Social Responsibility: The Good, the Bad and the Ugly

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Abstract

Social Responsibility is the process of commitment of an organization to contribute to the economic, social, and environmental well-being of society. The correct actions of the company can contribute to enforce its image/reputation, to improve motivation of its workforce, to reduce its costs and risks, and to strengthen its competitive advantage. Regrettably, the notion of what is responsible changes with time and place, limiting the possibility of replicating standards that currently lie in the scope of voluntarism. Furthermore, companies, unfortunately, may engage in dishonest practices (e.g. greenwashing), to access the benefits derivate from social responsibility.

Introduction

Sheehy (2015) states that the definition of Corporate Social Responsibility (CSR) is complex and difficult. It is complex because of the variety of the problems that can involve as part of a dynamic system where the ecology, the society and the economic system interact. It is difficult due to the number of actors that can participate with their agendas and interests, coming to use the terminology for their own purposes. Nevertheless, academics have approached CSR from economic (e.g. theory of the firm, agency theory, and market failure theory), law (e.g. directors' duties and proper purpose doctrine), political (e.g. good citizenship and legitimacy of private regulation), and business (e.g. company as social body) perspectives.

In this essay, Social Responsibility will be analysed mainly from a business outlook.

Carroll (1999) establishes that the modern era of social responsibility started in the 1950s with the publication of Howard Bowen's book Social Responsibilities of the Businessman in 1953. Bowen's book discusses how the businessman were responsible for the consequences of their actions beyond the financial statements. The 1960s depicted a significant growth in efforts to formalise the meaning of CSR. Keith Davis stands out in 1960, writing about social responsibility as a managerial element that can generate a long-run economic gain to the company. During the 1970s, the definition of CSR proliferates. Particularly, Harold Johnson hinted the stakeholder approach when he introduced the reference of "multiplicity of interests" in 1971. Furthermore, Archie Carroll published the most popular definition of CSR in 1979 (Sheehy, 2015, p. 630). Carroll (1979) establishes four responsibilities that define CSR: economic, legal, ethical and discretionary. The 1980s and 1990s registered few studies about CSR definition. However, those decades brought alternative themes that embrace CSR-thinking such: corporate social responsiveness, corporate social performance, business ethics, and stakeholder theory. Carroll (2008) comments that CSR in 2000s emphasised in empirical research on the topic. The new century turns CSR in a global phenomenon that tends to focus on CSR 'best practices' and guidelines.

Dahlsrud (2008) presents a five dimensions approach to examine the content of CSR definitions. The definitions analysed are congruent and lean on the following dimensions: stakeholder, social, economic, voluntariness and environmental.

Particularly, the next definitions involve the indicated dimensions to a certain extent:

• The World Business Council for Sustainable Development (2000) defines CSR as: "the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life". The original report highlights the next priority areas: human rights, employee rights, environmental protection, community involvement and supplier relations.

• ISO (2010) defines social responsibility as: "responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that: contributes to sustainable development, including health and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the organization and practiced in its relationships".

The Good

Several studies (Weber, 2008, pp. 248-249; Carroll and Shabana, 2010, pp. 97-100) have summarised benefits derived from CSR, including:

• Positive effects on image, reputation and legitimacy. Communication messages of CSR actions can improve the image of a company. Moreover, CSR can support a favourable perception from the company's stakeholders, enhancing its reputation and strengthen its legitimacy through the validation of its social licence to operate. The cause marketing and the company's performance reports on social and environmental issues are instruments used to develop and maintain such image, reputation and legitimacy. These instruments seek to promote that the company's actions have been appropriate within the social norms and values of the system and that the company met the expectations of the different groups.

• Positive impacts on the motivation, retention and recruitment of the employees. CSR can contribute to a more motivated workforce who participate in volunteer activities with a higher commitment to the company. Likewise, there may be the possibility of attracting employees who identify with the social principles and values that the company promotes and practices.

• Cost and risk reduction. CSR can lead to a decrease in cost. In addition to the cost reduction associated with employee's turnover, the following examples are cited: the philanthropy can generate a tax advantage; the promotion of sustainable environmental practices (e.g. recycling and energy efficiency) can contribute to cost-saving, and being proactive responsible reduces the cost of the present and future regulation imposed on the firm. Also, CSR reduces the risk of opposition from stakeholders, thereby mitigating potential treats (e.g. boycotts and lawsuits).

• Revenue increase. CSR can contribute to higher sales and market share through the improvement of the brand, to the development of new (green) products or market segments, and the increase in customer loyalty. Additionally, the attract of socially responsible investors can bring funds to expand the business.

• Strengthen a competitive advantage. The company can use CSR practices to differentiate the company from its competitors, where the philanthropic activities align economic gains and social benefits.

In this sense, Cone Communications/Ebiquity (2015) in its Global CSR Study, concludes that consumers (91%) believe that companies are more than entities to make profits; thus, companies that operate responsibly and support social and environmental issues have a better positive image (93%), trust (90%), and loyalty (88%) from consumers. Additionally, PwC (2016) determines in its Global CEO Survey that 64% of CEOs believe that "the corporate social responsibility is core to their business rather than being a stand-alone programme". Moreover, KPMG (2017) states in its Survey of Corporate Responsibility Reporting that the reporting rate of a worldwide sample of 4,900 companies, increased from 12% in 1993 to 75% in 2017; therefore, the companies perceive a value in communicating social responsibility information.

The Bad

The notion of what is responsible vary with time, place and circumstances (Epstein, 1989, 584) and each region, country or community has a different set of drivers for CSR (Carroll, 2016, p. 8).

Furthermore, managers have to prioritise the numerous and diverse claims from stakeholders, identifying to whom and how far they are responsible (O'Riordan and Fairbrass, 2014, p. 123). Nevertheless, the relationship of the company with a group of interest is a dynamic process that changes over time (L'Etang, 1995, p. 126).

Also, CSR focus primarily on the behaviour of large multinational corporations. (Soundararajan and Spence, 2016, p. 165; Vogel, 2006, p. 7). However, small business social responsibility differs from global corporations' social responsibility, among others, in terms of governance, the business case, and the key stakeholders (Soundararajan and Spence, 2016, p. 168).

Carroll and Shabana (2010, p. 88) comments that some advocates for more regulation for CSR and others for keeping CSR activities in the voluntary sphere. Todays, a soft regulatory framework governs CSR, with the UN Global Compact as its leading exponent. The United Nations scheme is voluntary, without binding legal sanctions and defined in general terms (Sahlin-Andersson, 2006, p. 598). Notwithstanding, some governments around the world are setting initiatives concerning CSR regulation (Sheehy, 2015, p. 634).

The Ugly

Companies may engage in untrustworthy practices to access the benefits of the social responsibility.

Dudovskiy (2012) points out that:

• The company may participate in few social responsibility activities but use advertising to project a strong image of its social commitment.

• The CSR activities of a firm oppose with its current practices and tendencies. For example, companies that promotes fair working conditions for employees but hire outsourcing of services in developing countries with less favourable labour conditions.

• Corporations can increase their level of influences in the society using CSR activities for their self-interest. For example, the World Health Organization (2004) depicts the tobacco industry and corporate responsibility as an inherent contradiction.

• CSR can be pure rhetoric. For example, TerraChoice (2010) finds that 95% of the so-called green products commit at least one sins of greenwashing.

Conclusions

Zadek (2004) defines five stages in the path to corporate responsibility: defensive (1), compliant (2), managerial (3), strategic (4) and civil (5). The company starts by denying or rejecting the unexpected criticism, it is not their fault neither their job to fix the problem. Then, the firm adopts some policies, doing as much as they have to do where basically, measures are taken to protect the company from litigations and bad reputation. After that, the company recognises the permanent problem, and it act looking for a long-term solution at a managerial level. In the next stage, the company realigns its strategy to capture the benefits of social responsibility in order to generate an advantage on competitors. Finally, the company endorses social activities in their industries, encouraging collective actions.

Social responsibility becomes with good, bad and ugly elements. The good benefits of social responsibility seem that can be reached in the stages 3 to 5, the bad dynamic change of social responsibility can be presented at any stage, and the ugly fallacies of the social responsibility seems that can be more frequency under stages 1 to 3.

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