

# [Towards the execution of corporate social responsibility management essay](https://assignbuster.com/towards-the-execution-of-corporate-social-responsibility-management-essay/)

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CSR DefinitionSince the 1950’s there has been much debates concerning the exact definition of Corporate Social Responsibility (Welford 2003; Visser2005; Garriga & Melé 2004; Carroll 1999; Carroll & Beiler 1977) and there is no concensus on what exactly should be included in the social responsibility of organisations (Frederick 1994; Griffin 2000). For instance if on one hand Carroll (1983), described CSR which " involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. To be socially responsible then means that profitability and obedience to the law are foremost conditions when discussing the firm’s ethics and the extent to which it supports the society in which itexists with contributions of money, time and talents" On the other hand, Holme and Watts (2000) described CSR as " a continuing commitment by business to behave ethically and contribute to economic development, while improving the quality of life of the workforce and their families as of the local community at large". Alternatively CSR has also been defined as " a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (Hockerts & Moir 2004) unlike and Welford, ([2003], cited the European Commission, 2001) who has defines CSR as " a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment" Perhaps because CSR has been defined differently by many authors Visser (2005) righlty pointed out that CSR is definitly seen as an umbrella term which enevelopes different terms including : corporate citizenship, corporate sustainability, stakeholder management, environmental management, business ethics and corporate social performance. Furthermore the definition CSR may also depend upon the responsibility and role an organisation plays in the society (Stigson 2002; Haugh 2003; Maignan and Ferrell 2003). Welford (2003) came out with the idea that we cannot look for a single definition of CSR since it embraces different social issues which can be highly controversial.

## 2. 1 Towards the execution of Corporate Social Responsibility

Nevertheless, despite disagreement concerning the definition of CSR one thing for sure is that from the year 1990 approximately, the CSR concept has become almost universally sanctioned and promoted by all constituents in society from governments and corporations to non-governmental organizations and individual as proposed by Rong Fang et al. (2009). Likewise, author such as Iamandi (2007) indicated that CSR was seen as a panacea to global problems. In the same limelight the latter ([2007], cited an article published by the European Multistakeholder Forum, 2004) even pointed out that the main reason behind which the CSR concept has been implemented lies in the " The Triple Bottom Line" – " Profit, People, Planet" which clearly stated that the companies need to synchronize efforts in order to achieve economical success while catering for the environment, society and legal regulations at the same time. In addition to this, Carroll (1979), even mention that corporate social responsibility not only envelope legal and economic obligations it also embraces responsibilities which include philanthropic and ethical one for promoting the betterment of the society on the loose. Similarly, Mcguire et al., (1988) came forward with the idea that CSR is a core corporate obligation which comprises of the decision making process, the financial performance of the firm together with the ethical and social concerns.

## Types of CSR

Three types of CSR need to be been taken into account by organisation before embarking in social activities• altruistic, where the firm’s objective is to produce a desired level of CSR with no regard for maximizing its social profits, i. e., the net private benefits captured by the firm as a consequence of its involvement in social activities;• egoistic, where the firm is coerced into CSR by outside entities scrutinizing its social impact; and• strategic, where the firm identifies social activities that consumers, employees or investors value and integrates those activities into its profit-maximizing objectives. In agreement with Friedman, Husted and Salazar conclude that the potential benefits to both the firm and society are greater in the strategic case: when the firm’s " socially responsible activities" are aligned with the firm’s self-interest. Corporate Social Responsibility : Can Be Profitable By Rubén Hernández-Murillo and Christopher J. Martinek The Regional Economist | April 2009 The Regional Economist www. stlouisfed. org 5

## 2. 2 Theoretical Framework of Corporate Social Responsibility

Since the purpose of the study involves whether there is a degree of consistency with Carroll pyramid, it is better to present a panoramic view of different CSR perspective in order to better analyse the research objective.

## 2. 2. 1 The four components of CSR: Carroll’s Pyramid

Carroll’s Pyramid is considered as probably the well-known model for Corporate Social Responsibility, this particular model consist of four levels namely; economic, legal, ethical and discretionary responsibilities that society expects of organisations in a hierarchical ordering. Carroll has integrated concepts of stakeholders and corporate citizenship into his pyramid and this act as a framework for understanding CSR. The four components depicted by Carroll (1991) was later revisited by Visser (2006). Jamali and Mieshak ([2006], referred to Carroll, 1979) and Iamandi (2007) mentioned model of CSP proposed by carol (1979) in which the latter clearly distinguished four types of responsibilities CSR namely: economic, legal, ethical, and discretionary. When the first category is taken into consideration, it can be observed that the economic responsibilities is of the utmost importance since Iamandi (2007) clearly stated that to be profitable " are the first and foremost social responsibilities of a business organization, the foundation upon which all other rest". Furthermore, Jamali and Mieshak (2006) added that other components that contribute economic responsibility include; providing fair pay to all the employees, creating jobs for people, catering for the return on investment to all the shareholders, focusing on research and development and innovation and promoting technological and others. According to the latter, the mentioned strategies are attached with the economic obligation. As far as the legal responsibility is concerned it entailed compliance to legal aspects that is to abide to the rules of the games (Solomon 1994). Moreovler, Iamandi (2007) stated that legal responsibilities goes in hand with the ecomonic one so as to ensure that societal expectations are being met within the legal framework by the organisation. Therefore it goes without saying that the core aspect of CSR is that activities are to be performed with compliance to the government and the law Jamali and Mieshak (2006). Nevertheless, while regulations may successfully coerce organisations to pay close attention to respond to such things, it seemed to be difficult to ensure that such strategies are correctly applied (Pratima, 2002). When taking into consideration the ethical responsibilities it is imperative to clearly point out that ethical responsibility helps in overcoming some of the limitation of law because it creates an ethics ethos that companies abide to (Solomon, 1994). It depicts a business as being right, fair and doing t he right thing that may not necessarily be prescribed that the law but yet organisation are expected to for instance to avoid social injuries, prevent harms to society and pay respect to the public in general. Therefore it can be observed that such responsibility is mainly rooted in religious convictions, humane principles, and human rights commitments (Lantos, 2001). Discretionary also known as Philantropic responsibilities assume that certain roles are carried out on a purely voluntary basis. Moreover this type of responsibility is deeply rooted in the belief that organisations and the society are both tangle in a ratgher organic way (Frederick, 1994). Examples of such activities might include philanthropic contributions, conducting in-house training programs for drug abusers, or attempts at increasing literacy rates (Carroll, 1979). A Hiearchy of CSR : Jamali & Mirshak 2007 page 247Thus it can be observed that if one hand the pyramid of Caroll, the responsibitities are presented in hierarchical flow which start with the economic responsibility ending with the philantrophic one the other hand Visser (2007) came with a rather contradictory analysis.

## 2. 2. 2 A critical analysis of Caroll pyramid

Despite the fact that Visser (2005) believed that Carroll’s Pyramid of CSR is considered as the univeral model of CSR, he firmly added that the model presented by the latter mostly suited the developed countries and it may noy be suitable for understanding CSR in developing countries. Perhaps for this reason Visser (2005) revisited Caroll’s pyramid and shed more light on The pyramid theory. Indeed such initiative has pushed developing countries towards practicing Corporate Social Responsibility. Additionally, in an article published in the year 2006, Visser pointed out that rational for focusing on CSR in developing lies in the fact that nowadays developing countries are rapidly expanding their economies, (IMF, 2006) in addition to this , it has been stated that that developing countries are mostly vulnerable as far as social and environmental crises are concerned (WRI, 2005; UNDP, 2006); futhermore developing countries are lagging behind when economic growth, investment, and business activity are considered (World Bank, 2006). For this reason Visser (2006) positioned philantrophic on the first position in the hierarchical model followed by ethical legal and economical responsibilities respectively. Further reaearchers who supported Visser pointed out that religious values, belief and culture are considered as a main motivators for CSR (, Amaeshi et al. 2006, Frynas 2006, Chapple and Moon 2005) as such philanthropic responsibility is on the top of the agend because it is linked with well-being of the community, solidarity and social help which are deeply rooted with a nation’s culture. It is very interesting to note that Visser (2007) pointed out that in developing countries the CSR concept is mainly associated with charity and philanthropy or charity for example; investment in sports, education, community service, environmental awareness and health are gaining more and more inportance.

## Stakeholders theory

An article published by Gokulsing ([2011], mentioned Freeman, 1982) refer to the stakeholders theory as being a theoretical framework in which an organisation plays a mojor social role in the interest of its stakeholders which include (Lépineux, 2003);

## Internal stakeholder

Employees interestsThese people have direct interests in the organisation because they are satisfying their needs by working there. Henceforth, it is the responsibiliy of the management to protect and ensure that workers interests are protected. Giving fair and reasonable wages and other fiancial bebefits to workerDeveloping administrative procedures that promote cooperative endeavor between employers and employeesAdopting a progressive policy to recognise trade union rightsEnsuring that workers participate in management to improve working conditions and create a sense of belongingness

## Operational partners

Customers should be charged at a reasonable and fair priceThe supply of both goods and services should be standardised and of reasonable qualityCustomers should not be misleaded by false and exaggerated advertisementsInsurance companies (specially when the insurance companies having to contend with classes of risk currently undergoing a substantive and indepth renewal, i. e. " greater" catastrophes related w ith climatic changes today)Banks ( who lend money to companies, they also as parties that expect stability and solvency)Create a healthy and cooperative inter-business relationship between several businessesProvide accurate and relevant information to creditors and suppliersPay materials, interest on borrowings and other charges propmptly

## Social community

State authorities; Specialised organisations like trade unions; Non Governmental Organisations -For example is the denunciation of the environmental spoliation being caused by oil, mineral and chemical companies, etc. (air and water pollution, deforestation, toxic waste, etc.)Companies are law abiding citizensPay taxes and other dues fully, timely and honestlyIt should not engage in fradulent practices or misguide the stateMaintaining fair business policies and practicesPlaying a proper role in civic affairsProviding and encouraging a wide range of facilities and create better living conditions

## 2. 2. 4 Motiovations that drives CSR

Companies that are socially responsible in making profits also contribute to some, although obviously not all, aspects of social development. Firms which are socially responsible make their products and services more attractive to consumers therefore this makes the company more profitable. This will ultimately assign a premium to their share price. These motivations that include:

## Creation of Value

Some areas of research saw CSR is an instrument of accountability and the creation of value (Gray, 1996; Mayo, 1996). In this way, CSR could increase the ‘ voice’ (Hirschman, 1970) and the involvement of the various stakeholders. Thus, it can be used as an instrument to facilitate changes in the mechanism of governance and to predict external changes.

## To maintain positive public image and reputation enhancement

Following the arguments above regarding legitimacy it could be suggested that companies do perceive social and environmental accounting to be useful as a tool to enhance the image of the company (KPMG survey, 2005)

## The desire to comply with legal requirements

For example, Mauritian Corporate Code of Governance has encouraged lots of firms to start reporting on their social practices.

## Improve relations with stakeholders

By giving more attention to various stakeholders, the company builds trust and loyalty among them. Through the responsibility practice, companies are trying to understand how he different stakeholders perceive them and they can take immediate remedial actions where they get negative feedback. By creating a positive image, these firms also bring the government on their side and gain several advantages.

## Use CSR as a risk management tool

CSR can be used to identify practices or situations that can cause liabilities to the company. While working closely with various stakeholders, management gets to sense any problem easily. It becomes possible to solve the problem at an early stage and this saves a lot of legal actions and/or negative public exposure that could have happened.

## To gain market advantage

By using the positive image that management has been able to attain through CSR, the firm can attain a greater market share of the market as well as discover new and overseas market. Using this advantage of positive image, these firms are able to overcome all the challenges of a new market.

## Managing the supply chain

Nowadays, lending institutions and suppliers are asking their clients to periodically provide information about their social and environmental policies performance. This is done by them as part of their own risk management policies.

## Increase financing

Most investors are including non-financial metrics in analysis of their investment. It has been noted that investors are willing to pay higher prices for shares of companies that are willing to invest more in well-governed companies than in poorly governed ones. Thus, management can view CSR as a means to attract additional investors.

## Avoid negative campaigns

In order to prevent being target of campaigns by human rights and labour rights, firms prefer to indulge in social practices which may cost less as compared to negative effects these campaigns can cause. At the same time, this produces an improved reputation of the business.

## Increase worker productivity

By doing business in accordance with human rights and labour rights, management can ensure their workers will be encouraged to work harder and overall productivity will increase. This can also help to reduce workers turnover.

## Reducing cost and increase profitability

Operational efficiencies can be achieved by reducing energy and materials. Minimising waste enable firms to reduce their cost of production and hence increase profits. Also, waste can be recycled and hence there is protection of the environment.

## Improve competitive advantage

According to Connolly (1997) , when engaging and showcasing the companies social and economic best practices to protect the environment, the company can enjoy a competitive edge in the market, which in turn impacts on the scrutiny of corporate sustainability activities.

## Arguments for and against CSR

## Argumments for CSR

Since a business operation enhances its economic, shares values social and environmental performance it implies that CSR will definitely have a positve influence on the following (Mendes, 2007): Enhance corporate reputationBoost brand equityImprove shareholder relationsDeveloping community soilidarityExpand customer relationsBoosting market shareIncrease employee loyaltyRise productivityIn the same lime light authors such as Amaeshi (2006), Frynas (2006), Carroll (1999, 1997) Stigson (2002) and Maignan et Al (2003) highlighted on the follo

## Change in public expectations

Nowadays a change in business expectations has a direct impact on consumer needs. It can be highlighted that firms have a social and moral obligation towards the local comminty and in this way they have to respond to the needs of society.

## Business is a part of society

There is a very beneficial relationship between the society and business. The community becomes a major recipient of employment opportunities and economic development while the enterprise benefits through its workforce.

## Avoiding intervention by government

When firms are socially responsible, they attract less attention from regulatory bodies. Evidently, organisations become flexible in their operating practices and enjoy more freedom.

## Balance of responsibility and power

It is true that firms have significant authority and power but they must exercise this power with a corresponding amount of responsibility.

## Impact of internal activities of the organization on the external environment

Almost all organisations are based on the open systems, i. e., they have to consider the impact of the impact of their business operations on the environmens. A firm which is socially responsible can prevent negative impact on the local surroundings.

## Safeguarding shareholder interests

A company can enhance its image when it participates in social initiatives, therefore at the same time it is protecting shareholders’ interests.

## New avenues to create profits

Social responsibility also implicates the preservation of natural resources as this can be very beneficial for organisation. Certain items can be recycled and profitably used again.

## Favorable public image

Firms create a positive public image in the society if it engages in social activities. Henceforth, this attracts investors, customers and employees.

## Endeavor to find new solutions

Businesses are usually on the edge of indulging in innovative practices. Thus, they find remedies for social harms which other institutions were unable to tackle.

## Maximum use of business resources

Businesses should make optimal use of its talent and skills as well as the capital resources in order to manufacture better quality products and services. Therefore, firms are fulfilling their duties and obligations in the society.

## Prevention is better than cure

The aim of business organisations is to avoid societal problems. Businesses are perceived as a source of employment for eligible youth with better job opportunities. Thus this reduces large scale unemployment which may cause unrest. Despite that fact that many advocators of CSR have proposed many reasons for organisatioms to embark on CSR, the septical school of thought have left no stone unturned in analysing the other side of the coin for instance according to Reich (2007) CSR is said to: Play with shareholders moneyIt act as a slideshowIt encroaches upon the functiond of the governmentIn addition to, in a study carried out by Craig (1990), it has been stated that there is the presence of competitive disdavantage as far as Corporate Socila Responsibility is concerned. The latter maintained that beacause organisations have to pay a price for embarking on social actions, this will lead to competitive disadvantage

## 2. 2. 6 Mauritian Context

Overview of CSR in MauritiusAccording to the European Commission, the corporate social responsibility is defined as a concept in which organisations emphasis on both the environment and society when doing business operations. Moreover, special concern is given to different stakeholders. Sinve CSR is said to encapsulate the interest of different structure of the society in terms of the environment, ecology, economy and social enhancement, it is obvious that it is gaining more and more importance. Following this trend the Mauritian government cannot lag behind for this reason CSR has been included in the Mauritian law which is mandatory (NEF 2011). http://www. nef. mu/csr/index. phpFor instance in the June/December 2009 budget emphasis has been laid upon CSR initiatives in which all profitable firms are required to spend 2 % of their annual book profits towards some well-defined CSR activities. These schemes are approved by the Government to be used in the fight against poverty and contribute to the development of the island. The Mauritian guidelines on CSR proposed the objectives that organisations can follows: Encouraging organisations to properly manage their programmes which influences the socioeconomic wellness and the environmental developmentEnable organisations’ contribution in order to support National Programmes implemented by national agencies and companies, Promoting the NGOs community by proposing workplans that are needful for the development of programmehttp://www. ukessays. com/essays/accounting/csr-in-mauritius-an-overview-accounting-essay. php (UK essays, 2013)

## Culture and tradition of voluntary social engagement

Private enterprises in Mauritius have a long cultural and traditional way of CSR, particularly in terms of voluntary social engagement in the communities where they operate and in the wider society. Previous survey reports (2006, 2008) published by the MEF indicate that Mauritian businesses in their large majority believe that their role in society extends beyond wealth generation and that " pursuing economic interests needs to be balanced with social and environmental responsibility". Mauritian enterprises, driven primarily by ethical considerations, employee motivation, brand positioning and company reputation, are engaging in both internal CSR, undertaken for the benefits of employees, and external CSR initiatives, to develop and support community related activities. The MEF Surveys have also shown that CSR has followed a rather philanthropic approach, characterised by ad-hoc activities, unrelated to business operations and strategy.

## Motivations that drives CSR (The extent to which CSR and reporting is gathering growth and momentum in Mauritius) Jaulim Sheick Mohammad Ally MAU/D HD 58. 9. J3 2005

Companies in Mauritius are encouraged to be socially responsible in making profits so as they can contribute some of their profits to the social development of Mauritius. Firms which are socially responsible make their products and services more attractive to consumers therefore this makes the company more profitable. This will ultimately assign a premium to their share price. These motivations that include:

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## Mauritius Employee Federation (MEF) role

The MEF has a fundamental responsibility in channeling the CSF Fund from private firms to social, economic and environmental enhancement of the Mauritian society. Henceforth, this new CSR regulation obliges Mauritian enterprises to adopt ethical and responsible business practices and to reinforce corporate citizenship between oraganisations. The MEF is considered to be a crucial aspect of the UN Global Compact (UNGC) in Mauritius. The UNGC is the world's biggest voluntary corporate citizenship scheme and it one of the most renowned frameworks for CSR. The federation on a regular basis hosts a CSR-UNGC Committee in order to talk about issues dealing with CSR and the Global Compact Network Mauritius. The main goal is to support the UNGC members by paying special attention and encouraging collective action.

## Emergence of CSR movement

In Mauritius, CSR projects have started 20 years ago. Since the 1980s, the MEF instilled the notion of social responsibility among business enterprises to achieve societal objectives as in the ‘ Code of Practice for Enterprises’. According to a recent report published by Deloitte et al. (2008), it was advocated that CSR activities started at varying pointsof time. When business organisations participate in CSR projects, this is very beneficial both for the employees and for the wider community. The 2006 MEF Survey on CSR depicts that ethical considerations do have a prime importance when firms are acting socially responsible also they need to sustain a good image by constructing an engaged and inspired workforce (MEF, 2008). The MEF is committed to promoting the social role of enterprises thereby enhancing their contribution through CSR. This is been carried out through poverty alleviation in order to promote the expansion of environmental and social issues. This Federation is involved in many activities regarding CSR, which is the MEF CSR fund. The MEF CSR FundThe Mauritius Employers’ Federation CSR Fund was set up in March 2010 and its primary objective is to: To properly execute CSR programmes in order to better address environmental issues and socio-econimic problems that the organisation and the country may face. To encourage CSR for the private sector to effectively contribute to sustainable developmentPromote participation of private enterprises more specifically in the SMEsEncourage collective action among private sector enterprisesGuarantee a better management and synergy within the private sectorCultivate positive affiliations between the three parties that is the public sector, private organisations and also the civil society

## Poverty Alleviation

In Mauritian society, the business sector plays an important role in the poverty battle specially with the emergence of CSR legistation. It goes without saying that the society expects a lot from these profitable organisations. As such businesses organisations are expected to respect and comply with ethics and norms of the society (Caroll, 1999). Organisations are now perceived as having social obligations beyond obeying the law and providing the goods and services that its customers want, at a price they are willing to pay. Companies are in fact realising that CSR connot be merely be considered as a cost since it can be an infinite source of competitive advantage and opportunity and it also gives room for innovation (Porter and Kramer, 2006). There are presently some 6, 000 voluntary organisations enrolled with the Registrar of Associations in Mauritius. However, most are community-based associations, which are mainly ethnic or special interest based, and not really engaged in development work. Some 300 organisations correspond to the characteristics of an NGO (SNSM, 2007). The Mauritius Council of Social Service (MACOSS) which was founded in 1965 following the need for a social service coordinating body, has over time developed as a council of NGOs dedicated to social services and sustainable development. There are presently 236 organisations registered with the Council and, of these, 110 are reported to be actively engaged in the fight against poverty. It is important to note that the business sector is laying much emphasis on the importance of social engagement. For instance, the leading bank in Mauritius, the Mauritius Commercial Bank (MCB), has pledged 1 per cent of its profits before tax (£460, 000) for social developments and even Barclays Bank has committed Rs £400, 000 in the fight against AIDS. Through its national body, the hotel industry has contributed some £800, 000 for community projects, and the association has recommended that its members increase their CSR budget to 2 per cent of net profit by 2009. What is even more interesting is that 92 per cent of the MEF members surveyed recognise that Mauritian enterprises are not doing enough in terms of CSR, although they do expect business involvement in social activities to increase in the future (MEF, 2007).