Three models of corporate social responsibility

Science, Social Science

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Introduction

Corporate Social Responsibility (CSR) has become important for business organisations in recent years because corporations are now called to be not only responsible to their shareholders but to local communities, employees, environment and of course to adhere to local laws. Furthermore, in the past, corporations have operated their business with little regard towards sustainable resource use and environmental sustainability. Although business or corporations by their nature of operation focus on producing services and goods in a manner that yield maximum profit for the shareholders but which may have negative impacts on the social life and the well-being of the environment. The proliferation of mass media and web based information highway has increased social and environmental awareness globally in the last 20 years. The increase in democratic societies since the fall of the Berlin Wall in 1989 and crumbling of dictatorships in the developing world, has meant that many local communities previously disenfranchised, and exploited by unscrupulous business activities now have avenues for demanding greater social responsibility from corporations.

Historical Developments

The Nobel Prize winning Economist, Milton Friedman is well known for his argument against Corporate Social Responsibility for business organisation. Friedman (1970) argues firstly that human beings having moral responsibility over their actions not corporations, secondly that managers have the sole responsibility to act only in the interests of shareholders and lastly the fact that social issues and problems are the proper province of the state rather

than corporate managers.

Crane and Matten (2004), disagree with Friedman's premise and argue that it is crucial that the fundamental nature of the business operations is questioned. They argue that corporations have to have some sense of moral responsibility in the very same way that individuals are responsible for their actions. They are legal responsibility of corporations that demands that businesses abide by the law, but a moral dimension also requires that they be socially and environmentally responsible. The social responsibilities they refer to includes a aspects of charitable donations, building of schools or learning centres in communities, sponsoring of arts and cultural events, as well as funding secondary and tertiary scholarships for the gifted indigent in the community they do business.

The existence of the Global Compact and other major initiatives indicate that development initiatives have eventually acknowledged the aspect of corporate citizenship (McIntosh et al, 2003). Many corporate citizenship initiatives have rendered both risks and opportunities. Information and communication techonologies have made it possible that people all over the world be connected. On the other hand the risks coupled with codes of conduct include the obvious aspects of rendering translation of corporation citizenship into business as usual.

Interpretation of CSR

Friedman (1970) and the Chicago School of neoliberal economists argue that corporations are not human beings and therefore cannot really assume true moral responsibility for their actions. Secondly that as long as the corporation abides by a legal framework, as is usually the case, then, the

factual responsibility of managers in that corporation is to generate profit, otherwise the corporation would betray the responsibility to shareholders. Lastly, that managers should not and cannot decide what is in the society's best interests.

Disclosure of CSR

It is worth mentioning the fact that there are four philosophies coupled with corporate social responsiveness (Crane and Matten, 2004). Firstly is the philosophy of reaction whereby the corporate can deny any responsibility for social issues, the second philosophy concerns defense, whereby the corporate admits responsibility but then fights it, the corporation may then opt to adopt an approach based on artificial public relations rather than a constructive action, thirdly, we have the accommodation philosophy whereby the corporation accepts responsibility and actually does what is demanded and then lastly we have the philosophy of proaction whereby the corporation goes beyond industry norms and aims to exceed expectations. Many corporations have overlapping philosophies which continuously shift.

Theories and Understanding of CSR

Moral leadership is embraced within the aspects of corporate citizenship. " It is reasoned

that moral leadership is necessary to sufficiently implement effective corporate citizenship" (Jorg and McIntosh, 2001, pg 21). On a concluding note it very encouraging to note that Jorg and McIntosh mention the fact that it is important that businesses, civil societies and organisations as well as the state are the key mechanisms for addressing both social and environmental challenges. In addition to that, I would say that even economic aspects could

be addressed by these groups in terms of effective corporate citizenship. Instead, socially responsible corporations should pursue profit through sustainable development that reduces consumption and waste while maintaining profitable consumer markets and economic development. Toward this end, it is important to view sustainability and sustainable development as a whole system. Gallopin (2003). First of all, one needs to clearly understand that sustainability does not mean stability or constancy (Gallopin 2003) .. Ecological systems themselves provide models of sustainability for business to emulate; these systems are complex, constantly changing and self-renewing. Rather adaptive management towards ecological and environmental systems, a systemic process that is aimed at improving the management of policies and paradigms by learning from the outcomes of the present existing programmes that are in place, should be the best approach that can sustain economic growth, high consumption rates with doing harm to the environment. (Sudmeier-Rieux et al, 2006). In other words, systems are adaptive to change and so should be our management systems.

Economic growth on its own does not ensure long-term satisfaction of a material need (Dresner, 2002). Therefore associating economic growth with sustainable development is complex since sustainable development is concerned with long term objectives whilst economic growth on the other hand is interested on temporary, short-lived success patterns. It is also important to understand that economic growthwithin the neo-liberal economic framework is intended to produces profits and overall per capita income growth and therefore provides an economic basis for increased

resource consumption. (Hartwick and Peet, 2003). However, it should be kept in mind that increases in national per capita income usually leads to increasing social inequality. In fact, studies have shown that without government legislation economic growth might actually lead to greater social dysfunction, increased environmental pollution, and an overrall social insecurity for the bottom segments of the population whose material needs are most often overlooked not to mention the environment. Therefore, the drive for economic growth should be coupled with sustainability. This is only possible when communities adjacent to corporate investments are included in the equation, and income extracted from their land is reinvested back to fund social development. Community empowerment leads directly to the concept of political ecology that has been gaining ground since the 1980's. Political ecology is defined by holism, social justice and equity, empowerment and community building as well as sustainable production and reproduction (Pezzoli, 1997). Holism embraces the existence of interrelationships and linkages between the three pillars of sustainable development which include social, economic and ecological aspects. Social justice and equity is a people-centred approach which fosters fair distribution of resources. Empowerment and community building ensures that people migrate from a dependency mode of welfare politics to an independent empowered model of community building. Sustainable production and reproduction ensures a supply of resources that is ethical and ensures a cyclic, continuous provision of resource base without depletion of the respective resources.

Challenges and issues in social and environmental accountability and

reporting

Retails chains also claim to be green. B&Q chain claims to be the most eco-friendly retail in Britain. It helps its customers to save the planet by selling the wind turbines at very low prices. The wind turbines are believed to cut up to 30% electricity bill. However their claim is misleading. These wind turbines donot work well in urban areas where there are lots of obstructions. This is greenwash since people are not told about the importance of considering the location of their houses when they buy these wind turbines. These retail chains just sell their products to everyone without consulting the customers about the relevance of their products.

BP (Beyond Petroleum) company invests hundreds of millions of pounds in wind power, solar electricity and hydrogen as well on other kinds of green energies. The problem with BP is the fact that its core business functions have not really changed! It remains an oil company and its primary purpose is to suck petroleum out of the ground and put it in the tank for cars. What BP doesn't tell its customers and the general public is the fact that however much it is investing on alternatives, it has maintained the reserve replacement rate of 100%. This means: for every barrel of oil that BP uses up from its reserves, it tries to find another barrel of oil reserves, therefore keeping its amount of oil that it can develop constant through time. This is a strong form of greenwash. BP has spent of money on adverts, claiming that it has gone green and that it has also invested heavily on alternative technologies. BP recognises the fact that energy has to be produced in a non-carbon way. Right now, their sources of energy are oil, gas and carbon fuels. From a climate change perspective, oil companies are really not

cooperating. This kills the very essence of corporate citizenship.

-CSR Model

This paper proposes a two dimensional model of CSR, one in which CSR (over the long term) boosts profits for a given enterprise. At the same time, we propose that CSR is founded not only in the profit motive, but as a separate and independent " firm" goal that is independent of corporate profits over the short or long term. This model is rooted in Elizabeth Redman's analysis of three distinct and separate models of corporate responsibility; at the same time this paper argues that these models are not mutually exclusive (Redman 2005).

Evidence of Corporate Governance and ethics embedment

Sudmeier-Rieux et al(2006) argue that corporations should develop adaptive management systems when dealing with changing ecological and environmental systems. They argue that in this age adaptive management systems develop processes that inform management policy decisions and paradigms from outcomes of existing programmes. In other words, that corporate governance gives greater powers to local managers to effectively deal with change social and environmental conditions can sustain economic growth, high consumption rates with doing little harm to the environment. In other words, management systems should be adaptive to change.

CSR in Action

British Petroleum provides us both with negative and positive examples of CSR in action which deserve further investigation. In some respects this dichotomy represents one face of the two dimensional model proposed by this paper. First, BP's investments in " green" technologies (and advertising

highlighting such investments) are a good example of profitable CSR. At the same time BP;'s profitable branding has also led to a situation in which social responsibility is a separate goal for the company and one which can be enforeced by critics and government regulators. In the face of major corporate incidents (such as the Texas City Disaster and more recently the Gulf Oil Spill) BP's clean brand image has been harness to enforce settlement with victims as well as reparations to those whose livelihoods have been impacted by BP's externalities.

Conclusion

Economic growth on its own does not ensure long-term satisfaction of a material needs since contrary to sustainable development with consideration of long term development goals, the mantra of economic growth alone is interested in temporary, short-lived success patterns (Dresner, 2002). It is also important to understand that although economic growth within the laissez faire capitalistic framework of open markets and trade liberalisation produces profits and overall per capita income growth (Hartwick and Peet, 2003), it also leads to increasing socio-economic inequality (Stiglitz, 2002). In fact, studies have shown that without government legislation economic growth might actually lead to greater social dysfunction, increased environmental pollution, and an overral social insecurity for the bottom segments of the population whose material needs are most often overlooked not to mention the threat of an environment Armageddon . Thus, the notion of corporate social responsibility is important in mitigating effects of inequality. Corporate Social Responsibility ensures that villagers in the oil-rich Niger Delta in Nigeria benefit from the oil extracted from their ancestral

lands, that environmental sensitive eco-systems in the Amazon are saved from exploitation.

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