

Corporate Social Responsibility: Benefit, Current Status and Future Trend

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Abstract

The objective of this paper is to review the current status and future trend of corporate social responsibility concept practiced by companies. In doing so, the term corporate social responsibility is defined with the regulations governing it. Then the benefits of performing such responsibilities are elaborated. Finally, the role of the public sector is discussed in assisting the business firms for practicing social responsibility. The examination of various available literatures revealed that, investing in social responsibility activities pays the firm in terms of improved brand image, skilled and motivated employees, better risk management etc. Finally, this paper concluded that, social responsibility compliance and stockholders value are not mutually exclusive tasks, rather they compensate each other in achieving the ultimate goal of sustainable economic development.

Keywords: corporate social responsibility, global instrument, benefits, public sector

1. Introduction

Corporate social responsibility (CSR) has developed into a widely recognized topic for business firms. But the question as to whether and how they

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should practice CSR is still vague and widely debated. There are also few models that show the positive relation between investment in CSR and benefits to the company. However, gradually governments and various global instruments are imposing CSR standards on companies to follow. Hence, in near future companies would not be able to decline CSR activities. Thus, it is high time for business firms to assess the cost and benefits of investing in CSR activities. Accordingly, this paper reviews the meaning, regulations, benefits and future trend of CSR activities. The results of this study are expected to provide a baseline for initiating a future study on the impact of practicing corporate social responsibility by banks.

CSR of financial intermediaries has been played very important role both in the economy and society. In the decade of 1960s, CSR of manufacturing enterprises particularly those of heavy industries caught certain attentions of people for coping with public nuisance and environmental destructions. A few economists and managerial scientists such as Mishan (1969) who is known by exploring amenity right and others, Rome Club and Meadows et al. (1972) giving us consideration about limit and implementation of economic growth to harmonize environmental conditions, and others have conducted relevant researches.

This might be the first era of researching CSR. This line of studies on environmental sciences involving environment economics or environment management has widely been tackled by scientists in many fields to develop methodologies and practices of keeping the earth and global environments in appropriately sustainable conditions.

Since 1990, we have observed the second trend of investigating CSR. Some interesting topics have been presented even for revitalization of developed economies such as optimal settlement of governance status among

stakeholders, corporate citizenship, business ethics, corporate culture, and so forth.

2. Corporate Social Responsibility (CSR)

Corporate social responsibility, as the name implies, refers to the responsibility of the company to the society or community. This term is defined by the World Business Council for Sustainable Development (WBCSD, 2002) as “the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life.” Thus CSR refers to the responsibility of the business firms to improve the relationships among the stakeholders, which includes customers, investors, employees, local community and the society. Figure 1 depicts the role that CSR activities play in achieving the ultimate goal of sustainable economic development for the stakeholders.

3. Current Global Instruments for CSR

Presently, there are several “global instruments” which provide code or standard to guide international business regarding non-financial performance, i.e., corporate social responsibility, namely, OECD Guidelines for Multinational Enterprises, Caux Principles for Business, Global Reporting Initiative, Global Sullivan Principles, Principles for Global Corporate Responsibility: Benchmarks, Social Accountability 8000 (SA8000), UN Global Compact. The objective of these guidelines is to develop internationally agreed principles to reduce misunderstanding and promote assurance

among business, labor and society as a whole (Gordon, 2001). A comparison of these instruments in reference to the corporate social responsibility is shown in Table 1. From the table we can see that, Principles for Global Corporate Responsibility: Benchmarks and OECD Guidelines for Multinational Enterprises covers the CSR topics more widely compared to the other global instruments.

4. Does Corporate Social Responsibility Pay ?

The question whether practicing social responsibility benefits the business firm is a subject of debate among the researchers. There are two contrasting views with respect to the objective of the firms. Adam Smith and Milton Friedman argue that the companies are solely responsible to their owners and their social responsibility is to make profit (CPD, 2002). On the other hand, socio-political maximalists relate that social responsibility of a company is unlimited and the objective of profit maximization should come next. The opinion of these economic arguments has different goals for a firm, but they have one thing in common, which is they considered social responsibility and shareholders value as mutually exclusive. Still now to many firms the benefits of practicing social responsibility are not clear. Thus the lack of willingness on the part of many firms to develop concrete corporate social responsibility program indicates that, these activities are costly and problematic with no obvious benefit for the firm (Murry and Vogel, 1997).

However if we consider another viewpoint the stockholders value and social responsibility are not mutually exclusive, rather they compensate each other. A business firm which aims at maximizing stockholders value should also invest in performing social responsibility by increasing accountability

Table 1. A comparison of the topics referred in the global instruments for corporate responsibility

	OECD Guidelines for Multinational Enterprises (revised in 2000)	Caux Principles for Business (issued in 1994)	Global Reporting Initiative (issued in 1999)	Global Sullivan Principles (issued in 1999)	Principles for Global Corporate Responsibility: Benchmarks (revised in 1998)	Social Accountability 8000 (SA8000) (issued in 1998)	UN Global Compact (issued in 1999)
Accountability	O	X	O	X	O	O	Δ
Business Conduct	O	Δ	X	Δ	O	X	X
Community involvement	Δ	O	X	Δ	O	X	X
Corporate Governance	Δ	O	Δ	X	O	X	X
Environment	O	X	Δ	X	O	X	X
Human Rights	Δ	X	O	O	O	O	Δ
Marketplace/consumers	O	Δ	X	X	Δ	X	X
Workplace/employees	Δ	Δ	X	X	O	Δ	X

Note: O strongly referred; Δ moderately referred; X weakly referred

Source: Compiled from Gordon, 2001

and transparency. Thus a firm can satisfy both the goal of making profits and performing social responsibility. Among others the benefits which a business firm can expect to receive from exercising social responsibility might be divided into direct (short-term) and indirect (long-term) benefits and are explained below.

4.1 Direct Benefits

- a) Practicing corporate social responsibility increases accountability and transparency of the firm, which in turn results in better risk management by restricting the management from opting hidden risky transactions.

Table 2 Public sector roles in enforce CSR

Roles	Activities		
Mandating	Command and control legislation	Regulators and inspectorates	Legal and fiscal penalties and rewards
Facilitating	Enabling legislation Funding support	Creating incentives Raising awareness	Capacity building Stimulating markets
Partnering	Combining resources	Stakeholder engagement	Dialogue
Endorsing	Political support		Publicity and praise

Source: Fox et al., 2002

- b) This also increases the image of the company through good publicity in the community and the society.
- c) Fulfilling social responsibility ensures the welfare of the employees and their development and guarantees the continued flow of skilled and motivated workforce.
- d) Firms investing in exercising social responsibility are also valued highly

Table 3 Long-term strategic benefits form practicing corporate social responsibility

	Centrality	Specificity	Proactivity	Voluntarism	Visibility	Value created
Philanthropic contributions	Computer donations to schools by computer mfrs. Engineering research fellowships	Accustom new users to firm's products vs competitors		Community support		Customer loyalty
Employee benefits		Health Day care Flex-time	New or uncommon benefits Higher employee loyalty	Employee loyalty and morale	Internal: Employee loyalty and morale	Productivity gains
Environment management (health, safety, pollution)	New products e.g., 'green' Process innovation	Patent or innovation edge in product or process development	Learning curve advantage	Positive relations with regulations	Public relations and/or marketing advantage	New products or markets
Political activity (PAC, lobby or information independent or industry)	Favorable change in economic and social regulations	New business opportunities if pre-positioned to take advantage of new rules	Pre-positioning for changes in regulations			New product or geographic market opportunities
Product or service related characteristics, innovations or processes	Product reformulation e.g. 'green' Improved design, e.g., fuel efficiency New products, e.g., airbags	Patent or innovation edge first-to-market brand loyalty	Environmental scanning to create edge in design or product ideas		First-to-market or leadership benefits	New product on new markets Edge in meeting emergency needs

Source: Burke and Logsdon (1996)

by the market indicators in terms of non-financial indicators.

4.2 Indirect Benefits

Also there are various indirect and long-term benefits. Burke and Logsdon (1996) elaborated the long-run strategic payoffs from CSR. These are explained through Table 3.

5. Role of Public Sector in Strengthening CSR

In the current state where the benefits of CSR activities are not still clear to the business firms, government of each country can play an important role through the public sector. Government can assist in building an 'enabling environment', which would create a policy environment encouraging business firms to minimize environmental and social costs and maximizing economic gains (Fox et al., 2002). In this regard, the public sector can play four roles, e.g., mandating, facilitating, partnering, and endorsing the corporate social responsibility themes to the business firms (see Table 2 for details).

6. Concluding Remarks

The main objective of this study is to assess the current status and future trend of corporate social responsibility practiced by the business firms. In doing so this paper presented a part of the literature survey. The findings of the study might be summarized and concluded as follows:

- (1) Whether or not the business firms recognize the benefits, performing corporate social responsibility is becoming an inevitable task for the

companies due to the increasing enforcement of both national and global instruments.

- (2) However, practicing social responsibility brings both short and long-term benefits to the business firms in this ever increasing era of corporate image and globalization.
- (3) Investing in social responsibility and maximizing shareholders value is not a contrasting task. They both are two sides of the same coin and lead to the same objective of improving the quality of life and eventually sustainable economic development.
- (4) In addition to the benefit driven motivation from the companies to perform social responsibility, public sector should act as catalyst in mandating, facilitating, partnering and endorsing business firms in performing social responsibility.

Though there might be quite a few literatures about CSR of financial services industries both in first and second periods, we could recognize that some of them would have their own basic features or worthy points common to manufacturing or other industries to be surveyed here in this paper. Finally this study is just a baseline survey for grasping the concept of corporate social responsibility. Our next objective is to expand the concept to banks and study the corporate responsibility of banks by initiating both theoretical and empirical analysis.

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