

Companies act responsibly

Law



In every community there are companies of various sizes across different sectors of the economy such as fast food, telecommunications, marketing and retail to mention but a few. They trade in the community and make profits. It is however controversial to decide if it is compulsory to give back to the community or not. This in my opinion depends on the company however; it has its advantage which includes increase in their popularity and finances. To act responsibly to whom is another pertinent question is, to the society, the environment or a combination of all these. This essay aims to explain what corporate social responsibility is and why companies should act responsibly. Throughout the work I frequently interchange corporate social responsibility for the term social initiative and stakeholder for customer.

CORPORATE SOCIAL RESPONSIBILITY

In the opinion of McWilliams et al (2006: 1), The capacity in which a company takes part in voluntary actions which is seemingly good for the society and, is beyond the companies interest and lawful requirement is known as corporate social responsibility. This definition seems to be backed by the EU and the IOE whom both use the term Voluntary in their definitions of corporate social responsibility.

These are acceptable but faulty definitions because, even though it is not a law to be corporately responsible it is not voluntary either, take for instance Shell which is a multinational company dealing in oil, when its pipe burst spilling into farm lands and sources of water in the Niger Delta (Human right watch 1999) it is not voluntary for the company to try and do some damage control as they caused it and by paying compensation but a compulsory

act failure to do this damage their reputation. In discussing CSR, it should be taken into consideration whom these companies should be responsible to before tackling why they should act responsibly in the first place.

Responsibility is targeted at the stakeholders whom according to Freeman (1984: 49) are groups that can affect or be affected by the achievement of a company hence, my inclusion of Hopkins (2007) explanation of what social corporate responsibility entails which says that, "Treating stakeholders ethical and in a responsible manner while, still making money and the betterment of the living conditions of both the workers and consumers of a company. He is criticised for the choice of the terms "ethic and responsible" by Sir Geoffrey Chandler who claims these terms depend on the "Beholder" (Hopkins, 2007: 32) as who determines what is ethically/responsibly correct?."

In corporate social responsibility, initiatives are not limited to corporate philanthropy but include broader issues ranging from local, national through to Global levels such as giving assistance to third world countries. Hess et al (2002: 110). Davis (1973): 1, in his own words said "Mature, global civilization" would make corporate social responsibility evolve with time and become compulsory if companies intent to continue receiving support from consumers. He goes further to throw light on various factors why companies act responsibly and hinged it on;

Long run self interest-This means that should, a company expects to profit in the long run it must carry out a variety of social initiatives. Microsoft and Apple are examples of two companies that produce computers, they expect

to increase their sales over time and get skilled workers. As a strategy they invest in education through distribution of computers and funding partly because, an educated individual is easily more computer literate and will continue buying their products due to familiarity. (Sheth: 2009). This leads to a gradual increase sales.

In avoidance of Government regulations- here Davis explains that regulations by the government would reduce the freedom of companies hence they propose social initiatives of their own free will so as not to face the uncertainties of government requirement should it become a law. Public image-That is for a company's image to remain positive in the eye of the consumer it needs to support the same as values change and social initiatives gain popularity for example the shell company (Human right watch 2009) above could have avoided hostility by acting responsibly.

The concept of Prevention as opposed to cure-that is sorting out issues early before they become problems for example Newcastle university putting up recycle bins for plastic and paper is green but it is also preventing the littering of the environment. Another way of looking at reasons why companies act responsibly is proposed by Hahn and Scheermesser 2006 where they propose two terms; Instrumental motive and Institutional motives. They also say some managers would rather "just do the right thing" hence their social initiative as opposed to the benefits, this in my opinion is arguable as in a situation where the company is not a charity personal moral come after the company.

The explanation given by Hahn and Scheermesser 2006 is that, instrumental motive as having to do with companies profit which can increase or at least make certain does not drop therefore they resolve to social initiatives while institutional motives believes that due to pressure by institutions which might be as a result of cases such as neglect of human rights, lack of transparency or environmental issues, companies carry out social initiatives so as to remain in good standings with consumers this is related to Davis 1973 thought on public image.

To further comprehend on the concept of " just do the right thing", according to Graafland and Van de ven 2006, Dutch managers felt the same way apart from their belief in the issue proposed by Davis 1973. Meaning that more companies now take a humanitarian approach towards social initiatives with money becoming a secondary factor. ODWALLA BEVERAGE COMPANY, AMERICA: A leading beverage industry for the past 25 years in the production of various fruit juice drinks. The president of Marketing Chris Brandt says their plant a tree initiative which donates \$100, 000 worth of trees is to support reforestation and help the environment and it is the right thing to do. (odwalla: 2008). Since the recent panic on global warming issues there has been an increase in companies acting responsibly towards the environment this is just one example, as planting trees helps nature recover by reducing carbon dioxide and beautifying the environment.

In 2006 (Reierson: 2008) they were fined \$1. 5 million the E. coli bacteria breakout which killed over 100 individuals they acted responsibly by , immediate recall of its fruit juice, a public apology to the people and payment of compensations to concerned families these immediate action <https://assignbuster.com/companies-act-responsibly/>

and its contribution to society probably helped in their survival as a company. MTN TELECOMMUNICATIONS, NIGERIA: A branch of the Mtn Group and one of Africa's cellular telecommunications. They are the first Gsm network to operate and be recognised by the Nigerian communications commission and spread to Lagos, Abuja and Port Harcourt. They officially started rendering services in August 2001 and have steadily spread its services across Nigeria. (Mtn: 2008)

In 2004, Mtn established its Mtn Nigeria Foundation for the purpose of centering its effort to carry out its corporate social responsibility initiative to help reduce poverty and foster sustainable development in Nigeria. The focus of the foundation is to give back to society and affect individual lives positively in the society where they have a presence. (Okoro: 2010). Mtn has provided digital libraries for universities in Nigeria namely university of Lagos, Zaria and Nsuka and are expanding to other institutions. In October 2009, Mtn was awarded the partnership global award for its interest and contribution to the public, this supports Davis 1973 argument about public image as they were given this award based on feedback from the consumers who rate them highly and environmentally friendly. Besides education they have provided health equipments and borehole water to villages.

The popular Mtn Friday night show aired live on Television " who wants to be a millionaire" adapted from the United Kingdom is an interactive quiz show which gives out money to winning contestants to better their life. This is an interesting strategy as contestants are chosen from computer generated numbers hence the public keep loading credits and sending text to Mtn thereby, enriching the company in the long run (this is in line with Davis : <https://assignbuster.com/companies-act-responsibly/>

1973, s concept of long term self interest. This strategy of corporate social responsibility works as they provide the society entertainment.

The corporate social executive of Mtn Mr Akinwale Goodluck says these efforts are to complement government services not take over the entire project (Mtn: 2008). This statement in my opinion throws light on the fact that companies assist in giving back to society who have patronised them but they are unable to take over all the field of needs even if they want to as these are too diverse ranging from environmental issues to basic necessities such as water, food, shelter and health.

CONCLUSION

Corporate social responsibility is an important wing of companies as they owe it to the community to act responsibly. Corporate social responsibility should not be regarded as voluntary, it is not. It is a form of giving back to society whom without they would not thrive. They also benefit from this practice as they win customerloyalty. Various reasons such as; long term self interest, public image, Avoid regulations and prevention as opposed to cure have been outlined for why companies should act responsibly . Examples of companies used include ; Shell oil, Mtn telecommunications, Odwalla beverage company, Microsoft and apple computers. The depth a company decides to go as regards their corporate social responsibility is what is voluntary and the decision of the company.

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