



## [Lesson 4] Corporate Social Responsibility

This lesson will investigate the following:

• What is CSR?
• Why 'do' CSR?
• Approaches to CSR
• Difficulties with CSR

### WHAT IS CSR?

Corporate Social Responsibility [CSR] is not a new idea. The origins of CSR have been attributed to a variety of individuals and companies, but the recognition of a link between business and society is an ancient concept.

[History of Corporate Social Responsibility and Sustainability](#) published by the Centre for Business Relationships, Accountability, Sustainability and Society contains useful links to interactive timelines of environmental history, sustainable development, and the development of corporations.

Distilled to its essence, CSR can be viewed as a discussion of the relationship between business and society. This link continues to resonate and has been articulated using a variety of terms such as:

- Corporate Citizenship
- Corporate Responsibility
- Sustainability
- The 3 P's [People, Planet & Profit]
- The Triple Bottom Line.

#### Definitions

Defining Corporate Social Responsibility [CSR] is a difficult undertaking. One study published in 2006 found that there are as many as 37 definitions of CSR (Dahlsrud, 2006)! The abundance of definitions makes it difficult to pin down what "CSR" actually is. Here are a few examples of definitions used by governments, international organizations, and academic organizations:

#### How long has CSR been around?

"Commercial logging operations for example, together with laws to protect forests, can both be traced back almost 5,000 years. In Ancient Mesopotamia around 1700 BC, King Hammurabi introduced a code in which builders, innkeepers or farmers were put to death if their negligence caused the deaths of others, or major inconvenience to local citizens. In Ancient Rome senators grumbled about the failure of businesses to contribute sufficient taxes to fund their military campaigns, while in 1622 disgruntled shareholders in the Dutch East India Company started issuing pamphlets complaining about management secrecy and "self enrichment" (Peattie, n.d., p. 1)."

Department of Foreign Affairs & International Trade, Canada	<a href="#"><u>"Corporate Social Responsibility (CSR) is defined as the way companies integrate social, environmental, and economic concerns into their values and operations in a transparent and accountable manner. It is integral to long-term business growth and success, and it also plays an important role in promoting Canadian values internationally and contributing to the sustainable development of communities."</u></a>
European Commission	<a href="#"><u>"CSR refers to the concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis. SMEs which have integrated the concept of CSR behave ethically and contribute to economic development while improving the quality of life of the workforce and their families, as well as of the local community and society at large."</u></a>

The International Labor Organization	<a href="#"><u>“The International Labour Organization (ILO) defines CSR as a way in which enterprises give consideration to the impact of their operations on society and affirm their principles and values both in their own internal methods and processes and in their interaction with other actors. CSR is a voluntary, enterprise-driven initiative and refers to activities that are considered to exceed compliance with the law.”</u></a>
Harvard, Kennedy School of Government	<a href="#"><u>“Corporate social responsibility encompasses not only what companies do with their profits, but also how they make them. It goes beyond philanthropy and compliance and addresses how companies manage their economic, social, and environmental impacts, as well as their relationships in all key spheres of influence: the workplace, the marketplace, the supply chain, the community, and the public policy realm.”</u></a>
Ryerson University, Ted Rogers School of Management	<a href="#"><u>“CSR is provisionally defined as the responsibility of a business for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that:</u></a> <ul style="list-style-type: none"> <li>• <a href="#"><u>is consistent with sustainable development and the welfare of society; takes into account the expectations of stakeholders;</u></a></li> <li>• <a href="#"><u>is in compliance with applicable law and consistent with international norms of behaviour;</u></a></li> <li>• <a href="#"><u>is integrated throughout the business (derived from the draft ISO 26000 standard).”</u></a></li> </ul>

All the definitions have common elements. First, a responsible business considers its impact on society and the environment. Second, a responsible business is involved in a transparent and accountable interaction with its stakeholders. From these common elements, we can surmise that responsible businesses are organizations that are committed to:

1. carefully considering the impact of their business activities on the environment and society while continuing to make a profit
2. maintaining positive, transparent, and accountable relationships with their stakeholders and shareholders.

These characteristics are constantly changing [in terms of location and through time], and this is reflected in the continuous adjustments a business must make to its CSR activities. Therefore, CSR is not a static concept. Instead, it is constantly in flux; evolving and innovating to preserve the delicate balance between profit, the environment, and society.

### **WHY 'DO' CSR?**

Some of the proactive businesses explain their interest in CSR in business terms including:

- risk management
- license to operate
- protecting corporate reputation
- attracting top talent

These reasons help companies avoid and minimize the impact of their activities. However, successful CSR engagement moves beyond this strategy. According to surveys conducted by the IBM Institute for Business Value (IIBV), CSR is becoming strategically important to businesses. The institute found that business leaders think CSR is 60% more important to strategic business objectives in 2009 than it was in 2008 (Riddleberger & Hittner, 2009, p. 1). CSR is being integrated into daily business activities. A different survey finds that CSR is leveraged by companies “as a platform for growth and differentiation (Pohle & Hittner, 2008, p. 3).”

As the world becomes more interconnected through technological advances, it also becomes more transparent. Traditionally, companies view this as a risk, but some companies have found ways to leverage this new transparency and use it to their advantage. IIBV found that 75% of enterprises increasing the amount of information available on the impact of their business activities in the past three years (Pohle & Hittner, 2008, p. 9). They also report that enterprises that outperform others in their sector are twice as likely to be more collaborative and to consider CSR as central to their business goals (p. 5). Collaboration with a wide set of stakeholders brings new perspectives to old issues while building trust between business and society.

Best CSR practices today revolve around three main strategies:

- self-evaluation
- increased collaboration
- engagement with a wider set of stakeholders.

The goal is to use company strengths to address root causes in a constructive way that stays true to business values and strategies. This new approach to CSR is a long-term strategic investment in programs that will result in an empowered labour force, an empowered management, increased accountability and transparency and profitable long-term positive relationships based on trust. This Strategic CSR Investment<sup>1</sup> is successful when:

- a company has a focused CSR strategy
- it is related to the business' values and strategies
- it leverages company expertise for social responsibility and sustainability.

The outcomes of the strategy are:

- engage stakeholders in constructive solutions
- create financial and non-financial value.

Business is changing as new rules for a constructive approach to society are emerging. Innovative and competitive enterprises are beginning to think of ways to change the way they do business in order to stop negative impacts, and even produce positive externalities. With the recent economic crisis, this idea has gained a greater following. It was expected that CSR departments would be the first to suffer from the budget cuts. According to an article published in *The Economist* early 2009, “There have indeed been cuts to CSR budgets. A survey conducted late last year on behalf of Business for Social Responsibility, a global network of firms with an interest in CSR, showed that almost a third expected their spending on sustainability to fall as a result of the crisis. Yet so far the recession has not produced a wholesale retreat from corporate do-gooding. Instead it has led firms to cut things that were at best peripheral to their business interests and, at worst, a waste of time and money (The Economist, 2009).”

So, enterprises are now thinking of ways to target their CSR spending in order to have the greatest positive impact possible. The article points to a decrease in green initiatives such as carbon offsetting of flights, however, enterprises are avoiding flights in favor of video and teleconferencing. This has saved Accenture an estimated US\$8 million and avoided the release of 2,000 tonnes of carbon dioxide into the atmosphere (The Economist, 2009). Furthermore, while some companies have chosen to postpone large green projects, other companies find that sustainability is in fact *central* to the enterprise's future survival. For example, Mars and Cadbury “separately announced plans to increase the amount of cocoa they source from sustainable sources because both are concerned about future shortages if production

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<sup>1</sup> See Porter, M. E., & Kramer, M. R. (2006, December). Strategy and Society: The link between competitive advantage and corporate social responsibility. *Harvard Business Review*, 85(12), 78-92. Googins, B. K., Mirvis, P. H., & Rochlin, S. A. (2007). *Beyond Good Company: Next generation corporate citizenship*. New York: Palgrave MacMillan. Arena, C. (2007). *The High-Purpose Company: The truly responsible—and highly profitable—firms that are changing business now*. New York: Collins.

practices do not change (The Economist, 2009).” The impact of Cadbury's decision to source fair trade chocolate from Ghana is significant. Cadbury is initially working with 100 communities or an estimated 10,000 farmers (Cadbury Project, 2009). This partnership with the cocoa growers is expected to triple the amount of money entering the community from US\$600,000 per year to US\$2 million per year and with the fair trade system, the farmers are empowered to control the development of their communities as they see fit (Cadbury Project, 2009). Basic economic laws dictate that if there are shortages, demand is higher than supply and prices increase. Cadbury's strategy is a long-term investment that will pay back as a sustainable and consistently priced raw material central to its survival.

A successful CSR investment is one where a company has a focus and one that is related to the business' values and strategies. Companies that follow this strategy bring their expertise to the sustainability table. In so doing, they not only engage their stakeholders in constructive solutions, but they also create financial and non-financial value, as the Cadbury example shows. The new vision of CSR is definitely taking root as companies experiment with the best ways to strategically target their investments to fulfill their responsibilities while maintaining accountability and increasing their bottom line.

### APPROACHES TO CSR

This is a list of links and resources that will highlight the wide variety of approaches to CSR.

Internal CSR Programs	<ul style="list-style-type: none"> <li>• <a href="#">Nike Responsibility</a></li> <li>• <a href="#">adidas Group Social and Environmental Affairs</a></li> <li>• <a href="#">Levi Strauss &amp; Co.</a></li> <li>• <a href="#">Timberland</a></li> <li>• <a href="#">Patagonia Environmentalism</a></li> </ul>
Multi-stakeholder Initiatives	<ul style="list-style-type: none"> <li>• <a href="#">Global Reporting Initiative [GRI]</a></li> <li>• <a href="#">Caux Roundtable</a></li> <li>• <a href="#">The Kimberley Process</a></li> <li>• <a href="#">The Ethical Trading Initiative</a></li> <li>• <a href="#">The Fair Labor Association</a></li> <li>• <a href="#">Better Cotton Initiative</a></li> </ul>
Business Initiatives	<ul style="list-style-type: none"> <li>• <a href="#">GreenXChange</a></li> <li>• <a href="#">World Business Council for Sustainable Development</a></li> </ul>

### DIFFICULTIES WITH CSR

When critiquing CSR, the conversation almost always starts with American economist Milton Friedman. In *Capitalism and Freedom* (1962), Friedman severely disapproved of the concept of CSR, describing it as a

“view [that] shows a fundamental misconception of the character and nature of a free economy. In such an economy, there is one and only one social responsibility of 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 (Friedman, 1962, p. 133).”

An even more extreme statement by him asserts that

“Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible. This is a fundamentally subversive doctrine (p. 133).”

Friedman’s viewpoint has and continues to inform many influential actors who believe that business has no moral or ethical responsibilities. In August 2010, the Wall Street Journal [published an article](#) by Dr. Anel Karnani, Associate Professor at The University of Michigan--Stephen M. Ross School of Business,

which was essentially a rehash of Friedman's arguments. This article triggered a huge debate in the blogosphere. Here are some of the interesting articles and blogposts that resulted from this discussion:

- The Wall Street Journal: [Letters to the Editor](#) regarding the article.
- The Wall Street Journal: [Comments](#) on the original article.
- CSRWire: [WSJ Takes on CSR, But Who Are They Talking About? The Problem of Agency in Parsing Punditry](#) by Alan Petrillo.
- Fenton.com: [CSR and the Role of Business Today](#), a video webcast of a panel which included Dr. Karnani (requires free registration).
- Business for Social Responsibility: [WSJ Takes Aim at ...Corporate Responsibility?](#), by Aron Cramer, President & CEO, BSR (the comments are particularly interesting).
- CSR-Reporting: [SCOOP! Karnani Responds](#), a response to criticism published by Elaine Cohen.
- In Good Company, Vault: [Why There is a Case for Corporate Social Responsibility, Despite WSJ's Obituary](#), by Aman Singh Das. This is an excellent breakdown of Karnani's arguments and notable responses to the article.
- Near Walden: [CSR, Oversimplified](#), by Dave Douglas (the comments are also interesting).

## Online Participation

Learners are encouraged to engage with the Social Alterations community. Such participation can be accomplished through our online forums. Educators are asked to join the Social Alterations Forum, and all learners are encouraged to join the Social Alterations Facebook Fan Page to participate in discussion forums.

## Assignment File

### *Journal/Online Discussion*

This assignment is intended as either a private learning journal or as an online discussion. If you wish to engage in the online discussion, visit the SA Facebook Fan Page to participate in the discussion forum for this lesson, in the space we have provided.

The assignment for this lesson is geared toward your understanding of CSR. In your learning journal, mark down your thoughts and feelings on CSR, as you have come to understand it through completing this lesson. Here are some questions to help guide you through this process.

1. Before beginning this lesson, what was your understanding of CSR?
2. Now that you have completed this lesson, have your ideas changed?
3. As a designer, what role can you play in CSR?

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## Supplementary Reading Materials

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