “green campaign” draws on CSR rhetoric in appealing to environmentalist sentiments

Some CSR policies cause damage both to social welfare and the firm. For example, the interest in “sustainable industry” has caused many companies to adopt practices that conserve energy and material resources to lessen their “environmental impact.” However, such practices may increase a firm’s negative impact on the environment.

Some of Serbian companies care very little for the welfare of workers or the environment. Aslo, they do not pay the full costs of their impact on environment. For example, the costs of cleaning pollution often fall on society in general (such in Pančevo’s Oil Refinery [12]). As a result profits of corporations are enhanced at the expense of social or ecological welfare.

V. CONCLUSION

Company’s business doesn’t exist in isolation. Employees, customers, suppliers and the local community are all affected by companies and what they create. Company’s products/services, and the way it make/provide them, have an impact on the environment. Corporate social responsibility involves all this into account, whatever the size of a firm. In addition, CSR has become absorbed into the rhetoric of every major company and business school in developed countries. But, it is a notion that is still far from the level of full implementation in the minds of managers.
CSR is primarily focused on how to achieve the integration of economic, environmental, and social interests. CSR is focusing usually on new opportunities as a way to respond to interrelated economic, societal and environmental demands in the market. For many firms this focus provides a clear competitive advantage and stimulates their innovation. CSR also overlaps and often is synonymous with many features of other related concepts such as corporate sustainability, corporate accountability, corporate responsibility, and corporate citizenship.

Only after people appreciate the complexity of the CSR issue and its implications for ethics and social justice can the CSR movement become adopted as a practice that enhances corporate productivity and promotes social responsibility. Firms that fail to engage in honest and legal practice will ruin their goodwill. Therefore, firms must follow legal guidelines not only to avoid legal penalties, but to preserve the state of public opinion.

REFERENCES


