CORPORATE SOCIAL RESPONSIBILITY – AN OVERVIEW

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ABSTRACT: **Corporate Social Responsibility is a concept which as become dominate in business reporting. The broadest definition of corporate social responsibility is concerned with what is – or should be –the relationship between global corporation, governments of countries and individual citizens. This is concerned with the effect which action taken in the present has upon the options available in the future. This concept therefore implies a recognition that the organisation is part of wider societal network and has responsibilities to all of that network rather than just to the organisation. There is principle, which together comprise all CSR activity. These are:**

- **Sustainability**
- **Accountability**
- **Transparency**

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Introduction

Corporate Social Responsibility is a concept which as become dominate in business reporting. Every corporation has a policy concerning CSR and produce a report annually detailing its activity. And of course each of us claims to be able to recognise corporate activity which is socially responsible and activity which is not socially responsible. There are two interesting pints about this firstly we do not necessarily agree with each other about what is socially responsible and although we claim to recognise what it is or is not when we are asked to define it then we find this impossibly difficult . Thus the number of different definition is huge and is this chapter we look at some of these.

Definitions of CSR

The broadest definition of corporate social responsibility is concerned with what is – or should be –the relationship between global corporation, governments of countries and individual citizens. More locally the definition is concerned with the relationship between a corporation and the local society in which it resides or operates. Another definition is concerned with the relationship between a corporation and its stakeholders.

This social contact implies some form of altruistic behaviour-the converse of selfishness-where as self-interest connotes selfishness. Self-interest is central to the Utilitarian perspective championed by such people has Bentham, Locke and J.S.Mill. The latter, for example Is generally considered to have advocated ass morally right the pursuit of the greatest happiness for the greatest number-although Utilitarian philosophy is actually much more based on selfishness then this-something to which be return later. According to the EU commission “CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their Stakeholders on a voluntary basis.”

Corporations are Part of Society

A growing number of writers however have recognised that the activities of an organisation impact upon the external environmental and have suggested that one of the roles of accounting should be to report upon the impact of an organisation in this report upon the impact of an organisation in this respect. Such a suggestion first arose in the 1970s and a concern with a wider view of company performance is taken by some writers who evince concern with the social performance of a business, as a member of society at large.

The Effects of Organisational Activity

It is apparent of course that any action which an organisation undertakes will have an effect not just upon itself but also upon the external environment within which that organisation resides. In considering the effect of the organisation upon its external environment it must be recognised that this environment includes both the business environment in which the firm is operating, the local societal environment in which the organisation is located and the wider global environment. This effect of the organisation can take many forms, such as:

- The utilisation of natural resources as a part of its production processes

- The effects of competition between itself and other organisation in the same market
- The enrichment of a local community through the creation of employment opportunities
- Transformation of the landscape due to raw material extraction or waste product storage
- The distribution of wealth created within the firm to the owner of that firm (via dividends) and the worker of that firm (through wages) and the effect of this upon the welfare of individuals
- And more recently the greatest concern has been with climate change and the way in which the emission of greenhouse gases are exacerbating this.

The Principles of CSR

Because of the uncertainty surrounding the nature of CSR activity it is difficult to define CSR and to be certain about any such activity. It is therefore imperative to be able to identify such activity and we take the view that there are three basic principles which together comprise all CSR activity. These are:

- Sustainability
- Accountability
- Transparency

Sustainability

This is concerned with the effect which action taken in the present has upon the options available in the future. If resources are utilised in the present then they are no longer available for use in the future, and this is of particular concern if the resources are finite in quantity.

Thus raw materials of an extractive nature, such as coal, iron or oil, are finite in quantity and once used are not available for future use. At some point in the future therefore alternatives will be needed to fulfil the functions currently provided by these resources. This may be at some point in the relatively distant future but of more immediate concern is the fact that as resources become depleted then the cost of acquiring the remaining resources tends to increase, and hence the operational costs of organisations tend to increase .

Sustainability therefore implies that society must use no more of a resource that can be regenerated. This can be defined in terms of the carrying capacity of the ecosystem (Hawken 1993) and described with input – output models of resource consumption. Thus the paper industry for example has a policy of replanting trees to replace those harvested and this has the effect of retaining costs in the present rather than temporally externalising them.

Accountability

This is concerned with an organisation recognising that its actions affect the external environment, and therefore assuming responsibility for the effects of its action. This concept therefore implies a quantification of the effect of actions taken, both internal to the organisation and externally. More specifically the concept implies a reporting of those quantifications to all parties affected by those actions. This implies a reporting to external stakeholder of the effects of actions taken by the organisation and how they are affecting those stakeholders.

This concept therefore implies a recognition that the organisation is part of wider societal network and has responsibilities to all of that network rather than just to the organisation. Alongside this acceptance of responsibility therefore must be a recognition that those external stakeholder have the power to affect the way in which those actions of the organisation are taken and a role in deciding whether or not such actions can be justified, and if so at what cost to the organisation and to other stakeholders.

Accountability therefore necessitates the development of appropriate measures of environmental performance and the reporting of the actions of the firm. Benefits must be determined by the usefulness of the measures selected to the decision – making process and the way in which they facilitate resource allocation, both within the organisation and between it and other stakeholders. Such reporting need to be based upon the following characteristics:

- Understandability to all parties concerned;
- Relevance to the users of the information provided;
- Reliability in terms of accuracy of measurement, representation of impact and freedom from bias;
- Comparability, which implies consistency, both over time and between different organisations.

Transparency

Transparency, as a principle, means that the external impact of the actions of the organisation can be ascertained form that organisation's reporting and pertinent facts are not disguised within that reporting. Thus all the effects of the actions of the organisation, including external impacts, should be apparent to all from using the information provided by the organisation's reporting mechanisms. Transparency therefore can be seen to follow from the other two principles and equally can be seen to be a part of the external effects of its actions and equally part of the process of transferring power to external stakeholders.

Benefits of CSR

Better anticipation and management of an ever-expanding spectrum of risk. Effectively managing governance, legal, social, environmental and other risks in an increasingly complex market environment, with greater oversight and stakeholder scrutiny of corporate activities, can improve the security of supply and overall market stability. Considering the interests of parties concerned about a firm's impact is one way of better anticipating and managing risk.

Improved reputation management, organizations that perform well with regard to CSR can build their reputation, while those that perform poorly can damage brand and company value when exposed. Reputation, or brand equity, is founded on values such as trust, credibility, reliability, quality and consistency. Even for firms that do not have direct retail exposure through brands, their reputation for addressing CSR issues as a supply chain part-ner—both good and bad—can be crucial commercially

Improved relations with regulators, in a number of jurisdictions, govern-ments have expedited approval processes for firms that have undertaken social and environmental activities beyond those required by regulation. In some countries, governments use CSR indicators in deciding on procurement or export assistance contracts. This is being done because governments recognize that without an increase in business sector engagement, government sustainability goals cannot be reached.

Conclusion

Today, more and more companies are realizing that in order to stay productive, competitive, and relevant in a rapidly changing business world, they have to become socially responsible. In the last decade, globalization has blurred national borders, and technology has accelerated time and masked distance. Given this sea change in the corporate environment, companies want to increase their ability to manage their profits and risks, and to protect the reputation of their brands. Because of globalization, there is also fierce competition for skilled employees, investors, and consumer loyalty. How a company relates with its workers, its host communities, and the marketplace can greatly contribute to the sustainability of its business success.

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