

Corporate Social Responsibility



What is Corporate Social Responsibility?



- Looks at ethical issues on the organization level.
- Obligates organizations to act in ways that serve both its own interests and the interests of external stakeholders.



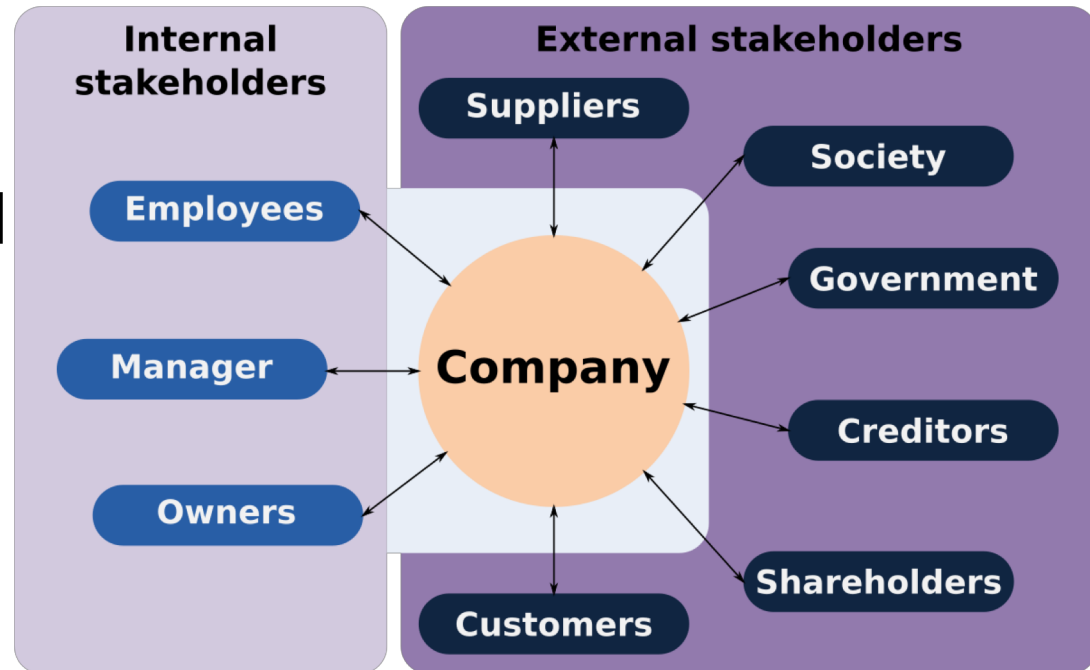
Corporate Social Responsibility



- Definition:
The obligation of an organization to act in ways that serve the various interests of stakeholders.

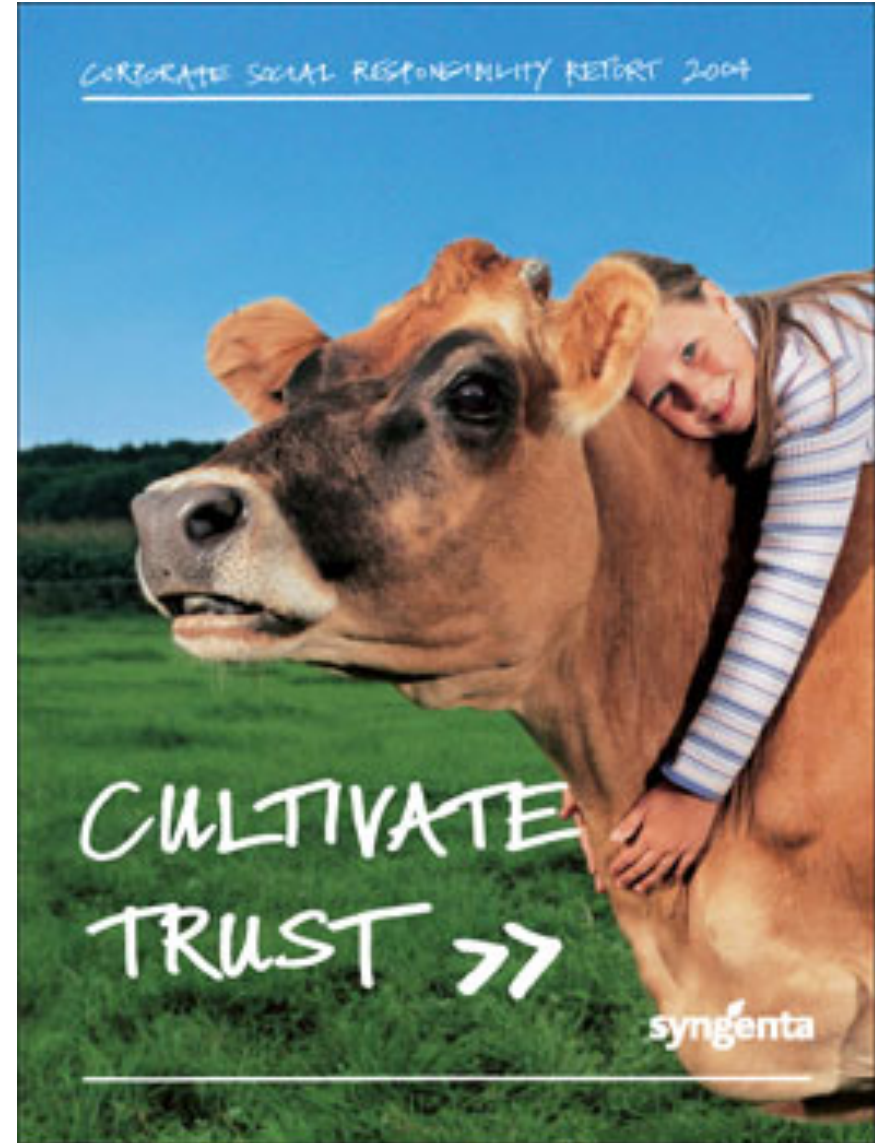
Organizational Stakeholders

- Those who are directly affected by the behaviour of the organization and hold a stake in its performance
- E.g. employees, shareholders (people who own stock in the company), customers, suppliers, etc.



Leadership Beliefs Guiding CSR

- **People** – do best in a healthy work environment
- **Communities** – organizations perform best in healthy communities
- **Natural Environment** – treat with respect
- **Long Term Success**
- **Reputation** – protect to ensure customer and stakeholder success



Perspectives on Social Responsibility

Classical view

- Management's only responsibility is to **maximize profits.**

Socioeconomic view

- Management must be **concerned for the broader social welfare,** not just profits.



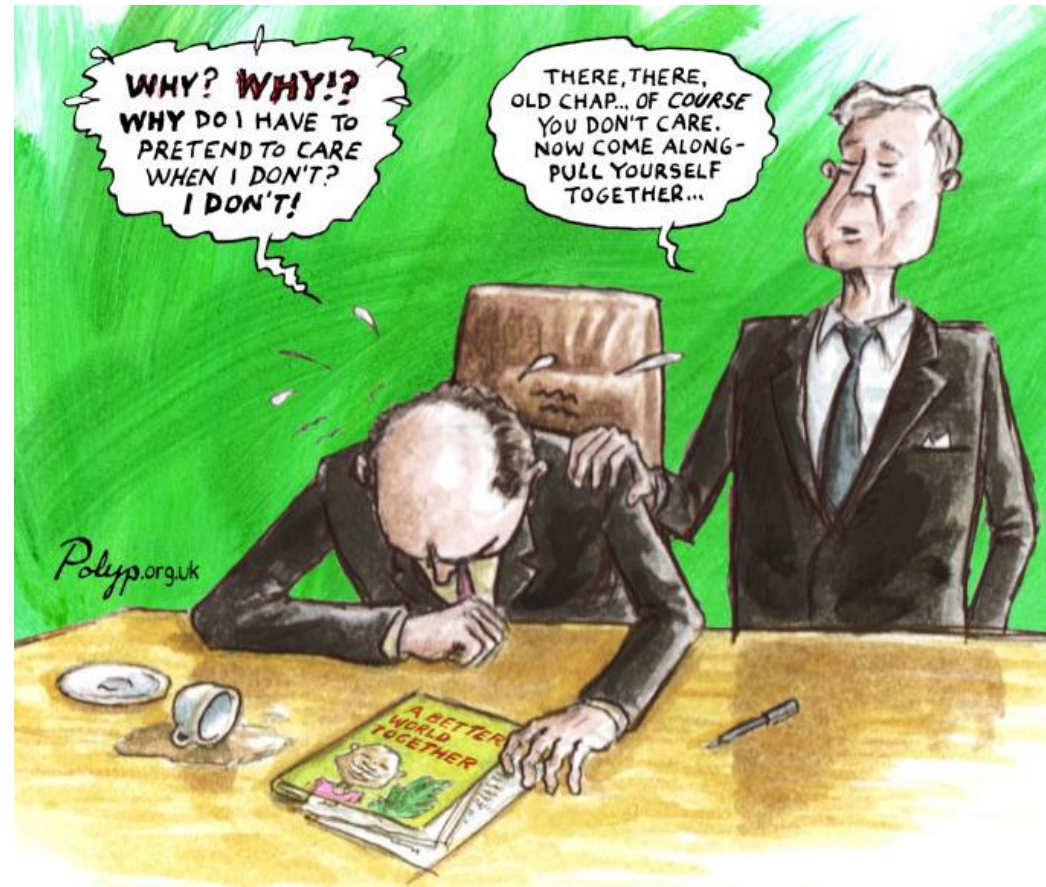
Arguments **For** Social Responsibility



- Adds long-run profits
- Better public image
- Avoids more government regulation
- Businesses have resources and ethical obligation
- Better environment
- Public wants it

Arguments **Against** Social Responsibility

- Reduced business profits
- Higher business costs
- Dilution of business purpose
- Too much social power for business
- Lack of public accountability



Criteria for Evaluating CSR

Is the organization's ...

- Economic responsibility met?
- Legal responsibility met?
- Ethical responsibility met?
- Discretionary responsibility met?



Figure 3.5 Criteria for evaluating corporate social performance.

Zone of Compliance

Zone of Conviction

Economic
Responsibility:
Be Profitable

Legal
Responsibility:
Obey the Law

Ethical
Responsibility:
*Do What Is
Right*

Discretionary
Responsibility:
*Contribute to
Community*

Obstructionist Defensive Accommodative Proactive

Strategies for Pursuing Social Responsibility

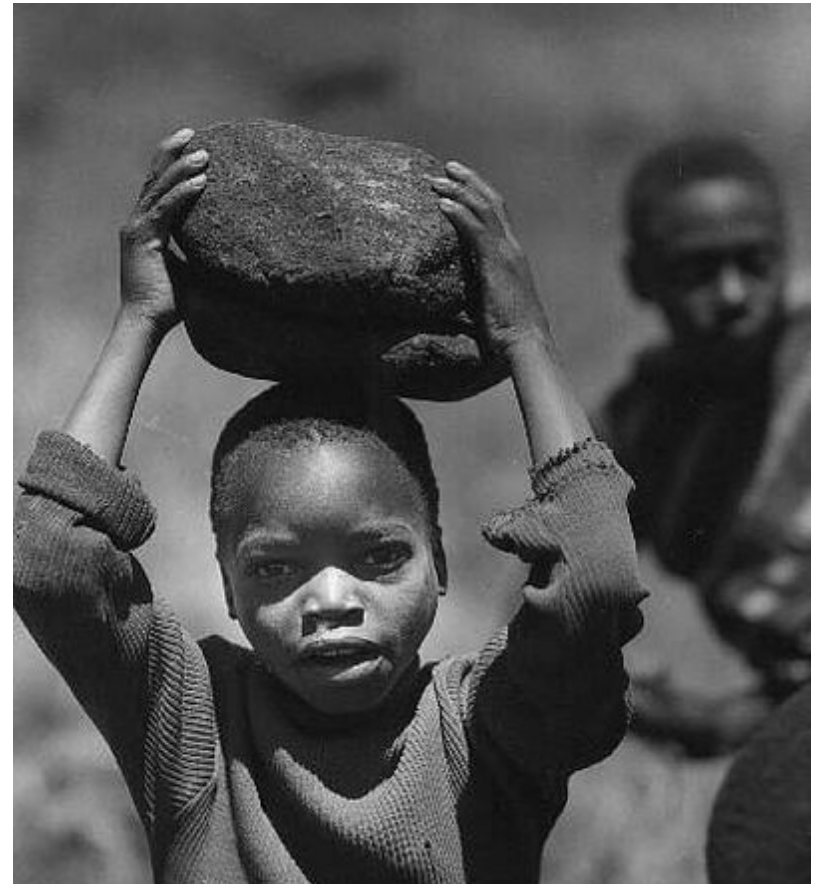
- Obstructionist: meets economic responsibilities.
- Defensive: meets economic and legal responsibilities.
- Accommodative: meets economic, legal, and ethical responsibilities.
- Proactive: meets economic, legal, ethical, and discretionary responsibilities.

Figure 3.6 Four strategies of corporate social responsibility—from obstructionist to proactive behavior.



Government Influence on Organizations

- Common areas of government regulation of business affairs:
 - Occupational safety and health
 - Fair labor practices
 - Consumer protection
 - Environmental protection



How Organizations' Influence Government

- Personal contacts and networks
- Public relations campaigns
- Lobbying
- Political action committees
- Illegal acts, such as bribery or illegal financial contributions



Social Responsibility

In which company would you invest?

	<u>Company A</u>	<u>Company B</u>	<u>Company C</u>
Profits	\$1 000 000	\$2 500 000	\$1 900 000

Would your decision change if you knew:

Company A just created 300 new jobs in the Atlantic Provinces.

Company B owns a sweatshop in Haiti

Company C will pollute a water source to a small town

Write a paragraph defending your choice.

