



Does Corporate Social Responsibility Pay?

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A recent conference on Corporate Social Responsibility (CSR), organised by the Malta Standards Authority to commemorate its tenth anniversary, brought together a panel of speakers very much involved in CSR. This is a concept to run organizations profitably yet in a social and environmentally responsible way in order to achieve business sustainability and stakeholders satisfaction.

Corporate social responsibility used to be the sole preserve of socially progressive companies. Now it seems every company is jumping on the CSR bandwagon. But most companies may not be embracing CSR for altruistic reasons. Instead firms should realize that adopting a CSR agenda offers many benefits.

Business value of CSR

Some economists, notably Milton Friedman, have argued that social responsibility has no place within the corporation. The role of the corporation, they maintain, is to make profits and deliver value to shareholders. Friedman famously asserted that social responsibility was a "fundamentally subversive doctrine", saying: "There is one and only one social responsibility of business-to use its resources and engage in activities designed to increase its profits."

What these economists overlooked was that a company can focus on its core business, make profits, deliver value to shareholders, and still behave in a socially responsible manner. Russell Sparkes, a director of the UK Social Investment Forum and author of *Socially Responsible Investment - A Global Revolution* defines CSR as the situation when companies are judged "not just by the products and profits they make, but also by how those profits are made." It is not the same as corporate philanthropy.

Drivers of CSR

A number of drivers are involved in the rush to adopt socially responsible business practices.

- CSR can have an important role in risk management. Companies that have experienced a crisis or been

embroiled in a scandal often turn to CSR as part of a risk management programme.

- Closely allied to risk management is another driver; reputation management. In a brand conscious world a company must protect the value of its brand. Interbrand 's 2003 annual ranking of 100 of the best global brands values the McDonald's brand at \$24 billion, Nike is worth \$8.1 billion, BP \$3.5 billion. No wonder that these companies are looking for strategies to safeguard that value.
- The drive towards CSR isn't always internal. CSR can be forced upon a corporation by external pressures. Stakeholders, like communities and

shareholders, or regulatory bodies, can steer companies towards CSR.

- Equally, companies hope that by displaying an interest in CSR, however superficial, they will avoid further regulation.
- Another important driver is the rise of socially responsible investment (SRI). In the US SRI funds account for over \$2 trillion worth of investment. With that level of investment interest no company wants to risk the stigma of being removed from the list of acceptable investments.
- CSR has even caught on at a national level as governments realize that CSR could be a useful part of national competitive strategy. To make an impact on national competitiveness CSR must be adopted at a higher level than simply the corporate. Adopted on an industry wide basis, or legislative basis, CSR has the potential to boost exports and increase the flow of Foreign Direct Investment - a particularly attractive proposition for developing countries.

Defining CSR

There is an increasing focus by all types of organizations on examining their social responsibilities. For example, Business in the Community published 'Winning with Integrity' in November 2000.

This has as part of its objectives "to produce materials and resources on how companies should measure and report their impact on society" (Business Impact, 2000). It lists 20 such initiatives in various areas of furthering corporate social responsibility, not including its own report. Similarly, the World Business Council for Sustainable Development (WBCSD, 1999) seeks to develop a clear understanding of corporate social responsibility, including a matrix of corporate social responsibility indicators. But what is meant by corporate social responsibility (CSR)? Responsibility for what and to whom and who is calling for both public and private organizations to be socially responsible?

There is no single authoritative definition of CSR and there have been many attempts, one of these defines CSR as the duty of the organization to respect individuals' rights and promote human welfare in its operations (Manakkalathil and Rudolf, 1995; Oppewal et al., 2006). Businesses not only have the economic responsibility of being profitable and the legal responsibility to follow the laws or ground rules that guide their ability to achieve their economic requirements, but they also have ethical responsibilities that include a range of societal norms, or standards.

Standardizing Social Responsibility

November 2010 saw the launch of one of the most eagerly awaited ISO International

Standards of recent years, ISO 26000, which provides guidance to both business and public sector organizations on social responsibility (SR). This publication has been eagerly awaited by organizations worldwide, whether they are business enterprises, or public sector organizations. What makes ISO 26000 exceptional among the many already existing social responsibility initiatives is that it distils a truly international consensus on what social responsibility means and what core subjects need to be addressed to implement it. In addition, it is based on broad stakeholder input, including from developing countries, business, government, consumers, labour, nongovernmental organizations and others.

According to the standard, the perception and reality of an organization's performance on social responsibility can influence, among other things:

- Competitive advantage
- Reputation
- Ability to attract and retain workers or members, customers, clients or users
- Maintenance of employees' morale, commitment and productivity
- View of investors, owners, donors, sponsors and the financial community
- Relationship with companies, governments, the media, suppliers, peers, customers and the community in which it operates.

The sceptics

While corporations attempt to convince the world of their socially responsible credentials, cynics remain unimpressed. CSR is frequently dismissed as style over substance, a public relations exercise, naked self-interest. No matter how hard some companies try, and how genuinely they take their corporate responsibilities, many commentators remain sceptical. It seems a little unfair that companies like McDonald's, Nike

and Starbucks, for example, who operate many socially responsible programmes, do not receive much kudos for their actions. As some activists argue, surely it is better that they, and all other companies, adopt some socially responsible practices rather than none at all, whatever the motives.

References

Worldbank report on national perspectives of CSR

<http://www.worldbank.org/privatesector/csr/doc/Race%20to%20The%20Top.pdf>

Key trends in socially responsible investing

<http://www.socialinvest.org/areas/news/120403release.htm>

CSR equates with corporate outperformance

<http://www.sri-adviser.com/article.mpl?sfArticleId=1289>

ISO 26000, "Social Responsibility", International Standards Organisation (ISO),

http://www.iso.org/iso/social_responsibility