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SCHOOL OF BUSINESS
ADMINISTRATION IN KARVINA

THE MEANING OF CORPORATE SOCIAL RESPONSIBILITY

INTRODUCTION OF CORPORATE RESPONSIBILITY

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CORPORATE SOCIAL RESPONSIBILITY/PEM-NACSR

What do you expect from the subject
Corporate Social Responsibility (CSR)?



OUTLINE OF THE LECTURE

1. Definitions of corporate responsibility
2. Carroll's Pyramid of Corporate Social Responsibility
3. Drivers pushing business towards CSR
4. Triple Bottom Line

WHY CORPORATE RESPONSIBILITY?

- The entirety of CSR can be discerned from the three words this phrase contains: **corporate, social, and responsibility.**
- CSR covers the **relationship** between corporations (or other non-profit organizations) and societies with which they interact.
- CSR **provides a framework** that helps firms embrace decisions and adjust the internal strategic planning process to maximize the long-term viability of the organization.

WHY CORPORATE RESPONSIBILITY?

- Business and organizations **do not operate in a vacuum**. Their relationship to the society and environment in which they operate is a critical factor in their ability to continue to operate effectively. It is also increasingly being used as a measure of their overall performance.
- **Organizations** around the world, and their stakeholders, are **becoming increasingly aware of the need for, and benefits of, socially responsible behavior**. *The objective of social responsibility is to contribute to sustainable development.*
- An organization's commitment to the welfare of society and the environment has become a central criterion in measuring its overall performance and its ability to continue operating effectively.

WHY CORPORATE RESPONSIBILITY?

- The history of CSR is strongly intertwined with the emergence **over the past forty years** of the environment as a worldwide concern and the eventual transformation of the term into “sustainable development” which incorporates social issues alongside environmental and development ones.
- This is because sustainable development has been translated into a managerial approach - **CSR which integrates the businesses’ financial performance with their externalities for human development and the environment.**

WHY CORPORATE RESPONSIBILITY?

- **In the interest of enterprises** - CSR provides important benefits to companies in risk management, cost savings, access to capital, customer relationships, HR management, and their ability to innovate.
- **In the interest of the (EU) economy** - CSR makes companies more sustainable and innovative, which contributes to a more sustainable economy (circular economy=circularity).
- **In the interests of society** - CSR offers a set of values on which we can build a more cohesive society and base the transition to a sustainable economic system.

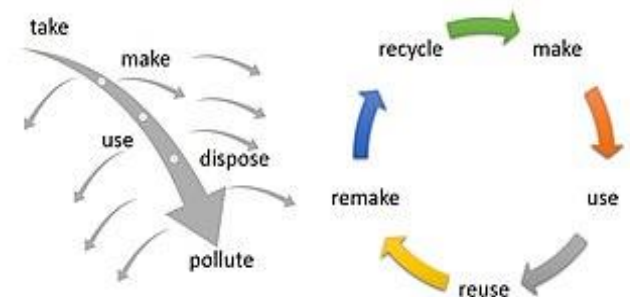
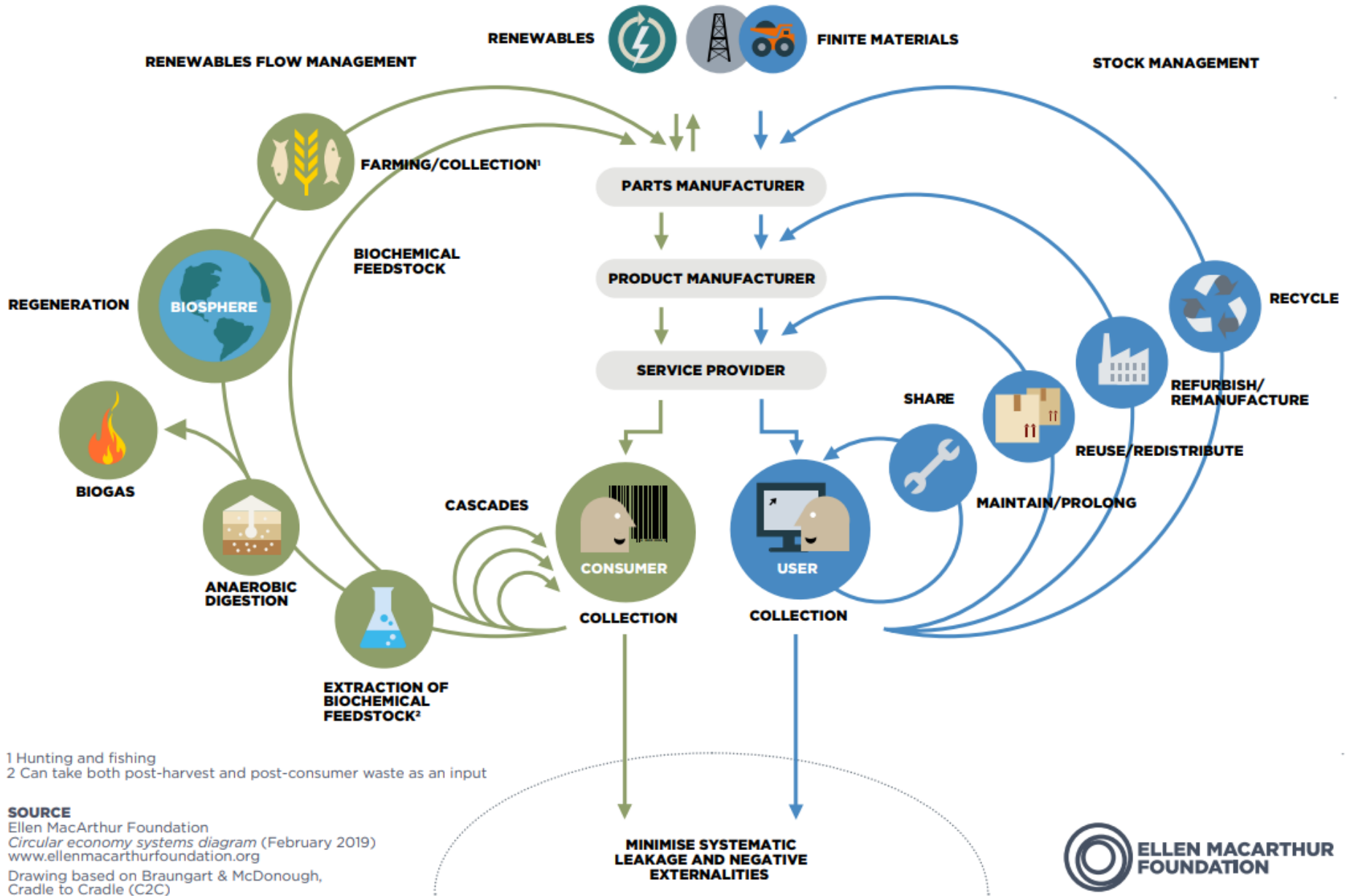


FIGURE 3: CIRCULAR ECONOMY SYSTEM DIAGRAM



WHY CORPORATE RESPONSIBILITY?

Importance of corporate social responsibility

- CSR can help you improve your business **performance**, increase **competitive advantage** and **build trust** with customers and employees.
- It can also help you achieve operational cost savings, by avoiding costs of wasted energy or unnecessary fees..
- Perhaps most importantly, CSR gives your company and your brand a **positive image** of a reputable ethical business.

WHY CORPORATE RESPONSIBILITY?

Features of Corporate Social Responsibility

The United Nations Industrial Development Organization notes that the common functions of corporate social responsibility include:

- Responsible sourcing of materials and supplies
- Employee, vendor, customer and community engagement and relations
- Adherence to labor standards
- Environmental protection and management
- Anti-corruption measures
- Upholding social equity, gender equity and other human rights goals
- Conservation of resources, like water and energy, in production

1. DEFINITIONS OF CORPORATE RESPONSIBILITY

- The lack of commonly agreed definition of CSR.
- The term CSR is often used **interchangeably** with others, including corporate responsibility, corporate citizenship, business in society, social enterprise, sustainability, sustainable development, triple bottom line, social value-added, strategic philanthropy, corporate ethics, and in some cases also corporate governance.
- There are also clear links between these terms and those relating to socially responsible investments, community investing, social capital, and collaborative governance...

1. DEFINITIONS OF CORPORATE RESPONSIBILITY

- Corporations have a **Responsibility** to those groups and individuals that they can affect, i.e. its stakeholders, and to society at large. **Stakeholders** are usually defined as customers, suppliers, employees, communities and shareholders or other financiers. (*Financial Times Lexicon*, lexicon.ft.com)
- CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis. (*European Commission*)
- CSR is the proposition that companies are Responsible not only for maximizing profits, but also for recognizing the needs of such stakeholders as employees, customers, demographic groups and even the regions they serve. (*PricewaterhouseCoopers*)

1. DEFINITIONS OF CORPORATE RESPONSIBILITY

- Corporate Social Responsibility is the **continuing commitment** by business to contribute to economic development while **improving** the quality of life of the workforce and their families as well as of the community and society at large. (*World Business Council for Sustainable Development*)
- CSR is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources; and „*Corporate social initiatives are major activities undertaken by a corporation to support social causes and to fulfil commitments to corporate social responsibility*”. (Kotler, P., Lee, N. 2005)
 - Causes that can be supported through these initiatives are those that contribute to: (a) community health, safety, education, and employment; (b) the environment; (c) community and economic development and other basic human needs.

1. DEFINITIONS OF CORPORATE RESPONSIBILITY

- **Carroll (1979)** “The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time.”
- **Carroll (1983)** “In my view, CSR 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 to discussing the firm’s ethics and the extent to which it supports the society in which it exists with contributions of money, times and talent. Thus, CSR is composed of **four parts: economic, legal, ethical and voluntary or philanthropic.**”

1. DEFINITIONS - SUMMARY

- Facts can be summarized in the summary, which is characterized by the basic facts of corporate social responsibility:
 1. CSR is a **voluntary act** (adoption of CSR is entirely voluntary, beyond legislation);
 2. the concept is "partially" surrounded by areas of **social, environmental and economic**;
 3. concept may have implications in improving living, working and environmental **conditions of all stakeholders**.

2. CARROLL'S PYRAMID OF CORPORATE SOCIAL RESPONSIBILITY

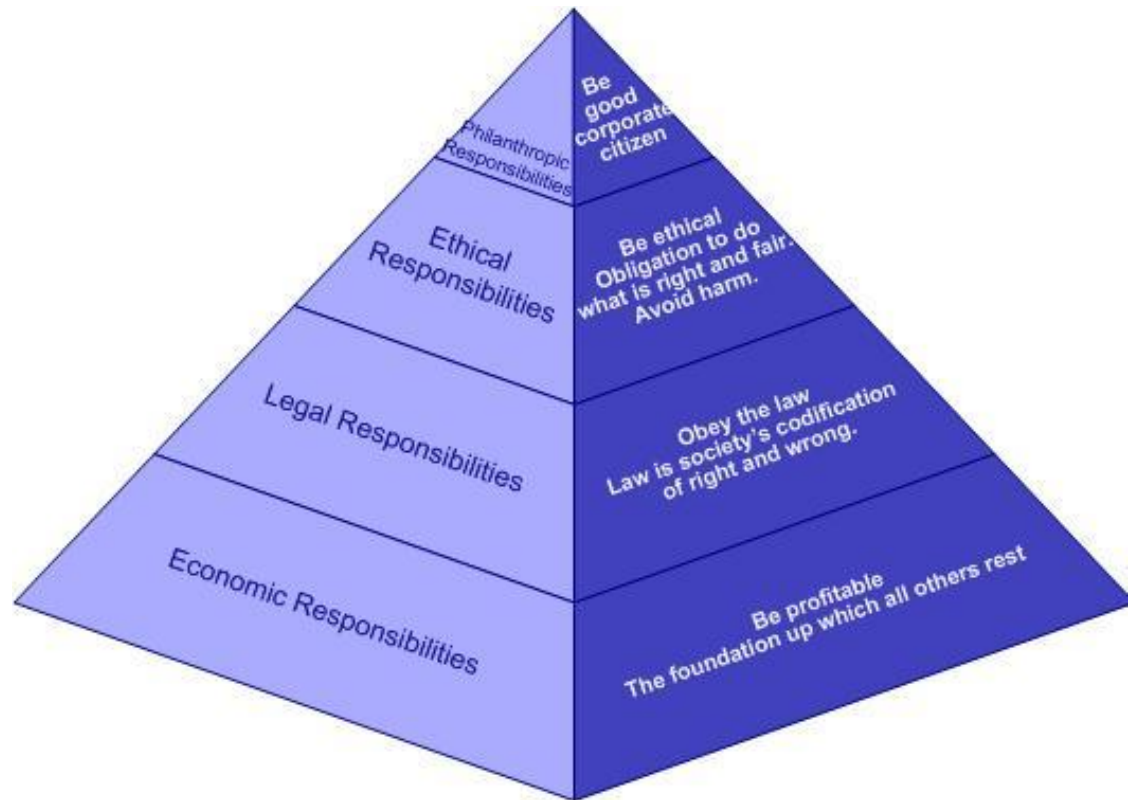
- Carroll (1991) organized different corporate social responsibilities as a **four-layered pyramid model** and called it the pyramid of responsibilities.
- The four different responsibilities - **economical, legal, ethical and philanthropic** are the layers of the pyramid.
- The pyramid of responsibilities should be seen as a whole and **the different parts should not be separated.**

2. CARROLL'S PYRAMID OF CORPORATE SOCIAL RESPONSIBILITY

- To be profitable as a company, minimize cost and maximize sales or make sensible strategic decisions are at the base of **economic responsibilities**. Economic performance is required by the society.
- The second layer is the **legal responsibilities** and it is also required by society. In these responsibilities' companies are expected to obey the law, because the law mirrors show the society regards as accepted or unaccepted.
- The difference of the **ethical responsibilities** from the first two responsibilities is that the ethical responsibilities are not required but expected by society.
- The **philanthropic responsibilities** stand at the top of the pyramid and to be a good corporate citizen and improve the quality of life for the society is the aim of these responsibilities.

2. CARROLL'S PYRAMID OF CORPORATE SOCIAL RESPONSIBILITY

- A stakeholder model is represented by the **Pyramid of CSR** where the different stakeholders are affected by the different responsibilities.



Carroll's CSR Pyramid

3. DRIVERS PUSHING BUSINESS TOWARDS CSR

- 1. The shrinking role of government** - In the past, governments have relied on legislation and regulation to deliver social and environmental objectives in the business sector. Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non-regulatory initiatives instead.
- 2. Demands for greater disclosure** - a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations.
- 3. Increased customer interest** - evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers.

3. DRIVERS PUSHING BUSINESS TOWARDS CSR

4. **Growing investor pressure** - investors are changing the way they assess companies' performance and are making decisions based on criteria that include ethical concerns.
5. **Competitive labour markets** - employees are increasingly looking beyond paychecks and benefits, and seeking out employers whose philosophies and operating practices match their own principles. In order to hire and retain skilled employees, companies are being forced to improve working conditions.
6. **Supplier relations** - as stakeholders are becoming increasingly interested in business affairs, many companies are taking steps to ensure that their partners conduct themselves in a socially responsible manner. Some are introducing codes of conduct for their suppliers, to ensure that other companies' policies or practices do not tarnish their reputation.

4. TRIPLE BOTTOM LINE

- The term was coined by **John Elkington** in 1994 and later used in his 1997 book "*Cannibals With Forks: The Triple Bottom Line Of 21st Century Business*" describing the separate financial, social and environmental "bottom lines" of companies.
- The Triple Bottom Line (TBL), in congruence with sustainable development and corporate social responsibility, incorporates three dimensions, often referred to as the **three Ps, people, planet and profit.**
- Triple Bottom Line works on the assumption that the corporation is a member of the moral community, and this gives it social responsibilities.

4. TRIPLE BOTTOM LINE

- This theory **focuses on sustainability**, and requires that any company weigh its actions on three independent scales: economic sustainability, social sustainability, and environmental sustainability.
- The triple bottom line **is a form of corporate social responsibility** dictating that corporate leaders tabulate bottom-line results not only in economic terms (costs versus revenue) but also in terms of company effects in the social realm, and with respect to the environment.
- Many organizations have adopted the TBL framework to evaluate their performance in a broader perspective to create greater business value.

4. TRIPLE BOTTOM LINE

- **Economic sustainability** must focus on the long term because this is the nature of a persistent company. A decision which creates an economic boon in the short-term, but causes long-term harm, would likely reduce this bottom line to such a degree that the action would be untenable.
- **Social sustainability** gives precedence on the balance of economic power in the society. Competition in the business arena is common, and encouraged, behavior, but maximizing the bottom line in social terms requires that a business foster an environment in which all can succeed.
- The requirement of **environmental sustainability** stems from the recognition that resources are not infinite, and leads to the reasoning that too much degradation will worsen the lives of ourselves, our children and so on.

4. TRIPLE BOTTOM LINE

- The challenges of putting the TBL into practice relate to the **measurement of social and ecological categories**. Despite this, the TBL framework enables organizations to take a longer-term perspective and thus evaluate the future consequences of decisions.

Calculating the TBL

- The 3Ps do not have a common unit of measure. Profits are measured in euros, dollars... What is social capital measured in? What about environmental or ecological health? Finding a common unit of measurement is one challenge.
- Some advocate monetizing all the dimensions of the TBL, including social welfare or environmental damage.

4. TRIPLE BOTTOM LINE

Calculating the TBL

- Another solution would be to **calculate the TBL in terms of an index.**
- In this way, one eliminates the incompatible units issue and, as long as there is a universally accepted accounting method, allows for comparisons between entities, e.g., ***comparing performance between companies, cities, development projects or some other benchmark.***

4. TRIPLE BOTTOM LINE

- **Economic Measures** - economic variables ought to be variables that deal with the bottom line and the flow of money. It could look at income or expenditures, taxes, business climate factors, employment, and business diversity factors. Specific examples include:
 - Personal income
 - Cost of underemployment
 - Establishment churn
 - Establishment sizes
 - Job growth
 - Employment distribution by sector
 - Percentage of firms in each sector
 - Revenue by sector contributing to gross state product

4. TRIPLE BOTTOM LINE

- **Environmental Measures** - environmental variables should represent measurements of natural resources and reflect potential influences to its viability. It could incorporate air and water quality, energy consumption, natural resources, solid and toxic waste, and land use/land cover. Ideally, having long-range trends available for each of the environmental variables would help organizations identify the impacts a project or policy would have on the area. Specific examples include:
 - Sulfur dioxide concentration
 - Concentration of nitrogen oxides
 - Selected priority pollutants
 - Excessive nutrients
 - Electricity consumption
 - Fossil fuel consumption
 - Solid waste management
 - Hazardous waste management
 - Change in land use/land cover

4. TRIPLE BOTTOM LINE

- **Social Measures** - social variables refer to social dimensions of a community or region and could include measurements of education, equity and access to social resources, health and well-being, quality of life, and social capital. The examples listed below are a small snippet of potential variables:
 - Unemployment rate
 - Female labor force participation rate
 - Median household income
 - Relative poverty
 - Percentage of population with a post-secondary degree or certificate
 - Average commute time
 - Violent crimes per capita
 - Health-adjusted life expectancy

SUMMARY OF THE LECTURE

- Businesses worldwide are increasingly worried about the impact of their business activities on society.
- By its very nature CSR is a complex, multiform phenomenon emerging as the interface between enterprises and society.
- Social and environmental consequences have started to being weighed against economic gains and short-term profit against long-term prosperity by the businesses in order to maintain long-term sustainable growth and development.



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**We can share our
thoughts and ask
questions**



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