Corporate Social Responsibility (CSR)

"As industrialists we will work to improve life and contribute to human progress."

Kunio Nakamura
Ex-President of Matsushita

3. Stakeholders theory
Managers have an ethical responsibility to manage a firm for the benefit of all its stakeholders:
- Stockholders
- Employees
- Customers
- Local community
- Competitors
- Government agencies
- NGOs
- Future generations
- Etc.

Theories of CSR

1. Stockholder theory
Managers are agents of the stockholders. Their only ethical responsibility is to increase profit without violating the law or engaging in fraud.

2. Social Contract Theory
Companies have ethical responsibilities to all members of society, which allow corporations to exist based on a social contract.

Theories of CSR

First condition → companies must enhance economic satisfaction of consumers and employees

Second condition → avoid fraudulent practices, show respect for employees as human beings, and avoid practices that systematically worsen the position of any group in society

Focus of CSR
Responsibilities outside of making a profit, two key questions for corporations include:
1. Does business have a social responsibility?
2. If so, what is the extent and type of the responsibility?

Preliminary concept of CSR
1. Impact of a company's actions on society.
2. Requires a manager to consider his acts in terms of a whole social system, and holds him responsible for the effects of his acts anywhere in that system.

CSR

Corporate Citizenship Concepts
- Corporate social responsibility → emphasizes obligation and accountability to society.
- Corporate social responsiveness → emphasizes action, activity.
- Corporate social performance → emphasizes outcomes, results.
CSR → Definition

**Organization’s moral obligation toward its stakeholders**

Continuing commitment by business to behave ethically and contribute to economic development while improving the quality of the life of the workforce and their families as well as of the local community and society at large.

CSR

**Historical Perspective**

- *Economic model* – the invisible mechanism of the marketplace that protected societal interest.
- *Legal model* – laws protected societal interests.

CSR

**Historical Perspective**

- Modified the economic model
  - Philanthropy.
  - Community obligations.
- What was the main motivation?
  - Keep/maintain government relations/commitment/intervention.

CSR

**Evolving Viewpoints**

- CSR mandates that the corporation has not only economic and legal obligations, but also certain responsibilities to society that extend beyond these obligations.

CSR

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Pyramid of CSR

CSR

CSR in equation form is the sum of:
- Economic Responsibilities (Make a profit)
- Legal Responsibilities (Obey the law)
- Ethical Responsibilities (Be ethical)
- Philanthropic Responsibilities (Good corporate citizen)

CSR

Arguments Against
- Restricts the free market goal of profit maximization.
- Business is not equipped to handle social activities.
- Dilutes the primary aim of business.
- Increase business power.
- Limits the ability to compete in a global marketplace.

CSR

Arguments For
- Addresses social issues and allows business to be part of the solution.
- Protects business self-interest.
- Limits future government intervention.
- Addresses issues by using business resources and expertise.
- Addresses issues by being proactive.

CSR

Business Responsibilities in the 21st Century
- Demonstrate a commitment to society's values and contribute to society's social, environmental, and economic goals through action.
- Insulate society from the negative impacts of company operations, products and services.
- Share benefits of company activities with key stakeholders.
- Demonstrate that the company can make more money by doing the right thing.

Corporate Citizenship

Corporate citizenship embraces all the aspects of corporate social responsibility, responsiveness and good performance.
The Theory says;
Do CSR out of profit.

The Practice dictates;
Make profit out of CSR.