Best Practices Paper: Corporate Social Responsibility

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**History and Background of Corporate Social Responsibility**

The concept of corporate social responsibility (CSR) became popular in the 1960s and has been considered somewhat of an ambiguous term since then. At first, the term was used in a rather unsystematic way in reference to companies covering legal and moral responsibility as well as social responsibilities (DeGeorge, 2010). However, corporate social responsibility more often is used to “refer to a corporation’s concern for society or for the impact its actions make on society, whether or not its concern corresponds to society’s demands” (DeGeorge, p.200, 2010). Originally, in the 1960s the term was used in business when companies responded to allegations made against it by groups such as “environmentalists, consumer activists and those who protested the ‘military-industrial complex’ involved in the Vietnam War.” (DeGeorge, p. 200, 2010). Eventually, corporate social responsibility came to describe many other kinds of activities done by corporations such as donating to charities, bettering local communities and engaging in movements such as affirmative action (DeGeorge, 2010).

In the late 1900s, the goals of organizations were much different than they are today. At first, organizations’ priorities were to make sales, then the trend changed to maximizing profit and sales and now organizations are pressured to offer something to their “employees, suppliers, customers and society,” (Arslan & Zaman, 2014). Large corporations evidently have massive effects on our society and due to this fact, it is no longer expected of corporations to *just* deliver high quality goods at appropriate prices, although some still do. It has now become essential for organizations to prove that they are no longer “money making bodies, but they also are the bodies which want to make society a better place,” (Arslan & Zaman, 2014). It is now expected that corporations should have “concern for the ecosystem, worries about the limited supply of natural resources, and interest in the quality of employee life,” (DeGeorge, p.200, 2010).

According to Arslan & Zaman, the concept of companies or organizations working to better society and accepting responsibilities for its surrounding environment is known as Corporate Social Responsibility. However, it is important to note that even though many consumers expect or prefer a socially responsible corporation, these organizations still integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a *voluntary* basis (Arslan & Zaman, 2014).

**Key Points on Corporate Social Responsibility**

According to a study done by Double the Donation Research, in just the past year $17.8 billion has been donated to charities by corporations all around the world. More than fifty percent of consumers admitted that they are more willing to pay for a higher priced product if they know that the company selling it is socially responsible. Sixty-five percent of Fortune 500 companies offer their employees “gift matching programs”, an agreement to match whatever their employees donate to charities. Lastly, ninety-three percent of the world’s biggest organizations release annual corporate social responsibility reports (Double the Donation Research, 2018). Corporate Social Responsibility is taking over the consumer world and companies need to become involved if they want to stay relevant.

**Literature Review**

In an ideal world, according to an article written by McWilliams & Siegel in 2006 called “Corporate Social Responsibility: Strategic Implications”, corporate social responsibility is situations when organizations go above and beyond conformity and voluntary engage in “actions that appear to further some social good, beyond the interests of the firm and that which is required by law.” Many of these activities could include using environmentally friendly technologies, promoting employee empowerment or providing support for local struggling communities. In today’s day and age, it is essential for organizations to be socially responsible due to the pressure from “employees, suppliers, community groups, NGOs, and governments to do so,” (McWilliams & Siegel, 2006).

Corporate social responsibility is not only a positive addition to society, but it also naturally produces a stronger and overall more attractive brand image. CSR greatly improves the public’s opinion of a brand. “Companies that clearly demonstrate their commitment to various causes are perceived as more philanthropic than companies whose CSR endeavors are nonexistent,” (Double the Donation Research). Corporate social responsibility in itself is a great way to positivity represent a brand, it is another type of favorable advertisement. According to McWilliams and Siegel in “Corporate Social Responsibility: A Theory of The Firm Perspective”, CSR has several strategic implications. The two authors compared a model of two companies that produced identical products yet one of the companies’ products offers “an additional social attribute or feature to the product” which is valued by consumers, or in some cases other stakeholders. The authors found that corporate social responsibility is an automatic way for an organization to differentiate themselves from competitors and therefore should be considered a “strategic investment” (McWilliams & Siegel, 2001). Also, McWilliams and Siegel mentioned that even when CSR is not directly associated with the product, the production of the product or the environment it is being produced in, it still builds a positive brand image or reputation for organizations.

McWilliams & Siegel again note the relationship between CSR, advertising and public relations. The authors emphasize that society expects levels of social responsibility to be higher for larger, more established organizations “since the extent of production differentiation will be greater in such sectors” and consumers will have more knowledge regarding these popular products or companies (McWilliams & Siegel, 2006). McWilliams and Siegel theorize that larger companies will receive greater benefits from their investment in corporate social responsibility for their brand image. It is important to recognize that there are two different types of CSR “advertising”- persuasive CSR and informative CSR. Persuasive corporate social responsibility’s intent is to create a positive connotation in the consumer’s head of the brand while informative corporate social responsibility is simply telling the consumer what the brand does socially (McWilliams & Siegel, 2006).

David Baron, an author of “Private Politics, Corporate Social Responsibility and Integrated Strategy” also agrees that CSR, when used to create value for the company, is considered strategic CSR. Baron states that “it is the motivation for the action that identifies socially, as opposed to privately, responsible”(Baron, 2001). Baron continues to express that if the companies’ motivation is to better society, at the cost of their profit, then it should be considered socially responsible, however, “if the motivation is to serve the bottom line, then the action is privately responsible”. He continues by explaining that privately responsible actions may indeed create social benefits but not without truly benefitting the company. Baron uses the example of providing daycare for employees’ children- by doing this the company may by keeping children off the streets and lowering juvenile crime but this company may really only be providing daycare because it increases the number of hours their employees can work (Baron 2001).

In the article, “The Social Responsibility of Business is to Increase its Profits” by Milton Friedman in 1970, he claims that the concept of corporate social responsibility is incredibly dangerous. Friedman feels that CSR is a “misuse of corporate resources that would be better spent on valued-added internal projects or returned to shareholders”. Theodore Levitt, author of the article “Dangers of Social Responsibility” in the *Harvard Business Review* once cautioned that “Government is not business, and business’s job is not government,” (Levitt, 1958). Levitt believed that allowing businesses to involve themselves in social issues would make transactions much too complex and unnecessarily political (Levitt, 1958). However, in 1984, R. Edward Freeman writes a more positive report called, “Strategic Management: A Stakeholder Perspective” on corporate social responsibility. Freeman theorize a more modern-day outlook on CSR stating that employees, consumers, suppliers and surrounding communities should be valued by managers and the overall organization. Freeman’s theory focuses on all stakeholders rather just stockholders or company executives. Freeman feels that CSR is beneficial to an organization because without it, non-financial stakeholders will not feel valued and may in turn “withdraw their support for the firm” (Freeman,1984).

Thomas M. Jones, a professor at the University of Washington, agrees that paying attention to all stakeholders’ values is beneficial to an organization. He believes that companies that continuously involve themselves in actions based off “trust and cooperation” are more likely to continue to be “honest, trustworthy and ethical because the returns to such behavior are high” as stated in his article in the *Academy of Management Journal*. According to Arslan & Zamam, businesses are doing just that. Organizations are now using CSR activities not only to better the overall society but to entice all their stakeholders- businesses’ CSR initiatives are improving or creating better brand images in the minds of consumers while making their workplace more attractive to employees and potential candidates (Arslan & Zamam).

DeGeorge, in his book *Business Ethics,* believes CSR has become so important to society because as a society, we grant corporations special legal benefits and financial safety nets. DeGeorge states that “It would be unfair for society to grant special privileges to corporations and not to other kinds of businesses, and it would be difficult to understand why a society would do this, unless it expected some benefit to society in return,” (DeGeorge, p. 198, 2010).

Now, corporate social responsibility is having a massive effect on how modern-day businesses, corporations and organizations are run. A study by New York University found that “purpose-oriented employees tend to remain with employers 20 percent longer than those at other companies and are about 47 percent more likely to be engaged promoters of the companies they work for,” (Vilas, 2017). The study continues to emphasize that CSR is becoming increasingly more meaningful to people looking for jobs. It is important to the candidates that they pick a workplace that offers a positive company culture and that cares about the current social issues at hand. Candidates want to make sure the workplace they are hired at excels both in the business world and in giving back to the worldwide communities in need.

**Case Studies**

*The LEGO Group*

A relatively new and notable organization that practices socially responsible commitments is The LEGO Group. Their involvement in CSR started in 2014, after a Greenpeace video attacked the company for their 50-year partnership with Shell Global. In 2014, Shell Global made to plans to drill in the Artic, which would have a terrible negative impact on the worldwide environment, and the LEGO Group decided to end their partnership then (Gauss, 2018). Since then, LEGO has partnered with the World Wildfire Fund, “made a commitment to reduce their carbon footprint and is working towards 100 percent renewable energy capacity by 2030,” (Gauss, 2018). In order to do this, The LEGO Group changed their manufacturing process by creating the LEGO’s Sustainable Materials Center, the main goal of the center being to find the most sustainable ways to create their current toys (Gauss, 2018). Furthermore, The LEGO Group made a public statement vowing “ethical business practices and high standards for human rights for their employees,” (Gauss, 2018). Recently, The LEGO Group was chosen as one of the top socially responsible companies by “Reputation Institute” and placed second on the “Reputation Institute’s RepTrak 100” which is a list complied of the “most-highly regarded companies in the world” (Gauss, 2018). It is important to note that The Lego Group just recently in the past few years became socially responsible but was able to do so much good in that short time and rebrand themselves so positively.

*TOMS*

A rather different take on corporate social responsibility is TOMS. TOMS’ entire business model was built off CSR, created on the concept of “buy a pair, give a pair to someone in need”. The owner of the company, Blake Mycoskie, visited Argentina and noticed many children lacking shoes on their feet and many adults with “a very simple yet comfortable shoes” (Fritz, 2018). Mycoskie decided to produce similar looking shoes and for every pair he sold, he would donate a pair to the children of Argentina who were in need (Fritz, 2018). People immediately fell in love with the idea about feeling good about purchasing something for themselves. Since launching, TOMS has donated 60 million shoes to children (Al-Bender, 2018). By buying TOMS Shoes, people felt they were doing their part in helping somewhere in the world. The purchase automatically gave people a positive feeling. TOMS has since done so well that the company not only produces shoes but also glasses, coffee and bags. Each product helps different areas of the world. For example, when you purchase TOMS coffee, TOMS then provides water wells where needed (Fritz, 2018). When you purchase glasses, TOMS provides glasses for children who cannot afford a pair (Fritz, 2018). TOMS also invest in “jobs, social entrepreneurships, and integration with other charitable organizations through their Giving Partners program” (Vilas, 2017). Consumers want to feel good about the products they are purchasing, and TOMS does just that for them. Consumers want to believe in the company they are supporting. A positive reputation and a charitable cause means that people will always be willing to buy.

*Microsoft*

If Microsoft hadn’t already given the world enough in terms of working, studying, software and computers then they have now. Microsoft goes far beyond the tech-world and deeply into the philanthropic scene. Bill Gates, the founder of Microsoft, decided to start donating to charity in 1983 when the company raised $17,000 in donations (Gauss, 2018). Since then, the company’s giving has only increased. According to Microsoft’s philanthropy page, the company has created a “Giving Program” in order “to support their employee’s passion for giving” (The driving force, 2018). Microsoft’s program matches each employee donation of money and time to non-profits (The driving force, 2018). Just in 2017 alone, Microsoft and their employees donated $156 million, volunteered 700,000 hours, supported 19,550 nonprofits or schools and, most importantly, had 75 percent of their employees participate in this program (The driving force, 2018). Microsoft’s employees wanted to work for a socially responsible company, and Microsoft listened. This type of program has a positive impact on company culture and values as well as makes an all-around more productive and elated workplace.

**Conclusion**

Companies no longer are created to just make a good profit, they also want to make good in society. Corporate social responsibility benefits organizations in an overwhelming number of ways. It creates a positive work culture because when corporations support philanthropic activities the overall environment is more likely to have a positive ambiance. Also, this allows for employees to feel content with where they work and more likely to feel like a productive member of society. Happier employees leads to an increase in creativity. If employees feel like their company is working towards a good cause, then they are more likely to be more committed and loyal to the work they do. Employees and consumers alike want to be able to stand by their company and its values. Also, by promoting CSR in the mind of employees you encourage them to be individually philanthropic, creating more productive members of the world. Corporate social responsibility also attracts and retains investors. Stockholders want to know that their investments are being used properly and for a good cause. Lastly, CSR increases positive media coverage of an organization’s brand which in turn improves public image and leads to higher consumer sales.

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