

Corporate Social Responsibility (CSR)

By: - M.S.A. Riyad Rooly
BBA (Hons) Spl.In.Actg (SEUSL), ACMA (SI), ACPM

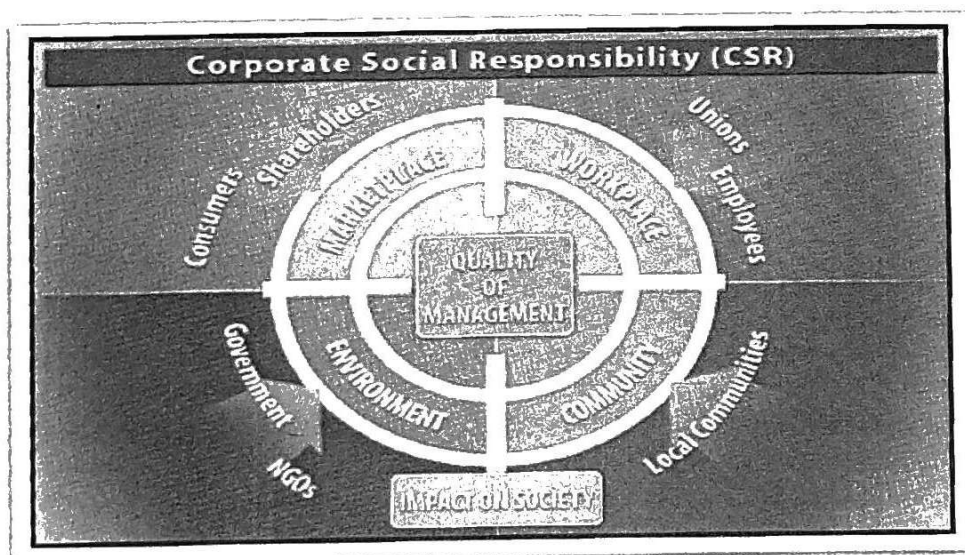
INTRODUCTION

The term, Corporate Social Responsibility (CSR), is most frequently used in the today's business and corporate environment. It is become a fashion and tools that companies are used to make them publicity in the business world. The corporate world sometimes forgets the term CSR and its activities and working towards the profit oriented basis. The business activity of the company is producing goods and services through using limited resources to achieve organizational goals and objective. The firm's primary objective is to earn profit and developing safe, reliable, quality products and makes peoples life easy in all aspects. Most of the firms ignore stakeholders' interest and operating unethically or even ethically in the business operation. Social responsibility of the firm is the obligation of a business to maximize its positive impacts and minimize its negative impacts on the society. This responsibility and obligation are in doubt whether all firms are considering and following the stakeholders' interest as well as the environment rather than the profit oriented business.

If business is to be successful in the fullest sense, it must look beyond the bottom line. The business of business is to maximize profits, to earn a good return on capital invested and to be good corporate citizen obeying the law – no more, no less. Even though, there is more argument against CSR, it is important concept talking today's business and environmental context. For the last three years the Boston College Center and Reputation Institute have created a ranking of the top 50 companies in the United States that the public distinguishes for corporate social responsibility. Based on a survey of consumers in the United States, the 2010 Index, released in October 2010, shows the following companies in the top 10 positions: (1) Johnson & Johnson, (2) The Walt Disney Company, (3) Kraft Foods Inc, (4) Microsoft, (5) PepsiCo, (6) Apple, (7) Hershey Company, (8) SC Johnson, (9) Kellogg, (10) Google. The purpose of this article is to explain the CSR and its activities and present arguments against CSR activities of the company with the practical example.

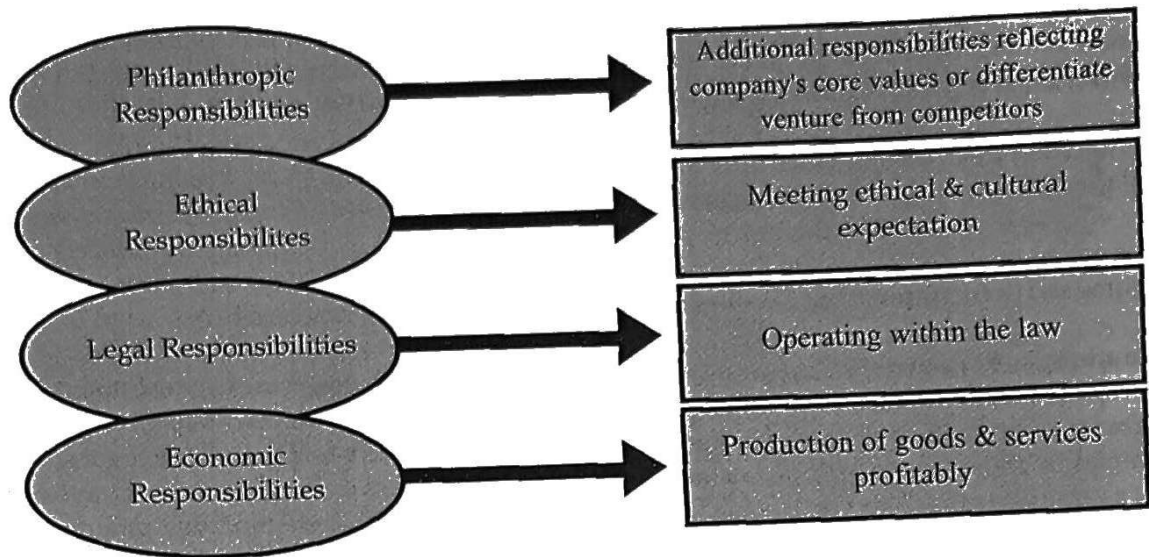
CORPORATE SOCIAL RESPONSIBILITY

Different organizations have different definition for CSR; it is about how companies manage the business process to produce an overall positive impact on society. The company should response mainly two areas of responsibility that fist, maintaining quality of the operation and process in manufacturing goods and services and second, the nature and quality of their impact on the environment. Under the CSR concept, it is the obligation of the company to meet the stakeholders' interest and expectation, they are keen and interested in the operation of the company and mostly look into the outer circle that what the company actually done, good or bad, in term of profitability, product & services and its impact on the environment and on local community or how they treat and develop the workforce.



The World Business Council for Sustainable Development in its publication "Making Good Business Sense" by Lord Holme and Richard Watts used the following definition. *"Corporate Social Responsibility is the continuing commitment by business to 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"*

The same report gave some evidence of the different perceptions of what this should mean from a number of different societies across the world. Definitions as different as *"CSR is about capacity building for sustainable livelihoods. It respects cultural differences and finds the business opportunities in building the skills of employees, the community and the government"* from Ghana, through to *"CSR is about business giving back to society"* from the Philippines.



CATERGORIES OF SOCIAL RESPONSIBILITY

The social responsibility of the firm is mainly categories into four that economic responsibilities, legal responsibilities, ethical responsibilities, and philanthropical responsibilities. It is given on the following diagram,

Economic Responsibilities, it is the responsibility of the company to meet the interest of the shareholders. The shareholders' objective is to maximize the profit and wealth of the organization. Under the economic responsibilities, it is the obligation of the managers to make sure the financial stability, profitability of the operation, effective utilization of limited resources, and maintain the stable & growth of the business in long term. The productivity of the operation and goodwill of the company is most important in the economic responsibility of the organization.

Legal Responsibilities, it is the obligation of the company to meet the compliance to the rules and regulations imposed by the governments, local bodies and professional institutions. The general legal requirements such as paying EPF, ETF, environmental pollution prevention, settling income tax, value added tax and nation building tax.

It is observed and audit done on Wal-Mart in 2000, they warned the executive that employee records at 128 stores showed extensive violation of child labor laws and state regulations that require workers to be given time for break and meals. It is the responsibility of the firm to concern the legal responsibility; this will be executed through department of Human Resources.

Ethical Responsibilities, ethics are written or unwritten rules about right and wrong or good and bad as perceived by particular society or group of people. What perceived to be ethical in one society may not be ethical in another. Therefore, setting clear demarcation for ethical responsibility becomes a difficult task. It is the responsibility of the managers to meet the expectation of the stakeholders i.e. employee, customers, and minority group. Employee training and development, equal employment opportunity for women and minority groups, product development can be considered to be ethical responsibilities in an organizational context. Treating the employee in ethical way is most important and vital in an organization through providing job security and fair remuneration, having work place quality including health, safety and privacy, and career development. The firm must make sure the customer satisfaction at every point of the sale operation starting from the quality product, product safety, advertising, product improvement, pricing and delivering value for money, after sales service and new product development to meet the customers' needs and wants. Discrimination among the employee must be avoided on the basis of colour, ethnic group, language, position, and social status.

Wal-Mart Store Inc has more than 2500 stores in the U.S plus 585 Sam's clubs. It is the world largest retailer and the world second largest corporation in revenue. Wal-Mart treats the employee with more equitable way within the newly public company and also in 1971, they introduced profit sharing plan to all associates. On December 10, 2009, Wal-Mart was in legal issues that not to pay overtime and the minimum wage for the employees or all the money due to workers.

Philanthropic Responsibilities, it refers the corporate actions that are in response to society's expectation that businesses be good corporate citizens. This includes actively engaging in acts or programs to promote human welfare or goodwill and it is the core value of the organization. Examples of philanthropy include business contributions of financial resources or executive time, such as contributions to the arts, education, or the community. A loaned-executive program that provides leadership for a community's United Way campaign is one illustration of philanthropy.

The firm spends their time and money to humanitarian program and it is considered to be the highest form of social responsibility because those are done voluntarily. It is noticed that some of the firm does this activity as social services to do publicity of their brand and the business, if it works on that direction, it will be far away from the concept of philanthropic.

The Tobacco Institute was published its development strategy that the tobacco industry's early corporate social responsibility program were developed. The industry was facing multiple challenges in areas of health, taxes, ingredients, product labeling, advertising, product specifications and import-export. For the first time, industry adversaries were becoming more organized and unified. The industry found that its formerly firmly committed supporters were diminishing in federal and state legislative bodies, and the playing field was "being defined and drawn too often by our adversaries." To address these challenges, the Institute proposed that the industry become more involved in public service and social affairs as a way "To receive broad recognition for responsible public service, i.e. to offset the notion that we place profitability above public welfare."

ARGUMENTS AGAINST AND FOR CORPORATE SOCIAL RESPONSIBILITY

The arguments for and against CSR is widely debatable and even though, having such arguments, everybody in the business field would be doing it. Of course, one of the challenges in considering the arguments for and against CSR is that the definition used by the people. In this title, it is explained the responsibility carries by the company, not simply giving money for the charity and social works.

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shareholders and money spent on CSR by managers is theft of the rightful property of the owners. Those who reject the idea of CSR are having the objective to maximize the profit and wealth of the organization that is the only responsibility business has. Sometimes, it creates the agency problems between managers and owners of the company, when the manager involve on CSR activity spending the money while the owner has only the objective to maximizing the return. In a statement of Wal-Mart, indicates that the investigation reports pointed out the corporate funds were misappropriate and used for personal benefits of specific individuals.

If some charitable activity by a firm actually were to raise the value of the firm by building brand equity or through some other mechanism, then there would be no need to describe CSR as some special separate thing—it would simply be marketing or PR or human resource policy in the service of value maximization.

Government involvement on CSR will limit the power of the organization and also it will punish the business especially the large multinational. In general, government will impose new CSR activity and force the corporate to follow it, this will create problem for the corporate as well as their freedom on CSR. Business leaders think that CSR, it is the responsibility of the politicians to deal with all this stuff, it is not our role to get involved.

Even there is an argument against the CSR; there are some arguments for CSR. Corporate CSR improves collective social welfare, even if it is impose some costs on business. Investing money on charity, donate money for education, health, welfare of the poor people, infrastructure development, and art & culture will lead the economic development of the country. The CSR activity will help the people to eliminate poverty and increase social harmony among the society.

It is actually good for business to adopt CSR and it can improve profitability on win-win scenario. The CSR activity creates goodwill for the business organization indirectly. It creates close relationship between the organization and the people which will increase the demand for the particular company product. The company develops new products to satisfy the people needs and wants, this will be the way to develop the business while looking at the people preferences. CSR helps the firm to develop the image among the society and to cover up negative impacts by saturating the media with positive images of the company's CSR credentials.

It is the challenges the organization has been facing that to serve all stakeholders' expectation at once. It is the difficult task to satisfy all stakeholders' requirement and expectation; this can be achieved having to priority based on the power and importance. Owners, employee, customers, government, suppliers, bank, etc have different power and importance which depends on the nature of the business and its operation. If the service oriented organization, customers have more power than the employee, if the manufacturing organization, the employees have more power than the owner of the company. Management has to take decision to satisfy the stakeholders expectation based on their power and importance.

CONCLUSION

CSR can generally be divided into two categories, what corporation should do and what they should not do, but CSR obligations are really good practice to the benefits of the society as well as to the economy of the society and country at large. It is the obligation of the firm to do CSR activity for their stakeholders who are any individual, group or institution directly or indirectly affected by the activities of the organization or who has an influence over the organization.

CSR builds the firm's image as a good corporation, just as giving the goodwill among the society and

builds the stable position in the business. It is also an effective defensive strategy against the powerful activist and legal issues of the company. Finally, CSR can be simply a matter of advertising. In this case, the choice of CSR spending is focused directly on generating added revenue, much like advertising, and is aimed at sales much the way advertising is. A benign example is Adidas's sponsorship of tennis tournaments.

The genuine, or truth & reality of the CSR depends on the firm's intention and definition that they have about the CSR activity. It should be done by the organization without doing any advertisement, without using the company name or publicity in the society which will make it reality and success.

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