Corporate Citizenship, Social Responsibility, Responsiveness, and Performance
Components of Corporate Social Responsibility

**Economic Responsibilities:** Responsibility of a company using the resources that are available in order to provide goods and services for the community.

**Legal Responsibilities:** Regulations and laws that businesses should observe by their daily performance.

**Ethical Responsibilities:** Expectations of the society, therefore they change eventually. Business should be a good corporate citizen by going beyond the legal and governmental standards.

**Discretionary Responsibilities:** Activities that are left in managers’ hand in order to make right decisions → are not seen as unethical if managers do not contribute in these discretionary responsibilities, for e.g. a firm's philanthropic (charitable) commitment.
Focus

Corporate social responsibility involves responsibilities outside of making a profit and the key questions for corporations include:

- Does business have a social responsibility?
- If so, what is the extent and type of the responsibility?
Corporate Social Responsibility (CSR)

Preliminary definitions of CSR

• The impact of a company’s actions on society

• Requires a manager to consider his acts in terms of a whole social system, and holds him responsible for the effects of his acts anywhere in that system
Corporate Social Responsibility (CSR)

Corporate Citizenship Concepts

• Corporate social \textit{responsibility} – emphasizes obligation and accountability to society

• Corporate social \textit{responsiveness} – emphasizes action, activity

• Corporate social \textit{performance} – emphasizes outcomes, results
Corporate Social Responsibility (CSR)

**Business Criticism / Social Response Cycle**

1. Factors in the Societal Environment
2. Criticism of Business
3. Increased concern for the Social Environment
4. A Changed Social Contract
5. Business Assumption of Corporate Social Responsibility
6. Social Responsiveness, Social Performance, Corporate Citizenship
7. A More Satisfied Society
8. Fewer Factors Leading to Business Criticism
9. Increased Expectations Leading to More Criticism
Corporate Social Responsibility (CSR)

Historical Perspective

• *Economic model* – the invisible hand of the marketplace protected societal interest

• *Legal model* – laws protected societal interests
Corporate Social Responsibility (CSR)

Historical Perspective

- Modified the economic model
  - Philanthropy
  - Community obligations
  - Paternalism
Corporate Social Responsibility (CSR)

Historical Perspective

• What was the main motivation?
  – To keep government at arms length
Corporate Social Responsibility (CSR)

Historical Perspective

From the 1950’s to the present the concept of CSR has gained considerable acceptance and the meaning has been broadened to include additional components.
Corporate Social Responsibility (CSR)

Evolving Viewpoints

- CSR considers the impact of the company’s actions on society (Bauer)
- CSR requires decision makers to take actions that protect and improve the welfare of society as a whole along with their own interests (Davis and Blomstrom)
Corporate Social Responsibility (CSR)

Evolving Viewpoints

- CSR mandates that the corporation has not only economic and legal obligations, but also certain responsibilities to society that extend beyond these obligations (McGuire)
Corporate Social Responsibility (CSR)

Evolving Viewpoints

• CSR relates primarily to achieving outcomes from organizational decisions concerning specific issues or problems, which by some normative standard have beneficial rather than adverse effects upon pertinent corporate stakeholders. The normative correctness of the products of corporate action have been the main focus of CSR (Epstein)
Corporate Social Responsibility (CSR)

Carroll’s Four Part Definition

• CSR encompasses the economic, legal, ethical and discretionary (philanthropic) expectations that society has of organizations at a given point in time
## Corporate Social Responsibility (CSR)

### Carroll’s Four Part Definition

#### Understanding the Four Components

<table>
<thead>
<tr>
<th>Responsibility</th>
<th>Societal Expectation</th>
<th>Examples</th>
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</thead>
<tbody>
<tr>
<td>Economic</td>
<td>Required</td>
<td>Be profitable. Maximize sales, minimize costs, etc.</td>
</tr>
<tr>
<td>Legal</td>
<td>Required</td>
<td>Obey laws and regulations.</td>
</tr>
<tr>
<td>Ethical</td>
<td>Expected</td>
<td>Do what is right, fair and just.</td>
</tr>
<tr>
<td>Discretionary (Philanthropic)</td>
<td>Desired/ Expected</td>
<td>Be a good corporate citizen.</td>
</tr>
</tbody>
</table>
Pyramid of CSR

Philanthropic Responsibilities
Be a good corporate citizen.

Ethical Responsibilities
Be ethical.

Legal Responsibilities
Obey the law.

Economic Responsibilities
Be profitable.
Corporate Social Responsibility (CSR)

CSR in Equation Form Is the Sum of:

Economic Responsibilities (*Make a profit*)
Legal Responsibilities (*Obey the law*)
Ethical Responsibilities (*Be ethical*)
Philanthropic Responsibilities (*Good corporate citizen*)
CSR
Corporate Social Responsibility (CSR)  

*Arguments Against*

- Restricts the free market goal of profit maximization
- Business is not equipped to handle social activities
- Dilutes the primary aim of business
- Increase business power
- Limits the ability to compete in a global marketplace
Corporate Social Responsibility (CSR)

Arguments For

• Addresses social issues business caused and allows business to be part of the solution
• Protects business self-interest
• Limits future government intervention
• Addresses issues by using business resources and expertise
• Addresses issues by being proactive
Corporate Social Responsibility (CSR) Business *Responsibilities in the 21st Century*

- Demonstrate a commitment to society’s values and contribute to society’s social, environmental, and economic goals through action.
- Insulate society from the negative impacts of company operations, products and services.
- Share benefits of company activities with key stakeholders as well as with shareholders.
- Demonstrate that the company can make more money by doing the right thing.
Corporate Social Responsiveness

Evolving Viewpoints

- Ackerman and Bauer’s action view
- Sethi’s three stage schema
- Frederick’s CSR_1, CSR_2, and CSR_3
- Epstein’s process view
Corporate Social Performance

Carroll's CSP model integrates economic concerns into a social performance framework
## Corporate Social Performance

**Wartick and Cochran’s Corporate Social Performance Model Extensions**

<table>
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<tr>
<th>Principles</th>
<th>Processes</th>
<th>Policies</th>
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<tr>
<td><strong>Corporate Social Responsibilities</strong></td>
<td><strong>Corporate Social Responsiveness</strong></td>
<td><strong>Social Issues Management</strong></td>
</tr>
<tr>
<td>(1) Economic</td>
<td>(1) Reactive</td>
<td>(1) Issues Identification</td>
</tr>
<tr>
<td>(2) Legal</td>
<td>(2) Defensive</td>
<td>(2) Issues Analysis</td>
</tr>
<tr>
<td>(3) Ethical</td>
<td>(3) Accommodative</td>
<td>(3) Response Development</td>
</tr>
<tr>
<td>(4) Discretionary</td>
<td>(4) Proactive</td>
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<td>(2) Business as a Moral Agent</td>
<td>(2) Managerial Approaches to Developing Responses</td>
<td>(2) Determining Effective Corporate Social Policies</td>
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</tbody>
</table>

**Philosophical Orientation**

**Institutional Orientation**

**Organizational Orientation**

Corporate Citizenship

*Corporate citizenship* embraces all the facets of corporate social responsibility, responsiveness and performance
Social—and Financial—Performance

**Perspective 1: CSP Drives the Relationship**

- Good Corporate Social Performance ➔ Good Corporate Financial Performance ➔ Good Corporate Reputation

**Perspective 2: CFP Drives the Relationship**

- Good Corporate Financial Performance ➔ Good Corporate Social Performance ➔ Good Corporate Reputation

**Perspective 3: Interactive Relationship Among CSP, CFP, and CR**

- Good Corporate Social Performance ➔ Good Corporate Financial Performance ➔ Good Corporate Reputation

- Good Corporate Social Performance ➔ Good Corporate Financial Performance ➔ Good Corporate Reputation

- Good Corporate Social Performance ➔ Good Corporate Financial Performance ➔ Good Corporate Reputation
Social and Financial Performance
A Multiple Bottom-Line Perspective

Relationship Between Corporate Social Performance (CSP) and Stakeholders' "Multiple Bottom Lines"

Corporate Social Performance

- Owner Stakeholders' "Bottom Line"
- Consumer Stakeholders' "Bottom Line"
- Employee Stakeholders' "Bottom Line"
- Community Stakeholders' "Bottom Line"
- Other Stakeholders' "Bottom Line"
Socially Conscious or Ethical Investing

Social screening is a technique used to screen firms for investment purposes.
Selected Key Terms

- Business for Social Responsibility
- Community obligations
- Corporate Citizenship
- Corporate social responsibility
- Corporate social performance
- Economic, legal, ethical, and discretionary responsibilities
- Paternalism
- Philanthropy
- Pyramid of CSR
- Socially conscious investing