



M47BSS

Corporate and Ethical Social Responsibility

Essay on Corporate Social Responsibility Methods and Sustainability of Businesses.

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Table of Contents

1. Introduction:	3
1.1. Background:	4
2. Methods to ensure that Businesses applied CSR Policies:	5
2.1. METHODS IN DETAIL:	7
2.1.1. <i>Philanthropic Methods and Evaluation:</i>	7
4. Conclusion:	15
References:	17

Table of Figures:

Figure 1: Measurement of CSV in a Business Organization. (Porter and Kramer 2011:2) 12

Table 1: Benchmarking Standards for Measurement for CSR Policies (Maignan and Ralston 2002: 515)..... 14

1. Introduction:

The present essay evaluates the methods, by which it can be ascertained that business processes implement CSR policies. In the process, it also shows how implementation of CSR policies helps businesses to become more sustainable and profitable (Vogel 2005).

Werther and Chandler (2011, p.15) suggested that corporate social responsibility (CSR) denotes the association between a corporation and the philosophies anticipated by the large community inside which it works. CSR is a custom of self-control that is assimilated into the business model. CSR is the procedure with the objective to include the accountability for the organization's activities and motivate the constructive influence on the surroundings, customers, personnel, societies, investors and other members of the public realm who are known as stakeholders. According to CSR policies, corporations should follow other objectives also for profit intensification (Kotler and Lee 2005, p.3; Friedman 1970).

Though the concept of CSR is reasonably lengthy, there are some complications. Organizations might get concerned by the vague and imprecise characterizations and also by the point that CSR is still often considered as something distinct from the organization's primary business motive (Urip 2010).

While, CSR should be regarded as a commercial approach which makes businesses more sustainable and provides a long-term advantage for the corporation by integrating financial, societal, and conservational magnitudes into the essential business judgements (Benn and Bolton 2011), however still many organizations fails to integrate it in their principle activities.

To attain maximum productivity and sustainable benefits, organizations must select, integrate and implement necessary CSR methods in their businesses in every essential undertaking. Hence, keeping in mind of the present requirement, the essay investigates the necessary approaches used to make sure whether businesses applied CSR policies in their framework or not and how these policies helps them to attain sustainability in the competitive market (Banerjee 2008; Benn and Bolton 2011).

1.1. Background:

Businesses are constantly facing tough competition from their competitors and struggling with new market demands. They are striving to create a sustainable position in the competitive market by constantly catering to the demands of the present generation. Similarly, every organization are becoming aware of their responsibilities towards society and taking necessary actions to monitor the ways in which their operations influenced the communities and the natural atmosphere. They are

adopting and implementing sustainability practices in their business policies (Banerjee 2007).

The term 'sustainability' refers to a corporation's activities, characteristically considered charitable, that validates the insertion of communal and environmental apprehensions in business processes and in communications with investors (Campbell 2007).

To appreciate and improve existing approaches, the ultimate socially accountable corporations sustain to review their agendas, to stay forward in the ever-changing competitive market. The value of associations that a corporation nurture with its shareholders and communities is fundamental to its overall productivity, as is its capability to retort to competitive situations and CSR (Banerjee 2008).

Hence, sustainability is a conspicuous element of the business and social literature. A business can be sustainable by integrating corporate social responsibilities, moral and ethical codes of conducts in their business practices which maintain their reputation in the global market place and also improve their profitability (Banerjee 2008; Campbell 2007).

2. Methods to ensure that Businesses applied CSR Policies:

CSR is also popularly known as strategic philanthropy, corporate nationality, and societal accountabilities. Regardless of the designation, the predominant central principle core to CSR focuses on the ideology of creating "shared values" (Rangan et al. 2012). The main function of the

business, according to CSR is to create value for shareholders in exactly such a way that it also produces value for community, thus positioning itself in a win-win status.

One such example of an organization which is successful in this objective is Cisco and their launching of Cisco Academics to educate networking professionals who created shared value both for society and the organization(*Cisco Systems 2004*).

Currently there are various approaches for ensuring whether businesses apply CSR policies or not in different nations. There are no fixed universal approaches. However generally in order to weigh an organization's corporate philanthropy, its financial contributions and assistance given to indigenous and NGOs, including assistances in commercial segments such as the arts, literature, education, construction, well-being, social welfare and the surroundings are measured and recorded. These are grouped under corporate giving (Urip 2010).

Another approach is harvesting high values of corporate responsibility awareness. This generates shared value, or CSV. The shared value model depends on the notion that corporate accomplishment and social welfare are inter-reliant. A business requires a vigorous, cultured work group along with, supportable properties and proficient administration to contend successfully. For society to flourish, cost-effective and economical transactions must generate revenue, capital, and prospects for patronage (Orlitzky and Swanson 2011).

Many organizations use the policy of benchmarking to compete within their corresponding businesses in CSR strategy, operation, and efficiency. Benchmarking comprises appraising the opponent's CSR creativities, and critically estimating the influence of those strategies on the community and the environment. This method also ensures how patrons distinguish opponent's CSR policy (Khanna and Rivkin 2001).

Hence, keeping in mind, the different requirement of CSR policies, the fundamental concern for organizations are to identify the best methods which would ensure that the business implemented CSR programs in their processes, which would help them further to reflect the organization's core values, while addressing the communal, philanthropic, financial and environmental challenges.

2.1. Methods in Detail:

The various methods which are followed to ensure whether organizations are following CSR practices or not depends upon the fundamental areas in which CSR contributed success in the organization, i.e., philanthropic, social, and environmental performances (Margolis and Walsh 2003).

2.1.1. Philanthropic Methods and Evaluation:

1. Philanthropic Contribution:

The first measure is philanthropic contribution, either in the form of direct financial contribution to non-profit/public service organizations, or donations of various products and services to NGOs and under-developed

communities. It may be emphasized as the 'value' of the organization, articulating the social and conservational supremacies of its inventors, administration and workers, distinctive of any turnover or direct benefit to the corporation (Rangan et al. 2012). Within private organizations, the standards of the regulatory proprietors often control the corporation's philanthropic precedence, while benevolent activities for public organizations may be predisposed by panels of directors and administrative organization. Within this approach, a business participates in CSR since it is ethically good for the organization. They get inspired by the motive that since the company is an essential portion of society it has a commitment to contribute to the requirements of the society. Though at times, these activities may be challenging for organization leaders to present a comprehensible dispute for how philanthropic activities donate to a company's commercial policy, in general these undertakings improve a firm's status in the society and provide a proof of CSR measures being followed in the company premises. They also provide protection from unexpected risks (Smith et al. 2011)

The funding is in this case, is normally provided straightaway or through corporate base that exists distinctly from the business unit. For example, The Coca-Cola Company (Coca-Cola) donates approximately \$90 million yearly to a range of conservational, informative and charitable organizations through The Coca-Cola Company and The Coca-Cola Foundation. These types of philanthropic giving reveal a corporation's

fundamental capabilities and commercial primacies (*The Coca Cola Company* 2011).

These types of CSR activities are difficult to measure through any financial performance methods since these initiatives are not associated with organization's profit-driven objectives.

2. Shared Value:

Nowadays many organizations are constructing shared values by increasing cost-effective corporate policies that provide perceptible social welfares. This rational is generating novel opportunities for earnings and competitive benefits and at the same time as it helps the community by liberating the influence of corporations to help resolve essential universal difficulties (Porter and Kramer 2011).

Regardless of the wide popularity of the concept of shared values, the instrumentations to implement this concept into exercise are still in nascence. Particularly, a different structure for quantification that emphasizes on the collaboration between corporate and community outcomes is one of the most significant instruments to measure shared value practices in organizations.

The measurement of CSV necessitates an iterative procedure that is assimilated with corporate strategy. It is not an episodic work, which is distinct from computing business performance (Lim 2010).

A combined shared value approach and quantification process includes four stages (see Figure 1). Planned urgencies appraise the emphasis and amount of shared value depth; the facts and perceptions from shared value measurement notify improvement of the shared value policy. This continuous response circle is considered as the shared value measurement's essential welfares—supporting with a guidelines for comprehending and revealing additional shared value construction (Shunsuke et al. 2012).

Step 1: Classify the community matters that are solved by the organization. The preliminary idea for shared value is recognizing and arranging precise community matters that characterize occasions to increase profits or decrease expenses. This requires a methodical selection of unmet communal requirements and holes and an examination of how they intersect with the commercial purpose across the three stages of shared value. The consequence of this stage is a number of arranged community issues that a shared value policy of an organization targets and solves. This gives an estimate of the CSR activities within the organization (Porter and Kramer 2011).

Step 2: Make the Corporate Instance. After recognizing the main significant social influence at more than three stages, the subsequent stage is to construct a strong corporate case, grounded on investigation and evaluation of how social development will openly improve business performance. This step contains, classifying the objectives and stating the

actions and charges needed for each shared value prospect, modelling the possible commercial and social consequences comparative to the charges (i.e., value creation prospective), and taking the final decision (Porter and Kramer 2011).

Step 3: Tracking the growth. Often, the performance of the companies is used to track the development of CSV and application of the principles. Other measures also include pursuing contributions and business actions, outputs, economic presentation (profits and charges) comparative to projections. Hence, financial performance can be a measure of CSV and in turn CSR (Porter and Kramer 2011).

Step 4: Measure results and use insights to unlock new value. The last stage highlights on authenticating the expected association between community and corporate consequences and defining whether the expense of corporate capitals and exertions formed a virtuous combined yield. Understandings and outcomes from this evaluation will inform whether the business follows CSR in its premises or not and whether they have further interest for value creation through humanizing the shared value policy and implementation (Porter and Kramer 2011; Shunsuke et al. 2012).

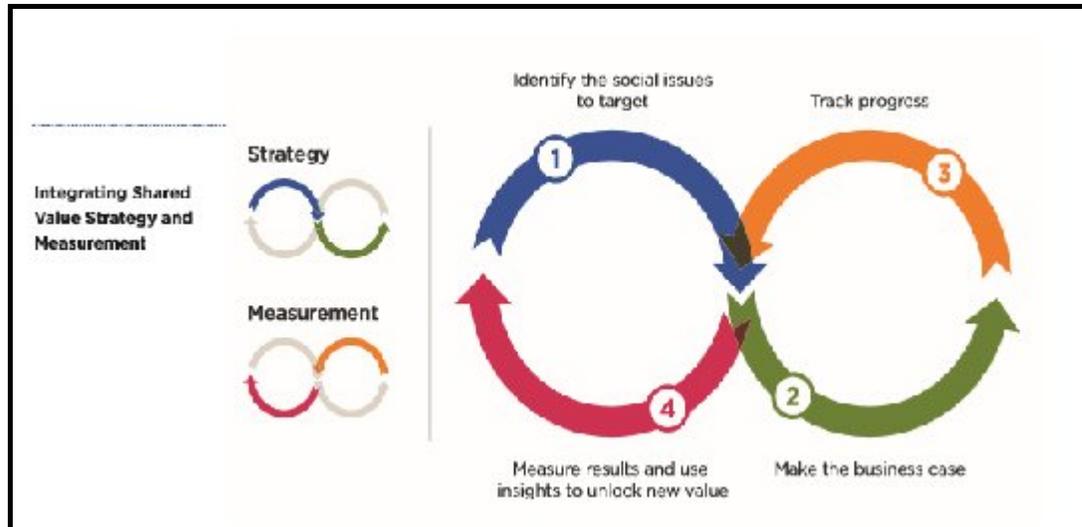


Figure 1: Measurement of CSV in a Business Organization. (Porter and Kramer 2011:2)

In this case, the best example is the Hewlett-Packard Company. They have utilized CSR policies to the maximum and meet almost all the criteria, but still prioritized the main objective, i.e. increasing the growth and development of the company by recognizing new opportunities. They surpassed the competition from IBM and have occupied the position of largest contract manufacturer. Through the moral codes and the employees, they have avoided various intra-organizational conflicts and handled necessary information thus creating a shared value among themselves along with their suppliers (Lockheed 2004).

3. Benchmarking:

There has been a fast development in in implementation of CSR methods, mainly by reputed organizations over the past few years. This has chiefly driven the need for the formation of legislations who can measure various CSR approaches in various organizations in different nations. The function

of these legislations is to whether the organizations are implementing the CSR activities in their business policies according to the mandatory benchmarking guidelines (Matten and Moon 2008). The EU and UK legislation sometimes make engagement in CSR activities mandatory for some business organizations and in these cases they provide them with some benchmarking criteria which the organizations should fulfil.

The European Commission (EC) (2001) created a 'CSR Green Paper' for discussion between associate states with the main objective of encouraging a new agenda for the advertisement of CSR. Presently 90% of UK conservational regulation initiates from the EU and the tendency appears customary to endure with CSR practices (Maignan and Ralston 2003). There are some accepted standards and code of conducts known as 'benchmarking metrics' which is applicable for all the organizations who want to implement CSR in their premises. There are also other guides available for specific industries. These ranges of guides extensively comprise of moral guides, CSR ethics, CSR policy strategy and application, society action reporting, benchmark catalogues and rewards for quality recording. Hence, by these measures, the legislation can ensure whether businesses apply CSR policies or not (Rangan et al. 2012). The table (table. 1) given below condenses the benchmarking measuring indices and instruments usually used for European country, a short-term descriptor of individual, who "possesses" them and where to use them.

<i>Tool/standard</i>	Owned by	Objective	Descriptor
The London Benchmarking model	The London Benchmarking Group. 50 top companies use it	To manage and measure community involvement programmes, so as to report on all community activities.	Uses an input/output matrix to analyse effectiveness of community involvement programmes.
FTSE4Good index	FTSE	To objectively identify companies who: Work towards environmental sustainability, develop positive relationships with stakeholders, uphold and support human rights.	A series of benchmark and tradable indices facilitating investment in companies with good records of CSR.
AccountAbility 1000 (AA 1000)	AccountAbility.	To enable companies to integrate their stakeholder engagement processes into daily activities	A framework for users with KPIs, targets and reporting systems.
Social Accountability 8000	Social Accountability International. (SAI)	To ensure ethical sourcing of goods and services.	A standard that sets basic standards for child labour, forced labour, health and safety, freedom of association, and the right to collective bargaining, disciplinary practices, working hours, competitive bargaining,
Ethibel Investment Register and Ethibel Sustainability Indexes	Ethibel (Belgian non-profit independent research institute)	Measure sustainability and CSR by means of checklist of sustainable criteria – screening process considers internal social, external social, environmental and economic policies.	Member of SiRi specialising in screening mainly European companies. Selected as representative of 'best practice' in the Mistra report on Socially Responsible Investment (2001)

<i>Tool/standard</i>	Owned by	Objective	Descriptor
Corporate Responsibility index	Business in the Community. (BITC)	Improve CSR performance by providing a systematic process to compare companies' management processes and performance with others in their sector.	An annual index to assess and compare the CSR performance of BITC member companies, currently FTSE 350.
Community Mark designed for SMEs with less than 250 employees and max £25m turnover	Business in the Community. (BITC)	Recognise the work that many SMEs do in the community. Provide a model to maximise SME community impact.	A Community standard that acknowledges a high level of community involvement by an SME. Especially useful for SMEs.
SME key for SMEs	CSR Europe.	To provide SMEs with a pragmatic tool-kit for establishing a CSR strategy.	A software guide that can be downloaded, especially useful for SMEs.
EIRIS research	Ethical Investment Research Service	To research the social, environmental and ethical performance of companies on behalf of investors	Charity set up in 1983 by a group of churches and charities.
MORI 2006 European survey	CSR Europe	To assess overall European attitudes and individual country views on CSR.	First ever-European survey of Consumer attitudes towards CSR.
Virtuous Circle of Governance	Tomorrow's Company	To help companies in their stakeholder relationships.	Business "relationship and leadership" model.
Sustainable development toolkit	SustainAbility	To assist all companies in understanding, advancing and measuring performance in the area of sustainable development.	A series of tools and metrics used by SustainAbility

Table 1: Benchmarking Standards for Measurement for CSR Policies (Maignan and Ralston 2002: 515)

Some benchmarking measurement indices are accepted internally such as;-

- Operations Integrity Integrated Security Management System (OIISMS)
- Community Influence Assessment Standard
- International Communal Accountability Standard 8000.

For example, Philips Electronics is one of the best examples of an organization which fulfils almost all the benchmarking indices of the above table. They have detailed moral codes of ethics that is employee and customer friendly which is reported annually. They also report the yearly sustainable development reports that are the strong proof of their implementations of CSR policies in their premises. They also evaluate their leadership roles on the basis of CSR ethics and also guide their suppliers to follow the same ethics code of conduct. They also scored highest in corporate philanthropic contribution and labour wages problem resolution (Baue 2004; Philips Electronics 2003).

4. Conclusion:

The present paper critically evaluates the issues related with corporate social responsibilities and the ways by which businesses can become more sustainable within due course of time. It also discusses three essential approaches by which the CSR policies of a business can be measured.

Though there are no universal codes of measurements for CSR policies in

the organizations but fulfilment of the three discussed metrics apparently ensures whether businesses apply CSR strategies or not. The need of implementation of CSR policies is not just a mere formality in the organizations. It improves the social reputation and standing of the corporation and also helps the sustainable development of the company. Though the metrics of financial profitability through CSR is still in the need of empirical evidence but according to some scholars, CSR proves profitable for the organization as well.

In order to have a perfect understanding, each evaluation has been supported by the example of an individual organization in which the implementation of CSR has shown necessary improvement of reputation of the corporation and signs of sustainable development.

Practical Recommendations:

1. CSR strategy integration into the business policy is an essential mandate for sustainable development of the organization.
2. CSR policies not only improve the social standing of the organization through philanthropic giving, but it also helps to improve the relation of the corporation along with its stakeholders.
3. There are no universal measurement tools for CSR approaches in business organizations and benchmarking metrics varies from different legislations depending upon the nation.

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