

OBM3102

FOUNDATION IN BUSINESS

SELF INSTRUCTIONAL
MATERIALS

ACADEMIC YEAR 2023

**FACULTY OF BUSINESS, HUMANITIES &
HOSPITALITY**

**BACHELOR OF COMMERCE
(HONS) IN
INTERNATIONAL BUSINESS**

Topic 6 ► Corporate Social Responsibility (CSR)

LEARNING OUTCOMES

By the end of this topic, you will be able to:

1. Explain 4 types of corporate social responsibility.
2. Explain the difference between socioeconomic view and the classical view; and
3. Explain 3 differences between social responsibility and social responsiveness.

► INTRODUCTION

Corporate Social Responsibility (CSR) is the idea that a company should play a positive role in the community and consider the environmental and social impact of business decisions. It is closely linked to sustainability – creating economic, social, and environmental value – and ESG, which stands for Environmental, Social, and Governance. All three focus on non-financial factors that companies, large and small, should consider when making business decisions.

In recent years, there has been a shift from CSR to social purpose. Many companies have pivoted from having a community investment strategy and a ‘nice to have’ mindset to adopting a holistic approach in which their mission is built into everything they do.

CSR can involve a broad scope of approaches and initiatives—everything from sustainable practices to community involvement. Customers increasingly expect responsible behaviour from companies they do business with.

6.1 WHAT IS CORPORATE SOCIAL RESPONSIBILITY?

Until fairly recently, most large businesses were driven almost exclusively with a single goal in mind: profit. Maximizing profits was at the heart of every action taken or initiative pursued.

In the past few decades, however, more business leaders have recognized that they have a responsibility to do more than simply maximize profits for shareholders and executives. Rather, they have a social responsibility to do what's best not just for their companies, but people, the planet, and society at large.

This realization has led to the emergence of companies that identify as socially responsible. Some even carry designations or seals, such as B Corporations (B Corps), social purpose corporations (SPCs), and low-profit limited liability companies (L3Cs).

But what is corporate social responsibility, and what are the different forms it can take?

Corporate social responsibility (CSR) is the idea that a business has a responsibility to the society that exists around it.

Firms that embrace corporate social responsibility are typically organized in a manner that empowers them to be and act in a socially responsible way to have a positive impact on the world. It's a form of self-regulation that can be expressed in initiatives or strategies, depending on an organization's goals. Many organizations communicate these efforts to external and internal stakeholders through corporate social responsibility reports.

There are various examples of what "socially responsible" means from organization to organization. Firms are often guided by a concept known as the triple bottom line, which dictates that a business should be committed to measuring its social and environmental impact, sustainability efforts, and profits. The adage "profit, people, planet" is often used to summarize the driving force behind the triple bottom line.

6.1.1 TYPES OF CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is traditionally broken into four categories: environmental, philanthropic, ethical, and economic responsibility.

1. Environmental Responsibility

Environmental responsibility refers to the belief that organizations should behave in as environmentally friendly a way as possible. It’s one of the most common forms of corporate social responsibility. Some companies use the term “environmental stewardship” to refer to such initiatives.

Companies that seek to embrace environmental responsibility can do so in several ways:

- Reducing harmful practices, such as decreasing pollution, greenhouse gas emissions, the use of single-use plastics, water consumption, and general waste.
- Regulating energy consumption by increasing reliance on renewables, sustainable resources, and recycled or partially recycled materials.
- Offsetting negative environmental impact; for example, by planting trees, funding research, and donating to related causes.

3 WAYS TO EMBRACE ENVIRONMENTAL RESPONSIBILITY		
Reducing harmful practices	Regulating energy consumption	Offsetting negative environmental impact
Examples: decreasing pollution, greenhouse gas emissions, the use of single-use plastics, water consumption, and general waste	Examples: increasing reliance on renewables, sustainable resources, and recycled or partially recycled materials	Examples: planting trees, funding research, and donating to related causes

2. Ethical Responsibility

Ethical responsibility is concerned with ensuring an organization is operating in a fair and ethical manner. Organizations that embrace ethical responsibility aim to practice ethical

behavior through fair treatment of all stakeholders, including leadership, investors, employees, suppliers, and customers.

Firms can embrace ethical responsibility in different ways. For example, a business might set its own, higher minimum wage if the one mandated by the state or federal government doesn't constitute a "livable wage." Likewise, a business might require that products, ingredients, materials, or components be sourced according to free trade standards. In this regard, many firms have processes to ensure they're not purchasing products resulting from slavery or child labor.

3. Philanthropic Responsibility

Philanthropic responsibility refers to a business's aim to actively make the world and society a better place.

In addition to acting as ethically and environmentally friendly as possible, organizations driven by philanthropic responsibility often dedicate a portion of their earnings. While many firms donate to charities and nonprofits that align with their guiding missions, others donate to worthy causes that don't directly relate to their business. Others go so far as to create their own charitable trust or organization to give back and have a positive impact on society.

4. Economic Responsibility

Economic responsibility is the practice of a firm backing all of its financial decisions in its commitment to do good in the areas listed above. The end goal is not to simply maximize profits, but make sure the business operations positively impact the environment, people, and society.

6.1.2 WHAT ARE THE BENEFITS OF CORPORATE SOCIAL RESPONSIBILITY?

Most firms are driven to embrace corporate social responsibility due to moral convictions, and doing so can bring several benefits and important social change.

Corporate social responsibility initiatives can, for example, be a powerful marketing tool, helping a company position itself favorably in the eyes of consumers, investors, and regulators. CSR initiatives can also improve employee engagement and satisfaction—key measures that drive retention. Such initiatives can even attract potential employees who carry strong personal convictions that match those of the organization.

Finally, corporate social responsibility initiatives, by their nature, force business leaders to examine practices related to how they hire and manage employees, source products or components, and deliver value to customers.

This reflection can often lead to innovative and groundbreaking solutions that help a company act in a more socially responsible way and increase profits. Reconceptualizing the manufacturing process so that a company consumes less energy and produces less waste, for example, allows it to become more environmentally friendly while reducing its energy and materials costs—value that can be reclaimed and shared with both suppliers and customers.



SELF CHECK 6.1

1. Explain the type of corporate social responsibility practiced by your company.

6.2 THE SOCIOECONOMIC VIEW VS. THE CLASSICAL VIEW

The socioeconomic view and the classical view are two approaches that shape and influence the way managers (especially in large organizations) prioritize and do things.

The socioeconomic view is “the view that management’s social responsibility goes beyond making profits to include protecting and improving society’s welfare” (Robbins, S et al. 2006, p.161). According to Carroll (1991), the four fundamentals to corporate social responsibilities - economic, legal, ethical, and philanthropic - can be linked to corporate social processes such as environmental assessment, stakeholder management, and issues management (Wood, 1991).

Results of studies carried out have shown a positive relationship between corporate social responsibility and corporate financial performance (Cochran & Wood 1984; Turban & Greening 1996; Waddock & Graves 1997; Berman, S.L et al. 1999). Hence, corporate social responsibility incorporates both policy and practice. (William & Gail, 2007, pg 66): with corporate social outcomes such as social impacts, programs and policies.

Being socially responsible is not only the right thing to do, it also aids corporations that are socially responsible to create a favorable public image, improve share price in the long run, and have more secured long-run profits. Simon Zedek (2001) further explains that when corporations have a greater sense of corporate social responsibility, they will take greater account on their actions for repercussions they may cause – the impact on environmental and social issues (Robbins, S et al. 2006). Moreover, it would be in a corporation's best interest to pursue corporate social responsibility as public opinion now supports businesses that do so, and those who do so can expect less government regulation. Social responsibility also includes the balance of responsibility and power; the case of Enron (Managing 401(k) Plans 2006 p.9; Goldmann, Peter 2006) would be a good example of a corporation that failed to implement corporate social responsibility.

The classical view, on the other hand “says that management’s only social responsibility is to maximize profits” (Robbins, S et al. 2006, p.161). Milton Friedman (1970 p.6) maintains that “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.”

In addition, Friedman (1962, 1970) argued that managers’ main responsibility is to operate the organization in the interest of the shareholders by increasing financial returns. If socially responsible actions add to the cost of a business, it would hurt the return on profits. Robbins, S et al. (2006) also mention that those opposed to social responsibility fear that pursue of social goals may dilute economic productivity, and of the costs incurred as many socially responsible actions do not cover their costs.

6.3

SOCIAL RESPONSIBILITY AND SOCIAL RESPONSIVENESS

The main difference between social responsibility and social responsiveness is that social responsibility is the ethical/moral obligation/duty of an individual or an entity towards the society whereas social responsiveness is the manner in which an individual or an entity responds to a social need.

Society is an intricate connection between one another, and it is the proper maintenance of these connections in a quality manner that ensures the existence of a healthy society. Social responsibility and social responsiveness are two factors that enable an individual and or a social entity to be beneficial for the development of a society. Hence, these two are closely inter-related concepts.

6.3.1 What is Social Responsibility?

Social responsibility is the moral or ethical duty of an individual or a social entity as members of a society to behave in a way that will not harm, but benefit the society. In brief, social responsibility describes the moral duties and responsibilities of people towards society. These duties include being considerate of others and acting to improve the overall good for those around us.

Hence, it is the responsibility of someone or all to do the right things and act in a good way that will not harm others in society as well as the elements in the environment. For instance, restraining from engaging in illegal activities and not destroying the environment can be described as passive ways of social responsibility.

Likewise, engaging in activities such as volunteering for social work and nature conservation or organizing programs that fall under social responsiveness are examples of active social responsibility.

6.3.2 What is Social Responsiveness?

Social responsiveness is a person's obligation to contribute to the welfare and betterment of others in society. However, this capacity can operate in more specific contexts in society. In the broadest sense of the term, social responsiveness is a person's obligation to contribute to their community or country in a way that makes the quality of life and environment better for those around them.

Therefore, social responsiveness happens as a result of someone being socially responsible. Similarly, the active ways of social responsibility can be identified as social responsiveness as well. In other words, when someone decides to contribute to activities that focus on answering some social needs and thereby provide welfare to the others and improve the social as well as environmental stability, it means that person has identified his/her responsibility towards the society as a part of that society. And, this sense of obligation happens as a result of social responsibility. Hence, social responsibility and social responsiveness are closely related.

Social responsiveness can be demonstrated in engaging in activities such as volunteering at the local homeless shelter, refugee camps, etc. These exemplify that a person's need to improve the lives and circumstances of those living in your community. This is social responsiveness.

6.3.3 Relationship Between Social Responsibility and Social Responsiveness

Both aim at the betterment and the improvement of the quality of society as well as the environment. Therefore, these two are closely inter-related; when someone is socially responsible, he/she will eventually engage in social responsiveness as well.

Social responsibility refers to the moral or ethical duty an individual and or a social entity as members of a society to behave in a way that will not harm, but benefit the society. Social responsiveness, on the other hand, refers to the manner in which a person/ an entity can respond to a social need and contribute to the welfare of the others as well as to the improvement of the society and the environment. Thus, this is the main difference between social responsibility and social responsiveness.

Social responsibility is acting and behaving in a way that will not harm but benefit others. On the other hand, social responsiveness is working towards the welfare of others by contributing to addressing existing social issues. Hence, this is another difference between social responsibility and social responsiveness.

Their aims is another difference between social responsibility and social responsiveness. The main aim of social responsibility is to be accountable for the betterment of society and the environment by not committing any acts that will harm others as well as destroy the environment. On the other hand, the main aim of social responsiveness is to be able to contribute to the welfare of others and the betterment of the society and environment by addressing some of the critical social problems in ways such as doing volunteering activities, environment conservation campaigns, etc.

DIFFERENCE BETWEEN SOCIAL RESPONSIBILITY AND SOCIAL RESPONSIVENESS	
Definition	Social responsibility refers to the moral or ethical duty an individual and or a social entity as members of a society to behave in a way that will not harm, but benefit the society. Social responsiveness, on the other hand, refers to the manner in which a person/ an entity can respond to a social need and contribute to the welfare of the others as well as to the improvement of the society and the environment. Thus, this is the main difference between social responsibility and social responsiveness.
Nature	Social responsibility is acting and behaving in a way that will not harm but benefit others. On the other hand, social responsiveness is working towards the welfare of others by contributing to addressing existing social issues. Hence, this is another difference between social responsibility and social responsiveness.
Aim	Their aims is another difference between social responsibility and social responsiveness. The main aim of social responsibility is to be accountable for the betterment of society and the environment by not committing any acts that will harm others as well as destroy the environment. On the other hand, the main aim of social responsiveness is to be able to contribute to the welfare of others and the betterment of the society and environment by addressing some of the

	critical social problems in ways such as doing volunteering activities, environment conservation campaigns, etc.
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Social responsibility and social responsiveness are two inter-related concepts. Both ensure the wellbeing of society and the environment. Social responsibility is the moral or ethical duty of an individual and or a social entity as members of a society to behave in a way that will not harm, but benefit the society. On the other hand, social responsiveness is the manner in which a person/ an entity can respond to a social need and contribute to the welfare of the others as well as to the improvement of the society and the environment. Thus, social responsiveness happens as a result of social responsibility. This is the difference between social responsibility and social responsiveness.



SELF CHECK 6.2

Evaluate your company with regards to social responsibility and social responsiveness. Share your findings in Nilai Uni Connect.

Points to Ponder/Takeaways

- Corporate social responsibility is traditionally broken into four categories: environmental, philanthropic, ethical, and economic responsibility.
- The socioeconomic view and the classical view are two approaches that shape and influence the way managers (especially in large organizations) prioritize and do things.
- Social responsibility refers to the moral or ethical duty an individual and or a social entity as members of a society to behave in a way that will not harm, but benefit the society. Social responsiveness, on the other hand, refers to the manner in which a person/ an entity can respond to a social need and contribute to the welfare of the others as well as to the improvement of the society and the environment.

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