# National and Global Perspectives of Corporate Social Responsibility

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***Abstract:***
*Business is all about serving the needs of one's customers and clients while doing it in such a way that everyone can be proud. One core value is obviously the economic one, that is, business is expected to be profitable and to make money for the owners, shareholders, and investors. However, business is further expected to achieve this economic value in conformity with the value of legality, but also, since the law may be non-existent, deficient, or not enforced, with the value of morality. That is, business must act in a profitable, legal, and moral manner. Today, moreover, business must deal with another value – the expectation that business, as it grows and especially once it attains a certain size, wealth, and prominence, be "socially responsible." As such, above and beyond the responsibility to act legally and morally in the pursuit of profit is the notion of social responsibility, which typically today in a business context is called "corporate social responsibility" (CSR). The law defines legal accountability; ethics determines moral accountability, but ascertaining the definition, nature, extent of, and rationale for, the value social responsibility emerges as an even more challenging task.*
 *This article takes a philosophical as well as practical approach to explaining and illustrating the concept of social responsibility in a modern-day global business environment. Suggestions and recommendations for managers and their organizations are provided.*

***Key Words****:* Corporate social responsibility, values, ethics, morality, philanthropy.

**Introduction to Values, Ethics and Social Responsibility**

The authors believe it is very harmful for people to use continually a wide variety of very general terms, especially terms intending to describe moral ideas.  Yet, if the terms do have permanent, objective meaning, then the people who do use them ought to be able to say what they mean.  If there is no agreement, people are using the same words to mean different things. Therefore, it is important for a business leader, academic, and manager to look for, ascertain, and pay special attention to definitions and terms.  In order to arrive at a precise as possible meaning of the term "social responsibility," it is first necessary to define related basic terms and concepts.

Values are rankings or priorities that a person establishes for one's norms and beliefs. Values express what the chief end of life is, the highest good, and what things in life are worthwhile or desirable. Deeply held values can drive behavior. Moral values are generally held to be intrinsic. Accordingly, if one holds morality to be an intrinsic value, then one must be moral regardless of the circumstances and consequences.

A significant value for the business community today is the value of legality, which is, obviously based on the law. Actually, when making or contemplating a business decision, one of the first determinations to be made is whether the action is legal based on the law. The law is the set of public, universal commands that are capable of being complied with, generally accepted, and enforced by sanctions. Law describes the ways in which people are required to act in their relationships with others in an organized society. One purpose of the law is to keep people's ambitions, self-interest, and greed, especially in a capitalistic society, in check and in moderation. Positive law is the law of a people's own making; it is the law laid down by legislative bodies, courts, and other governmental organs. Law must be declared publicly. It must be published and made accessible in advance to all so that people can know that they are bound. Trained professionals, however, may be necessary to interpret and explain law. Law must treat equally those with similar characteristics who are similarly situated. There is an aura of insistency and inevitability to law. It must define what one must do and forbear from doing. The law is not composed of expectations, suggestions, and petitions to act in a certain way. The law requires one to act in a certain way. Law also cannot be inconsistent. Legal requirements, for example, that contradict each other cannot be termed "law" because people obviously cannot obey both. Law generally must be obeyed. The essence of law is coercion. The law also relies on persuasion, but ultimately on force. The purpose of legal sanctions is to motivate compliance. People must be made to understand that they will be compelled to obey the law or suffer some loss. If law is not enforced, or enforced so rarely that people forget about it, the law degenerates into a mere trap for the unwary or unlucky. Social responsibility is *not* the law.

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Philosophy is the study and analysis of such deeply problematical and fundamental question, such as the nature of reality, thought, conduct, and morality. Social responsibility is *not* a branch of philosophy. Moral philosophy is the philosophical study of morality; it is the application of philosophy to moral thinking, moral conduct, and moral problems. Moral philosophy encompasses various theories that prescribe what is good for people and what is bad, what constitutes right and wrong, and what one ought to do and ought not to do. Moral philosophy offers ethical theories that provide a theoretical framework for making, asserting, and defending a moral decision. There is not one determinate set of ethical theories. Moral philosophy embraces a range of ethical perspectives and spends a great deal of time in analyzing the differences among these ethical views. Each ethical theory, however, does underscore some ultimate principle or set of principles that one is obligated to follow to ensure moral behavior and the good life. It is the effort to systematize ethically moral judgments and to establish and defend ethically moral beliefs and standards. Moral philosophy develops ethical frameworks for evaluating the merits of asserted moral positions. Moral philosophy attempts to establish logical thought processes that will determine if an action is right or wrong and seeks to find criteria by which to distinguish good conduct from bad conduct. Social responsibility is *not* a part of moral philosophy.

Ethics is the theoretical study of morality. Ethical theories are moral philosophical undertakings that contain bodies of formal, systematic, and ethical principles that are committed to the view that an asserted ethical theory can determine how one should morally think and act. Moral judgments are deducible from a hierarchy of ethical principles. It is the moral philosopher's task to articulate such ethical principles and to insist upon their proper application. Ethics is the sustained and reasoned attempt to determine what is morally right or wrong. Ethics is used to test the moral correctness of beliefs, practices, and rules. Ethics necessarily involves an effort both to define what is meant by morality and to justify the way of acting and living that is being advocated. Ethics proceeds from a conviction that moral disagreements and conflicts are resolvable rationally. There is one "right" answer to any moral dispute, and this answer can be reached through reasoning. The purpose of ethics is to develop, articulate, and justify principles and techniques that can be used in specific situations where a moral determination must be made about a particular action or practice. When a decision involves a moral component, the decision necessarily encompasses moral rules and ethical principles. Morals are beliefs or views as to what is right or wrong or good or bad. Moral norms are standards of behavior by which people are judged and that require, prohibit, or allow specific types of behavior. Moral rules are action-guiding or prescriptive statements about how people ought to behave or ought not to behave. Ethics deals with matters that are of serious consequence to human beings. Ethics affects human welfare and fulfillment in significant ways. People will be positively or negatively affected by moral decisions. Ethics, therefore, is concerned with conduct that can benefit or harm human beings. Morals fundamentally convey norms to human life. Moral standards enable resolution of disputes by providing acceptable justification for actions. If one bases a decision on a moral rule, and if the moral rule is based on and derived from an agreed-upon ethical principle, the decision should be publicly acceptable. It is a reasoned ethical conclusion directed toward what one ought or ought not to do. Morality, therefore, properly and accurately should be understood as a development of the ethical. Social responsibility is *not* part of ethics, *not* an ethical theory, *not* an ethical principle, and *not* a means to determine morals, morality, or moral precepts.

**Corporate Social Responsibility in the United States**


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What exactly is a corporation's "social responsibility"?  Does a corporation have a social obligation to take care of the poor, educate the public, give to charity, and fund cultural programs?  Social projects and social welfare traditionally have been viewed as the appropriate domain of government, not of business. Business, of course, is taxed and such taxes may be used for social purposes. The traditional purpose of business, moreover, is the profitable production and distribution of goods and services, not social welfare. Yet by raising the issue of social responsibility, business is forced to concern itself with the "social" dimension of its activities.

The conservative Republican and University of Chicago professor, Milton Friedman, takes a very narrow and "legalistic" of view of social responsibility in a business context. Friedman believes that the social responsibility of business is to make money – legally – and pay their taxes. The role of the corporation is to create jobs, goods, services, and wealth; and any civic or charitable endeavors beyond that function are the choice of the individuals working for and owning the corporation – the employees and shareholders. It is not the role of the corporation to solve the world's social problems. Corporate profits should go to the shareholders – the owners of the company and not be spent on social causes. Individual charitable efforts are best effectuated by wealth, and wealth is best created by a free market unencumbered by government regulation, moral persuasion, and social responsibility expectations. Declared Friedman, the social responsibility of business is to increase profits! (Page and Katz, 2011; Cavico and Mujtaba, 2009; Bussey, 2010; Mickels, 2009; Rodgers, 1997). A recent, and perhaps surprising, advocate of a Milton Friedman conservative view of social responsibility is the former Clinton Administration Labor Secretary, and liberal Democrat, Robert B. Reich. In an interview in *Business Week* magazine (Reich, 2007), Reich stated that his fellow "liberals" are wrong to continually urge companies to be socially responsible. Corporations are not set up to be social institutions, Reich declared, in agreement with Friedman. Corporate CEOs have not been conferred with the authority or the legitimacy to determine where the public interest lies and to set and fulfill social objectives, Reich says. Rather, elected and representative government officials should make these value determinations for society, and then promulgate specific laws and rules for private sector companies to follow and then to use and direct them to help fulfill social goals. Furthermore, in a very controversial declaration, Reich contends that in essence it really does not make sense to criticize, and even to praise, companies for being socially responsible, environmentally conscious, or a "good employer."  Why? Do not believe for a moment, he states, that a company will sacrifice profits for the sake of social goals (Reich, 2007). Yet, it could be argued that Reich's profit rationale is a short-sighted one, since it very well could be argued that not only are profits not antithetical to social responsibility, but a firm's long-term commitment to social responsibility can materially enhance profits.

Page and Katz (2011, pp. 1357-58) as well as Mickels (2009, p. 273) state that the concept of the social responsibility for business was first introduced by the prominent scholar, Adolf Berle, in his 1932 text, co-authored with Gardner Means, *The Modern Corporation and Private Property*, wherein the notions of community and stakeholder interest, service to the public, "trusteeship" to nonshareholder constituencies, stabilization of business, as well as a broader social understanding of corporations, were raised. However, Page and Katz (2011, p. 1359) indicate that Berle did not elaborate how the corporation should determine what this community interest is or how it should be advanced; but nonetheless claim Berle "helped start" the debate over corporate social responsibility. Similarly, Mickels (2009, p. 273) states that "this debate raised the question of whether corporations owed a duty of 'trusteeship' to constituencies

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other than shareholders." And this debate over the social responsibility of business, they emphasize, "…is not a relic of the past; it is alive and well" (Page and Katz, 2011, p.1360).

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Accordingly, what is the "social responsibility" of business today?  The term at a basic philanthropic level may be defined as a business taking an active party in the social causes, charities, and civic life of one's community and society (Cavico and Mujtaba, 2009). Newman's Own is a private sector company praised for its philanthropic mission since it donates all of its profits and royalties after taxes for charitable and educational purposes (Mickels, 2009). The social responsibility of business can also be thought of in a broader constituency or stakeholder sense. Millon (2011) explains that a constituency or stakeholder approach to corporate social responsibility "requires management to balance shareholder and non-shareholder interests. Strict shareholder primacy…Socially responsible leadership therefore necessitates that management temper its pursuit of profit with regard for such considerations" (p. 525).

Mickels (2009, p. 274) indicates that the Business Roundtable views the corporation as an entity "chartered to serve both their shareholders and society as a whole." The World Business Council for Sustainable Development (Holmes and Watt, 2004) explains social responsibility in a corporate context as a company's continuing commitment to act legally and morally and also to contribute to the economic development of society while improving the quality of life of their employees and their families as well as the local community and society as a whole. This definition evokes another, and even more expansive, concept of the "social responsibility" of business – "sustainability." The sustainability approach to corporate social responsibility is premised on the idea that a company must remain economically viable in the long-term, and that in order to be viable the company must take into consideration other stakeholders beyond the shareholders. Millon (2011) explains the sustainability approach to corporate social responsibility "as simply the realization that the corporation's long-run prosperity depends on the well being of its various stakeholders, including workers, suppliers, and customers…Sustainability also requires ongoing availability of natural resources and a natural environment in which the corporation and its various constituencies can survive and flourish...Sustainability CSR looks beyond the current quarter or year and factors in long-run benefits as a potential offset to short-term cost" (pp. 530-31).

A corporation, of course, is a profit-making entity that exists in a competitive environment, and thus may be limited in its ability to solve a multitude of social problems particularly at the expense of the owners of the corporation – the shareholders. Where are the philanthropic guidelines for corporate contributions and improvements?  How should a corporation's resources be allocated, and exactly to whom, to what extent, and in what priorities? What is the proper balance between shareholder and stakeholder interests? If a corporation unilaterally or too generously engages in social betterment, it may place itself at a disadvantage compared to other less socially responsible business entities. Being socially responsible costs money, and such efforts cut into profits. In a highly competitive market system, corporations that are too socially responsible may lessen their attractiveness to investors or simply may price themselves out of the market. "Charity begins at home." – That was the very prudent social responsibility conclusion in a *Newsweek* article (Smalley, 2007) regarding the saga of THE socially responsible firm – Ben & Jerry's, which has long been known and lauded for its civic, community, and environmental efforts. Mickels (2009, p. 274) notes that "many people consider Ben & Jerry's as the first 'socially responsible' company by introducing the concept of improving the environment as a second bottom line." Yet the company may have been too socially responsible and consequently neglectful of basic business concerns (Kaufman-Brown, 1994). Ultimately, the original former "hippies" Ben Cohen and Jerry Greenfield of Ben & Jerry's sold their interests in their company in 2000 to global consumer products giant, Unilever, which carried on the social responsibility activities of the brand to a degree; but, as *Newsweek* reported, several company franchisees, primarily small entrepreneurs, are suing the firm, contending that Ben & Jerry's treated them unfairly, for example, by not providing adequate training and assistance, by giving wholesale price "breaks" to large buyers, such as Wal-Mart and Costco, thereby undercutting them, by not sufficiently marketing their franchises, and by misrepresenting average gross sales for stores. Unilever is denying the allegations, but is working with its franchisees by waiving royalty fees, renegotiating store leases, and increasing marketing support. A representative from Unilever stated that it is an "ethic" of Ben & Jerry's to treat its franchisees well, which is all "well and good," but *Newsweek* posited that the lesson to be learned in this episode for "socially responsible" companies is that "Charity begins at home" (Smalley, 2007).  There is a further problem in expecting the corporation to take on the betterment of the "general welfare."  Corporations already possess great power, and corporate executives neither are the elected representatives of the people nor are answerable directly to the general public. Corporate executives lack the mandate that a democratic society grants to those who are supposed to promote the general welfare. Government officials, elected by the people, rightfully are thought of as the social guardians of the people.

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Social responsibility, however, at least to some reasonable degree, may be in the long-term self-interest of business. Munch (2012) explains that "some corporations have long supported social initiatives as a means of enhancing their own profits and long-term viability. Through charitable donations, community programs, or holistic decision-making, corporations have pursued tangible goals, such as improving workforce comfort or engendering customer goodwill, arguing that these actions align with the corporation's ultimate profit-making interests" (p. 178). Significantly, Munch (2012) adds that "there is some evidence that these strategies are successful" (p. 178). Afsharipour (2011), furthermore, reported on an Indian study that revealed a positive relationship between company performance and corporate social responsibility. A corporation cannot long remain a viable economic entity in a society that is uneven, unstable, and deteriorating. It makes good business sense for a corporation to devote some of its resources to social betterment projects. To operate efficiently, for example, business needs educated and skilled employees. Education and training, therefore, should be of paramount interest to business leaders. A corporation, for example, can act socially responsible by providing computers to community schools and by releasing employees on company time to furnish the training. British Petroleum (BP), for example, marketing itself in Europe as "Beyond Petroleum," before the disastrous Gulf oil spill was regarded as a very socially responsible firm, especially for its environmental and alternative fuel efforts (Cavico and Mujtaba, 2009). Another illustration involves the web-search company, Google, Inc., which has committed almost one billion dollars in stock as well as a share of its profits to combat global poverty and to protect the environment (Delaney, 2005). Starbucks Corporation, in addition, has been engaged in a variety of socially responsible activities in Guatemala, such as building health clinics, and also promising to pay its coffee suppliers a premium price if they adhere to certain labor and environmental standards (Homes, 2002). The Coca-Cola company has teamed with the World Wildlife Fund to protect the arctic habitat by releasing 1.4 billion redesigned white Coke cans each showing a polar bear, which the company hopes will raise awareness of this cause. Coke made an initial donation of $2 million to the World Wildlife Fund, and Coke will match up to $1million that Coke drinkers will be able to donate to the campaign (Business Briefing, 2011). McDonald's is so extensively involved in charitable activities and civic affairs in local communities throughout the United States that it produces through its corporate charitable division, Ronald McDonald House Charities of South Florida, special multi-page advertising supplements to local newspapers to describe the company's many socially responsible activities – from grants, "Wish Lists," scholarships, volunteer work to, of course, the Ronald McDonald House itself (Ronald McDonald House Charities of South Florida, 2012).

Business also gains an improved public image by being socially responsible. An enhanced social image should attract more customers and investors and thus provide positive benefit for the firm. Afsharipour (2011) points to evidence from India that indicates that being perceived as a socially responsible firm will result in an enhanced public image and improved customer satisfaction.  The Business for Social Responsibility (Forman, 1996) conducted a survey in which 76% of consumers stated would switch to retailers associated with good causes, 76% states they would switch to brands associated with good causes, and 59% of consumers believed that business should help address community problems. An example of actively doing social "good" based on a philanthropic definition of "social responsibility" was very nicely "captured" in the title of a *Wall Street Journal* article describing the social responsibility efforts of the Internet search company, Google. The very apt title to the article was "Google: From 'Don't Be Evil' to How to Do Good" (Delaney, 2008). The article related that Google in 2008 announced a major philanthropic venture by which the company will contribute $30 million in grants and investments to a variety of charitable as well as for-profit organizations. Google's civic efforts encompass providing money to predict and prevent diseases, to develop solar power, empower the poor with information regarding public services, and to create jobs by investing in small- and medium-sized businesses throughout the "developing" world in order to boost employment. The essence of the *Wall Street Journal* article was that Google has "graduated" from being a company that "only" refrained from committing harm to a company now actively and substantially engaged in making socially responsible contributions throughout the world, thereby materially enhancing the company's reputation (Delaney, 2008). To further illustrate, the Walt Disney Company, in an effort to portray a socially responsible message, as well as to attract customers to its theme parks, commenced a program, called "Give a Day, Get a Disney Day," whereby the company will give away a million one-day, one-park tickets to people who volunteer at select charities (Garcia, 2009). A corporation that acts more socially responsible not only secures public favor, but also avoids public disfavor. To illustrate, for many years the large multi-national pharmaceutical companies were criticized for not providing AIDS drugs for free or at greatly reduced prices to African governments. In response to public criticism, the pharmaceutical responded in a socially responsible (and also egoistic manner) by giving the drugs away or selling them at cost (Schoops, 2004; Windham, 2004; Naik, 2002). Moreover, certain pharmaceutical companies, such as Roche and GlaxoSmithKline, on their social responsibility and sustainability websites have statements indicating preferential pricing and accessibility as well as limited patent policies for AIDs drugs going to African and other less developed countries (Roche, 2007; GlaxoSmithKline, 2005). Furthermore, these policies have now been extended to states in the United States to provide the drugs to poor patients by means of "Patient Assistance Programs" (Tasker, 2011; Tasker, 2010). Accordingly, social responsibility and also good public relations are achieved. In response to criticism from the Humane Society, the International House of Pancakes (IHOP) now has a social responsibility website that states it is against the cruel treatment of animals, its eggs are "cruelty free," and that the animals used for its food receive "dignified humane treatment" (Cone, 2009). Wal-Mart, the giant retailer, in response to criticisms from environmentalists and labor activists, now has a director of global ethics, who will be responsible for developing and enforcing company standards of conduct, as well as a "senior director for stakeholder engagement," whose role will be to develop a new model of business engagement that produces value for society (Business Briefing, 2006; Executive Suite, 2006). Similarly, clothing and apparel manufacturers, such as Nike and the Gap, in response to criticism by labor and consumer groups about exploitive

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working conditions in overseas "sweatshops," have ended abusive working conditions and now report on their social responsibility efforts and achievements overseas (Liedtke, 2004; Merrick, 2004; Richards, 1998). The NBC television network will accept liquor advertisements but, out of a concern of criticism from government regulators and health advocates, only if the advertisements carry a "socially responsible" message, such as urging viewers who drink to have a designated driver (O'Connell, 2002; Flint, Branch, and O'Connell, 2001).

Business is part of society and subject to society's mandates; and if society wants more "responsibility" from business, business cannot ignore this "request" without the risk of incurring society's anger, perhaps in the form of higher taxes or more onerous government regulation. Over a decade ago, a *Business Week/Harris* poll (Taylor, 2011; Editorials, *Business Week*, 2000) found that only 4% of the public believed that the sole purpose of corporations is to make profits for shareholders; rather, some 95% believed that corporations should sometimes sacrifice some profit do more for employees, communities, and society. Sir John Brown, former chief executive officer of BP, astutely comprehended that society wants and expects business to be socially responsible, and that to be so is in the long-term self-interest of BP and business. Then, BP stood for not only "British Petroleum" but also "Beyond Petroleum" for all the alternative energy and social responsibility efforts that the company was engaging in under his stewardship. An egoist will surely see the value of a prudent degree of social responsibility in today's global business marketplace. Obviously, superior product and service quality and competitive pricing are essential for business success. Yet another strategic factor to success has emerged in the present business environment – social responsibility. The idea is not "only" to make profits but then to "give back" to the community by means of civil, social, and environmental efforts. Yet a strategic approach to social responsibility would combine profits and social activism; that is, the smart and social company will deliver products and services that naturally are profitable but that also serve society by, for example, by saving energy and improving the environment. The idea for a strategic business approach is to incorporate the value of social responsibility into the firm's business model. Such an approach will enhance opportunities, increase profits, and expand the firm's market share. In essence, the ultimate goal is not only to contribute in a socially responsible manner to the community, but also to bring new socially responsible products and services into the marketplace. That degree of social responsibility is the egoistic business model for today's astute business leaders. Exxon-Mobil for example, recently launched a social responsibility campaign to build schools in Angola, which (perhaps not coincidentally) is an emerging oil power. Coca-Cola Co. is very extensively involved in providing clear drinking water to the "developing world," for example, by furnishing water purification systems and lessons to local communities. This meritorious social responsibility effort is designed also to promote "Coke's" reputation as a global diplomat and local benefactor. "Coke," by the way, uses a great deal of water in producing its products.

Another example of "smart" social responsibility concerns Microsoft's "wellness" efforts to help its overweight employees. The company, which already provides free medical coverage to its employees, now has created a weight management benefit for employees. The software company will pay for 80% of the cost, up to $6000, for a comprehensive, clinical, weight loss program for employees. The program, intended for employees who are obese or clinically overweight, includes up to a year's worth of sessions with a personal trainer, behavioral and nutritional counseling, support groups, and medical supervision. Microsoft in the long-run expects to obtain a return on its health care investment for the formerly obese and overweight employees due to cost savings from less prescription drugs and fewer doctor and hospital visits

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(Cavico and Mujtaba, 2009). Similarly, Million (2011, p. 532) relates that Johnson & Johnson has invested substantially in employee health through its Wellness & Prevention program; but the company has received an excellent return-on-investment, because the program has been estimated by the company to have saved $250 million in employee health care costs over the past decade, with the savings representing a return of $2.71 for every dollar spent.  Millon (2011) concludes that "the whole point is to generate net gains in the future from expenditures incurred in the present – benefits to nonshareholders come not at the expensed of shareholders but rather are deployed for their ultimate advantage" (p. 533). Millon (2011) labels this corporate social responsibility approach "strategic" (p. 533).

*HR Magazine* (Fox, 2007) in a human resources context underscored the egoistic and strategic rationale for a company to be rightly perceived as a socially responsible one. In a constrained and highly competitive global labor market, the shrewd corporate executive will use his or her firm's social responsibility stance to attract new employees, especially top talent, as well as to engage and retain highly skilled and highly motivated current employees. To bolster its argument, *HR Magazine* (Fox, 2007) pointed to a 2003 survey where 70% of North American students surveyed stated that they would not even apply for a job in a company that was deemed "socially irresponsible." Afsharipour (2011) related the thoughts of high-level executives of Indian companies who believe that companies with corporate social responsibility programs, particularly employee-driven ones, will increase employee pride, satisfaction, loyalty, retention, and productivity. Christopher and Bernhart (2009) reported on studies that demonstrated the recruitment and retention benefits of social responsibility, for example, a study indicating that 64% of employees indicated that corporate social responsibility (CSR) activities increased their loyalty, and that 90% of employees would choose an employer viewed as more socially responsible. Christopher and Bernhart (2007) also reported that a "meta-analysis of over 50 studies found CSR social components, including treatment of employees, significantly affected financial performance measures. In addition, objective CSR performance ratings were significant predictors of employer attractiveness to potential applicants" (p. 9). Accordingly, corporate social responsibility can be a key recruitment and retention strategy for the global organization, which business leaders and managers can use to attract, develop, and keep a highly engaged, motivated, and productive workforce.

However, a socially responsible firm must also be a realistic one, *HR Magazine* (Fox, 2007) counseled. That is, socially responsible and environmental efforts must be sustainable economically and should have some relationship to the firm's business. Employees should also be engaged directly in the company's social responsibility activities so as to engage them, inspire them, motivate them, and thereby enhance morale and productivity. Moreover, a firm's social responsibility program does not have to be a multi-million dollar effort; rather, something as simple as an employee social responsibility "suggestion box" or as straightforward as a recycling or energy saving program will do to promote employee involvement as well as to promote and give credence to employee social values. Nonetheless, despite the size, a firm's social responsibility efforts should be publicized widely within the company, for example, in company newsletters, as well as externally, for example in company annual "social responsibility" reports. Being socially responsible, therefore, advises HR Magazine, is a smart and sustainable business strategy, especially in a human resource context.  An actual illustration of HR Magazine's social responsibility recommendation is the PepsiCo. The company's chairperson and CEO, Indra Nooyi, has urged companies to follow her company's approach to being a "good" global company; and by "good" she means that in addition to having a strong financial performance, a

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firm must value and take care of its employees and also the public's health and the environment. For example, PepsiCo has expanded its product lines to include more juices and waters as well as introducing low-sugar versions of its popular "fitness drink," Gatorade. The company is also promoting energy management, for example by reducing its water usage and creating more environmentally "friendly" packaging. One major benefit of being a socially responsible firm, PepsiCo has discovered, is that its employees are inspired and energized, thereby helping the company to retain employees.

*Business Week* published a very revealing Social Responsibility Special Report (Engardio, 2007.) that enumerated and extolled the socially responsible practices of many companies today; and then asked the seminal question as to whether these laudatory socially responsible efforts positively contributed to the companies' "bottom-line." *Business Week* (Engardioi, 2007) listed these companies in a chart, grouped by sectors of the economy, and then detailed their social responsibility as well as "eco-friendly" activities, and under a very revealing chart sub-title, "Who's Doing Well by Doing Good." For example, Unilever, the British-Dutch multinational, has opened a free community laundry in Sal Paulo, Brazil, provides financing to help tomato growing farmers to convert to more environmentally sensitive irrigation systems, and has funded a floating hospital that provides free medical care to people in Bangladesh. In Ghana, Unilever provides safe drinking water to communities; and in India, the company's employees assist women in isolated villages commence small entrepreneurial enterprises. As related by *Business Week*, Unilever CEO, Patrick Cescau, views the company's social responsibility effort as one of its biggest strategic challenges for the 21st century. Cescau explains that since 40% of the company's sales come from consumers in developing countries, assisting these countries to overcome poverty and to safeguard the environment is vital to the company's sustaining its competitive advantage. In order for the company to maintain its leadership role, it must be concerned about the impact its policies have on society, local communities, the environment, as well as future generations. Cescau's rationale for social responsibility underscores the ethically egoistic justification that "good deeds" will produce strategic and competitive advantages and thus inure to the benefit of the company in the long-term. Another example given by *Business Week* was General Electric, which is taking the lead in developing wind power and hybrid engines. Even Wal-Mart, perennially criticized by labor and human rights groups, was praised for its efforts to save energy and to purchase more electricity derived from renewable sources. GlaxoSmithKline was given credit for investing in poor nations to develop drugs. Moreover, the company was praised for being one of the first major pharmaceutical companies to sell AIDS drugs at cost in 100 countries worldwide. *Business Week* (Engardio, 2007) pointed out that such socially responsible behavior by the large pharmaceutical company worked in its favor as the company is working much more effectively with these governments to make sure its patents are protected. In addition, as noted in *Business Week* (Engardio, 2007), the company's CEO, Jean-Pierre Garner, explained that the company's social responsibility efforts produce other egoistic advantages, such as motivating top scientists to work for the firm, as well as enhancing the overall morale of the company's workforce, which gives the company, stated Garner, a competitive advantage. Another example was Dow Chemical, which is developing and investing in solar power and water treatment technologies. Also as noted by *Business Week* (Engardio, 2007), Dow CEO, Andrew N. Liveris, explained that there is a "100% overlap" between the company's business values and its social and environmental values. Toyota was cited as another illustration of a socially responsible firm due to its work with hybrid gas-electric cars. Such practices have given Toyota a very good reputation as a company

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that makes clean-running and fuel efficient vehicles; and *Business Week* (Engardio, 2007) related that this "green" reputation has given Toyota a competitive edge. Another example involves PepsiCo and its charitable-giving program, called Refresh, where Pepsi drinkers can vote online, using votes obtained from the company's products, for "refreshing ideas that change the world" (Bauerlein, 2011). Winners will have their socially responsible projects funded by the company. Past winners of grants have included cheerleading squads for the disabled students, a project to make school bus windshields more aerodynamic. The Refresh program has been extensively advertised by the company in order to give consumers a "voice" in the company's charitable giving, and also, significantly, to engage consumers, enhance the company's image and brand as a socially responsible one, and in the long-term to increase sales and profits (Bauerlein, 2011). Business "sustainability" and success emerge as the very practical instrumental reasons given by the companies for their social responsibility efforts. Furthermore, social responsibility is certainly not just a concept applied in the United States; rather, U.S. multinationals doing business overseas as well as foreign companies in their own countries are now engaged today in social responsibility activities.

**Corporate Social Responsibility – Global Perspectives**

The topic of social responsibility has emerged as such a critical one for global business too. Afsharipour (2011) relates that corporate social responsibility (CSR) "…debates are not just occurring in developed economies. Countries around the world are engaging in rich and nuanced debates, and undertaking significant reforms in the corporate governance and CSR arenas" (p. 996). Mickels (2009) adds that "…directors all over the world are questioning whether corporations should exist solely to maximize shareholder profit" (p. 271). The prevalence of corporate social responsibility (CSR) on a global basis has been illustrated by a survey conducted by the Society of Human Resource Management (SHRM) in 2007 (Workplace Visions, 2007). SHRM found that a majority of Human Resource professionals in the countries surveyed (United States, Australia, India, China, Canada, Mexico, and Brazil) reported that their organizations had corporate social responsibility practices in place. SHRM put forth a number of reasons for the extent of corporate social responsibility. First, companies realize that they need to respond to large scale social problems before they become a threat to business. Second, on a more positive note, SHRM contends that solutions to major social problems can increasingly be viewed as new sources of business opportunities. That is, providing goods and services to the people of developing nations may be a way to enter into potentially vast markets of consumers. Similarly, "going green" and investing in environmentally "friendly" technology may be a way for companies to initially establish themselves in potentially highly profitable energy sectors. Two illustrations related by SHRM would be the success of Toyota with the hybrid car, and Nokia's and Ericsson's efforts to bring mobile communications technology to the developing world. Corporate social responsibility, SHRM thus concludes, is an active and essential component of creating competitive advantage and thereby promoting value creation for the firm and its stakeholders. Another example would be the Coca-Cola's company's efforts to provide clean water to parts of the developing world, which Coke also hopes to promote goodwill, boost local economies, and broaden its customer base (McKay, 2007). Royal Caribbean Cruise Company is teaming up with a Haitian non-profit organization to build a primary school, which is located on land the company leases from the government as a stop for its ships in the port town of Labadee (Daniel, 2010). Wal-Mart is now selling online handicrafts made by women artisans in developing countries, such as dresses made in Kenya and jewelry from Guatemala and Thailand.

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Over 500 items from 20,000 female artisans will be offered for sale, which certainly will help the female artisans but also improve the company's global image (Podsada, 2011). Millon (2011) calls for a "sustainability" approach to corporate social responsibility globally: "For transnational corporations doing business in developed countries, sustainability may require investment in community-level infrastructure development projects, technological innovation, education, and health care. As these investments lead to greater productivity and better product quality, workers and producers can earn higher incomes, allowing the local population to enjoy a higher standard of living" (p. 531). Millon (2011, pp. 531-32) provides two excellent examples of global "sustainable" CSR: 1) The Norwegian company, Yara International, the world's largest chemical fertilizer company, has sponsored public/private partnerships to develop storage, transportation, and port facilities in parts of Africa with significant untapped agricultural potential, thereby developing local agriculture, providing jobs and improved incomes for farmers, and at the same time benefiting the company through an increased demand for its fertilizer products. 2) The Nestle Company is working to improve milk production in certain regions of India, by investing in well drilling, refrigeration, veterinary medicine, and training, thereby significantly increasing output and enhancing product quality, certainly beneficial to the company, and at the same time allowing the company to pay higher prices for farmers and their employees, resulting in a higher standard of living for the local community.

The United Nations now has a business initiative on corporate social responsibility, called the United Nations Global Compact, whereby companies can join and thus voluntarily agree to make improvements in human rights, labor, the environment, and combating corruption (Afsharipour, 2011). The World Bank, moreover, now has an Internet course on social responsibility, called "CSR and Sustainable Competitiveness," offered by its educational and training division, the World Bank Institute (World Bank, 2007). The corporate social responsibility course is designed for "high-level" private sector managers, government officials and regulators, practitioners, academics, and journalists. One major purpose to the course is to provide a "conceptual framework" for improving the business environment to support social responsibility efforts and practices by corporations and business. The course is also designed to assist companies to formulate a social responsibility strategy based on "integrity and sound values" as well as one with a long-term perspective. By being socially responsible, declares the World Bank, businesses not only will accrue benefits, but also civil society as a whole will benefit from the "positive contributions" of business to society. Although it is beyond the scope of this book to discuss in detail the World Bank's very laudable CSR educational effort, a few key elements in the course must be addressed. First and foremost, as the World Bank points out, correctly so, there is no single, commonly accepted, definition of the critical term "CSR." Nonetheless, the World Bank offers its definition, stating that CSR generally refers to: 1) "a collection of policies and practices linked to the relationship with key stakeholders, values, compliance with legal requirements, and respect for people, communities and the environment; and 2) the commitment of business to contribute to sustainable development." The World Bank also explains the key term "Corporate Citizenship," which is "the concept of the corporation as a citizen" and which is a term often used when referring to CSR. As a matter of fact, the World Bank notes, again quite correctly, that the terms "CSR" and "Corporate Citizenship" are at times used interchangeably. The World Bank, moreover, in order to fully explicate CSR, indicates several material components to that concept, to wit: 1) environmental protection, 2) labor security, 3) human rights, 4) community involvement, 5) business standards, 6) marketplace, 7) enterprise and economic development, 8) health protection, 9) education and leadership

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development, and 10) human disaster relief. The World Bank also offers several decision-making frameworks for companies to plan, implement, and measure CSR. An important part of the World Bank course is a segment, eminently practical for business, called "Benefits of CSR." There are, according to the World Bank, "many reasons why it pays for companies, both big businesses and small and medium enterprises…to be socially responsible and be conscious about the interest of key stakeholders." The Bank pointed to a survey conducted by its Institute that indicated that 52% of its respondents had either "rewarded" or "punished" businesses by either buying or not buying their products based on the perceived social responsibility performance of the companies. Other reasons for being a socially responsible firm are, according to the Bank, as follows: 1) obtaining a "social license" to operate from key stakeholders; 2) ensuring "sustainable competitiveness," 3) creating new business opportunities, 4) attracting and retaining quality investors and business partners, 5) securing cooperation from local communities, 6) avoiding difficulties due to socially irresponsible behavior, 7) obtaining government support, and 8) building "political capital." These reasons make the "business case" for being a socially responsible company.

Corporate social responsibility is being promoted in the European Community. Mickels, 2009, p. 275) relates that in 2000 the European Council in Lisbon formally encouraged companies to become more socially responsible, for example, by taking into consideration sustainable development. Moreover, "the European Commission has recognized that shareholder value is not achieved merely through maximizing short-term profits, but also through 'market-oriented yet responsible behavior'" (Mickels, 2009, p. 277). Furthermore, Mickels (2009, p. 276) reports that in 2006, the European Commission enacted a Resolution, titled "Corporation Social Responsibility: A New Partnership," which proclaimed that corporate social responsibility has become an increasingly important topic for the European Community and that CSR is in integral "part of the debate about globalization, competitiveness, and sustainability." Mickels (2009, pp. 276-77) explains that "according to the European 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.'" Mickels (2009, p. 277), however, points out that both the British and American definitions of corporate social responsibility are "vague"; but nevertheless, "…both embody a conviction that a corporation's existence should not relate solely to making money for the sake of making money but that a corporation has a social responsibility to contribute and improve the community in which it operates."

India emerges as a country in the vanguard of corporate social responsibility developments – both legally as well as practically. Regarding stakeholder corporate social responsibility (CSR), Afsharipour (2011) relates that:

> The stakeholder model of CSR recognizes that companies have responsibilities to not only their shareholders, but also to their employees, customers, surrounding communities (including the environment) and society as a whole…According to a broad survey of Indian executives, many Indian firms have a sense of a social mission and purpose. These executives do not see shareholder wealth maximization as their primary goal. Instead, 'they take pride in enterprise success-but also in family prosperity, regional advancement, and national renaissance' (p. 1014).

In India, moreover, the government is now involved legally in corporate social responsibility. Afsharipour (2011) indicates that in 2009 the Indian government, specifically the Ministry of

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Corporate Affairs (MCA), promulgated in 2009 Voluntary Guidelines for Corporate Social Responsibility. The Guidelines, relates Afsharipour (2011), are premised on a "fundamental principle," to wit: "Each business entity should formulate a CSR policy to guide its strategic planning and provide a roadmap for its CSR initiatives, and that should be an integral part of overall business policy and aligned with a company's business goals. The policy should be framed with the participation of various level executives and should be approved and overseen by the board" (p. 1019). Moreover, "according to the CSR Guidelines, the CSR policy should cover the following core elements: (i) care for all stakeholders, including shareholders, employees, customers, suppliers, project-affected people, society at large…; (ii) ethical functioning, transparency, and accountability; (iii) respect for workers' rights and welfare; (iv) respect for the environment; and (vi) activities for social and inclusive development" (p. 1019).

In India, in 2009, the government mandated that public-sector oil companies spend 2% of their net profits on corporate social responsibility efforts; and there are proposals for the government to mandate that private sector companies spend 2% to 5% of their net profits on corporate social responsibility efforts (Afsharipour, 2011). However, in 2010, the Indian government "just" required that Indian companies have a CRS policy which "targets" a 2% spending allocation on CSR; and that companies provide disclosure and details of their CSR efforts and suitable reasons for these efforts (or the lack thereof) in an annual report (Afsharipour, 2011). Afsharipour (2011) criticizes the 2009 Indian law because "the CSR Guidelines…provide little concrete guidance on how companies are to implement the guidelines or what legal changes need to be made to ensure that socially responsible practices will be part of a firm's way of doing business" (p. 1019). Afsharipour (2011), moreover, criticizes the 2010 law because "the recommendations do not explain in any detail what constitutes CSR" (p. 1021). However, Afsharipour (2011) does admit that "one important aspect of the CSR Guidelines is the move toward additional disclosure. Very few Indian companies disclose their CSR policies, so additional disclosure could be a tool NGO advocates and lawyers to work with companies and pressure them to comply with their CSR policies" (p. 1022). As such, in order to assist companies fulfill their social responsibility obligations, Kumar, Kuberudu, and Krishna (2011, pp. 10-11) offer the following recommendations for "socially responsible" businesses in, as well as doing business in, India: 1) create and nurture an "eco friendly environment" within and outside the organization; 2) adopt poor, needy, and "sleepy" villages and bring them into inclusive growth by supplying "econ friendly" projects; 3) wage a "war" on bribery and corruption; 4) control pollution, including "social pollution," and help build a "healthy society"; 5) provide assistance when natural calamities occur; 6) develop the "highest ethical standards" with "transparency" as the "watch word"; 7) avoid deceptive and exaggerated advertisement, be restrained by "general social acceptability" regarding advertising, and do not exploit women in advertising; 8) offer financial scholarships and financial assistance to meritorious students; assistance in education and vocational training; and adopt schools, providing for their growth and management. These social responsibility activities will naturally help Indian companies fulfill their legal obligations, but also will, as Kumar, Kuberudu, and Krishna (2011) assert, result in a more stable society, the survival of the organization, and its maximization of profits, since there is a "direct relation" between the well-being of the organization and the good will of the people in society (p. 8). Actually, the Society for Human Resource Management (McConnell, 2006) reported on a global corporate social responsibility survey of human resource professionals from the U.S., Australia, China, and India that indicated that the respondents from India, who were surveyed before the recent Indian CSR laws, were more likely to have formal corporate social

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responsibility policies, such as written objectives and reports, or corporate social responsibility efforts tied to the organization's mission and/or goals. Of course, there is a big difference between India and a country such as the United States, because in India corporate social responsibility is now legally mandated to some degree by the government, whereas in the U.S. a company *may* be socially responsible pursuant to state corporate "constituency" statutes, which allow directors to consider non-shareholder stakeholder interests in making decisions, and also *may* impose a legal obligation upon itself to be socially responsible by forming a social benefit corporation called a "B-Corp," which requires directors to consider non-shareholder stakeholders interests in making decisions; but neither the federal government nor the state governments in the U.S. presently are mandating legally that companies be socially responsible ones.

**Implications and Recommendations**

The new corporation structure of the social benefit corporation is clearly a problematic one for business people, directors, and entrepreneurs, even very socially responsible ones. The law is just too new and unsettled as to nature and extent of the public benefit and especially as to the legal risks of being a director of a "B-corp." As such, no corporate board of directors wants to be the "test case" in determining the parameters of legal liability under a social benefit corporation model where the directors are required to consider stakeholders other than shareholders. Nonetheless, socially responsible people who plan to incorporate can always include social responsibility goals in the articles and bylaws of a traditional corporation; and the typical state constituency statute expressly allows the consideration of other stakeholder groups. So, the legal latitude exists to be socially responsible, yet without mandating a legal duty on the board to be socially responsible. Moreover, the authors have argued that it is in the long-term, egoistic, self-interest of the corporation to be a socially responsible one, and thus to be active and engaged in community, civic, and charitable activities.

Yet what exactly is the effect of all these social responsibility efforts on the "bottom-line"? This critical fact is difficult to ascertain due to the paucity of research as well as the need for a long-term perspective. One academic study, conducted by Schnietz and Epstein (2005), found that there is value to a corporation during a crisis by having a reputation for corporation social responsibility, and, in particular that a reputation for social responsibility protects firms from a decline in share prices associated with a crisis. Hemlock (2007) reported on an academic analysis of dozens of corporate social responsibility studies that found that social responsibility performance and financial performance reinforce each other; that is, companies that excel in a socially responsible manner generally excel financially and vice versa. The aforementioned illustrations and studies demonstrate that social responsibility "pays off" for the company and its shareholders as well as for other stakeholders and society as a whole. *Business Week* (Engardio, 2007) reported one thought-provoking study that concluded that if Wal-Mart possessed the social responsibility reputation of its competitor, Target, Wal-Mart's stock would be worth 8.4% more, thereby adding $16 billion to its market capitalization. The problem of determining if "doing good" translates to "doing well" is exacerbated since companies only report the value of tangible physical assets and investments in equipment and property. Social responsibility efforts are perhaps a bit too intangible for the company's accountants to quantify; and government regulators do not mandate that social responsibility, labor, and environmental practices be quantified. *Business Week* noted, however, that a company's commitment to social responsibility could constitute a valuable intangible business asset.

Social responsibility is based predominantly on rationality; and thus excludes force – legal or otherwise - and even ethical or moral persuasion; rather, social responsibility in a global business context today relies on persuasion to "enforce" social responsibility standards and precepts. The characteristic "sanctions" in a societal environment that places value on "corporate social responsibility" encompass castigation, blame, criticism, negative publicity, loss of esteem, and disassociation, particularly for business in the form of employee recriminations and whistle-blowing, applicant avoidance, consumer boycotts, shareholder non- and disinvestment, as well as personal reactions such as anger, guilt, self-reproach, and remorse.

Although there is an expectation that business should be socially responsible, one implication, and potential problem for business, that has emerged is the permissible degree of pressure that a business can exert on its own employees to be socially responsible, especially when the demands entail the employee to spend his or her own money or personal time in charitable and civic-minded activities. Is it moral to pressure employees to be socially responsible? The good to the community might very well outweigh the "pain" in the form of expense and effort to the employees, and thus such "coercion" might be moral pursuant to Utilitarian ethics; but is the employee being treated as a mere "means" or instrument by his or her employer; and although for good ends, is the employee being so demeaned so as to make the employer's pressure immoral. Of course, if the employer is allowing its employees to be socially responsible on the company's time by encouraging them to participate in employer-sponsored volunteer programs, there should be no moral problem. Yet forcing employees to be socially responsible in addition to their work demands and workday duties can equate to unpaid and thus unethical overtime. Some employers will require such "volunteer" work, track the employees' time and efforts, and even assign the employee "volunteer" points on his or her performance evaluations. At the least, the employer should allow the employee, who very well may be very busy with a home life and personal commitments, to write a check to a charity as opposed to physically serving in a civic capacity. A better and more moral option, since it is not coercive, would be for the employer to encourage employees to be socially responsible, for example, by having a released-time program, for example, a "charity day," in which the employees would be released from work to volunteer for certain approved charities. The employees would have some flexibility in choosing their volunteer projects, and, most importantly, the employees would be paid by the company for their charity work (Banjo, 2009; Goodman, 2006; Alsop, 2002). Such programs would naturally benefit charity, treat the employees with respect, and, despite the expense, would benefit the employer in an egoistic sense in the long-run.

Business leaders, executives, and managers, as well as applicants for employment, therefore, must be cognizant of and appreciate the instrumental strategic value of social responsibility in its constituency and sustainability formulations. Business leaders, executives, and managers today surely are well aware of societal expectations regarding the social responsibility of their companies. Applicants for positions at these companies should be aware of social responsibility too. Yet applicants must be aware that companies very likely do not want a Ben & Jerry's expansive, but fiscally unrealistic and unsustainable, approach to social responsibility, but rather applicants who believe in, can define, and can implement a smart, shrewd, strategic, and ultimately sustainable approach to social responsibility. To illustrate, the *Wall Street Journal* (Alsop, 2005, p. B6) reported that the recruitment manager for Timberland looks for M.B.A. job applicants that "who bring a passion for making the world a better place" and who have a "solid background" in corporate social responsibility, but the company does not want applicants who have "merely" taken academic courses in social responsibility, but students

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who have "gained practical experience related to social and environmental responsibility." Similarly, the *Wall Street Journal* (Dizik, 2010, p. B10) reported that the Vice-President of Corporate Social Responsibility and Sustainability for Campbell Soup Co. indicated that the company is looking for employees who value social responsibility, but "…as a bottom-line booster, not just something to feel good about." The company, therefore, is looking, the V-P stated, not just for M.B.A.s who have studied the subject of social responsibility, but also those who can understand how to implement corporate social responsibility initiatives "…so that they can have a real impact and business tie-in" (Dizik, 2010, p. B10). Accordingly, for job applicants today being socially responsible is a facet of having a good personal business sense as well as doing "good" for the firm and society as a whole.

**Summary**

One can argue philosophically whether values are real intrinsically; yet it would seem beyond reasonable dispute that values possess instrumental worth. Values today increasing drive consumer and also employee behavior. Consumers will want to do business with, and employees will want to work for, employers whose values are compatible. Legality, ethics, and morality are important values; and today social responsibility is such a value too.

Social responsibility, therefore, is a very important and relevant topic for business today. Moreover, it is now not only an "academic" matter for business school students, but also a very real and practical concern for the global business leader, executive, manager and entrepreneur. Business leaders are expected to lead by values – legal values, moral values, and now socially responsible values. Cognizance of, adherence to, and dealing with the value of social responsibility have become an imperative for business people today. The view today is that business should pursue profits, of course, but also that business should strive to achieve social objectives, such as philanthropy, too. Social responsibility, therefore, should now be incorporated into business values, missions, and models. However, as the authors have emphasized throughout this work, social responsibility clearly possesses instrumental value because it can be used in a smart, shrewd, and strategic sense to help the business achieve and sustain successful performance. Social responsibility, therefore, is more than just "mere" "pure" charity; rather, in modern business sense, social responsibility is an integral strategic component in a company's endeavor to achieve larger traditional business objectives. Yet, concomitantly and also propitiously, society as whole is benefitted by these social responsibility activities. So corporate social responsibility is smart business and "good" business – for business, business stakeholders and society.

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