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# Views on Corporate Social Responsibility

Tongesai Mpofu (corresponding author)
School of Business Science and Management Chinhoyi, University of Technology
Department of International Marketing
P. Bag 7724,Chinhoyi, Zimbabwe, Tel: 263 77-1118822 E-mail: tonmpofu@gmail.com

Godwell Karedza
School of Business Science and Management, Chinhoyi University of Technology
P Bag 7724, Chinhoyi, Zimbabwe, Tel: 263 777-481907 Email:godwellk@yahoo.com

**Abstract**

The aim of this paper was to bring to light the different views on Corporate Social Responsibility (CSR). The rise in sustainable development has precipitated the need for organisations to adopt the CRS. The paper looks at various viewpoints, benefits and challenges of corporate social responsibility.

This is a conceptual paper and the methodology used is a secondary research in which in depth literature review is done to highlight how firms an incorporate CSR in their businesses. The analysis is based on previous conducted research from books and relevant journals and articles.

The finding of this paper confirms that firms need to implement CSR as a continuous process to achieve sustainable development in the long run. The study concludes that firms need to enhance the levels of CSR practices in managing their operation. This is an emerging concept in business paradigm that enables firms to realize long term sustainability in their operations.

**Keywords: c**orporate social responsibility, profit maximization, sustainable development,

## 1.0 Introduction

### 1.1 Corporate Social Responsibility

Corporate Social Responsibility (CSR) is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large (World business Council for Sustainable development). The European Union defines it as a concept whereby companies integrate social and environmental concerns in their operations and in their interaction with their stakeholders on a voluntary basis. The term CSR is often used interchangeably with others, including corporate responsibility, corporate citizenship, social enterprise, sustainability, sustainable development, triple-bottom line, and corporate ethics and in some cases corporate governance. Though these terms are different, they all point in the same direction; throughout the industrialized world and in many developing countries there has been a sharp escalation in the social roles corporations are expected to play (Kennedy School of Government).

Corporate Social Responsibility (CSR) entails developing businesses with a positive relationship to the society which they operate in. The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time. CSR is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources (Carroll and Shabana 2010). According to the International Standards Organization (ISO), this relationship with the society and environment is a critical factor in their ability to continue to operate effectively increasingly being used as a measure of their overall performance. Baron (2007) says that CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

### 1.2 Statement of the problem

Corporate Social Responsibility is gaining interesting business organizations and its growing importance is driven by competition and deterioration of the environment. It is important for firms to understand all the elements of CSR so as to ensure that they implement them comprehensively. CSR has numerous benefits to an organization, ranging from good reputation, attracts investors, increased employee motivation, correcting of social problems created by businesses, differentiating an organization, attracting ethical customers and profitably. Many progressive companies in Zimbabwe like Mbada Diamonds, Econet and Delta Beverages have capitalized on the opportunities of CSR and are therefore concerned with implementing it in business.

## 2.0 Literature Review

The doctrine of profit maximization is endorsed by the classical economic view led by Milton Friedman who argues that, " there is only one social responsibility of business to use its resources in activities designed to increase its profits so long as it stays within the rules of the games, which is to say, engages in open and free competition without deception or fraud" (Milton, 1970). Milton's general belief was that only people can have responsibilities, not businesses, and the people who are hired by business owners have a responsibility primarily to their employers, to meet their desires which in most cases are profits. Therefore, the employees should be solely motivated to fulfill their responsibility to benefiting society or not. Milton argued that social issues are not the concern of business people and that these problems should be resolved by the "unfettered workings of the free market system". Milton's assertion that a business's only social responsibility lies in making profits has shown a controversial point of view in modern business. Some authors believe in his ideas while others do not. The primary ethical assumption made through Milton (1970) emphasized that a firm's activities should be under all circumstances geared towards increasing shareholder wealth. This statement was supported by Gallagher (2005) and Moon (2008) who stated that the reasons why Milton's statement was accurate was due to the close link between his arguments and the generic missions of firms to maximize shareholder profits. On the other hand, in proper business ethics a company has an indirect responsibility of returning back to the community as a social hand. This has been supported by Smith who argued that companies have benefited in engaging in CSR in the long run as well as helping the company's reputation in the public eye.

On the other hand, it is correct to say that the main focus of a business should be to make profit, without profit a business cannot survive. In a way, Friedman's theory does promote social responsibility. An increase in company profits benefits the economy which benefits the citizens of that economy. The concept of profit maximization endorsed by Milton makes sense when one considers how companies strategies' and operate. Companies selects a location that is strategic where it achieves high profits based upon comparative advantage (where the product can be produced cheapest). The theory takes into account the characteristics of the location site, land price, labour cost, transportation cost and access, environmental restrictions, workers unions, population and others. So in sense, companies' activities are not aimed at being socially responsible because they place factories in strategic locations in order to gain maximum amount of profits. They do not care whether they destroy the land, pay unfair wages, or exploit a country, the only objective is to earn more profits. This brings in the instrumental theories that view CSR as a mere means for profits. These theories only consider the economic aspect of the interactions between business and society that is any supposed activity is accepted if, and only if, it is consistent with wealth creation. CSR is therefore seen as a strategic tool to achieve economic objectives and ultimately wealth creation. According to the instrumental theories any investment in society should produce an increase of the shareholder value should be made, 'acting without deception and fraud'. In contrast, if the social demands only impose a cost to the company should be rejected. Milton (1970), supports this notion by giving an example about investment in the local community, "it will be in the long run interest of a corporation that is a major employer in a small community to devote resources to providing amenities to that community or to improving its government. That makes it easier to attract desirable employees, it may reduce the wage bill or lessen losses from pilferage and sabotage or have other worthless effects. In this instance the social responsibility of the business is to increase and maximize profits although it will also benefit the community in a way.

However, it has been proven time and again that a negative CSR policy, (that is one aimed at increasing profits) can actually destroy profits, as Russell-Walling (2007) reveals; "Footwear mogul Nike is still dealing with the backlash of a UK instigated campaign that accused it of employing child labour in developing countries." Nike's issues stemmed from an individual agent working in a manner that Milton would support. The manager chose to work in a country where child labour was acceptable, or at least possible, so that costs could be reduced and Nike would increase profits. Unfortunately, when this information went public, the company as a whole was considered irresponsible and led to a boycott of the products. Thus Milton's approach backfired on the person who implemented it as it was against human rights which have been taken as a basis for CSR, especially in the global market place (Cassel, 2001).

It has been argued that business should engage in CSR because the public strongly supports it and not necessarily to increase profits. Today, the public believes that, in addition to its pursuit of profits, business should be responsible to their workers, communities and other stakeholders, even if making things better for them requires companies to sacrifice some profits (Bernstein 2000). In support Davis (1960) explored the role of power that business has in society and the social impact of this power. He held that business is a social institution and it must use power responsibility. This leads the corporation to accept social duties and rights or participate in certain cooperation. Davis attacked the assumption of the classical economic theory of perfect competition arguing that the involvement of the firm in society influences the equilibrium of the market price and therefore the price is not at Pareto optimum reflecting the free will of participants with perfect knowledge of the market. So if a firm does not use its social power, it will lose its position in society because other groups will occupy it, especially when society demands responsibility from business (Davis 1960).

Furthermore, business depends on society for its existence, continuity and growth. Social demands are considered to be the way in which society interacts with business and gives it a certain legitimacy and prestige. As a consequence, corporate management should take into account social demands, and integrate them in such a way that the business operates accordance with social values. So, the context of business responsibility can be limited to the space and time of each situation depending on the values of society at that moment, and comes through the company's functional roles (Carroll and Shabana, 2010). Zadek (2000) said that companies pursue CSR strategies to defend their reputation (pain alleviation), justify benefits over costs (the traditional business case), integrate with their broader strategies (the strategic business case), and learn, innovate and manage risk (new economy case). Building community relationships contribute to the firm's attaining tax advantages. In addition, positive community relationships decrease the amount of regulation imposed on the firm, because the firm is perceived as a sanctioned member of society. This basically means that pro-acting (anticipating, planning and initiating) is more practical and less costly than simply reacting to social problems once they have surfaced (Carroll and Buchholtz 2009).

Contrary to Milton's view on profit maximization, there is need to understand that the relationship between business and society is embedded with ethical values. This leads to a vision of CSR from an ethical perspective as a result, firms ought to accept social responsibilities as an ethical obligation above other consideration. The normative stakeholder theory views stakeholders as those groups who have a stake in or claim on the firm (suppliers, customers, employees, stockholders and the local community). Following this theory, a socially responsible firm requires simultaneous attention to the legitimate interests of all appropriate stakeholders and has to balance such a multiplicity of interests and not only the interests of the firm's shareholders as purported by Milton.

CSR practices have also come under the lime light in the age of sustainable development. Although this approach was developed at macro level, it demands a relevant corporate contribution. The concept of sustainable development has since expanded to include the consideration of the social dimensions as being inseparable from development. World Business Council for Sustainable Development (2000) states that sustainable development requires integration of social, environmental and economic considerations to make balanced judgments for the long term. A company must therefore show concern about environmental issues like the ozone layer and normal functioning of the ecosystem.

The social classical view tends to discourage companies to engage in CSR as they believe that it dilutes profits. Robins and Coulter say that expending the firm's resources on doing social good unjustifiably increases costs and lowers profit to the owners and raises prices to consumers. In addition to that, Milton believes that companies can abuse CSR as a marketing gimmick as it is covered under publicity. He then emphasized on the socio-economic which is free market view to CSR and very little on the legal and ethical social responsibilities.

Proponents of CSR like Kurtz and Boone (2005) assert that responsibility goes beyond just realizing profit from various concerns as CSR is more than philanthropic gestures concerned with corporate image; it has to do with social investment for the benefit of both the recipient and the giver. The addition to that, CSR has many forms which include legal, social reaction, public expectation, ethical obligation, better environment, human welfare, competitive advantage, discouragement of further government regulation.

## 3.0 Conclusions

The paper discussed two schools of thought on CSR. Contemporary organizations have seen CSR as an ethical way to go even though it is sometimes labeled a marketing gimmick as there would be a lot of media coverage. There are a lot of positive outcomes that arise from adopting CSR and these are company benefits like improved performance, lower operating costs, enhanced brand image, reduced regulatory oversight and workforce diversity. Community benefits that can be realized include charitable contributions, employees' volunteer programmes, company involvement in community education, employee and product safety and quality. Lastly, environmental benefits that can be achieved through CSR are improved product, greater use of renewable resources, and integration of environmental tools into business plans, cost assessment and environmental management standards in businesses.

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