Corporate Social Responsibility (CSR) – Definition, Concepts and Scope (A Review)

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Abstract

Corporate Social Responsibility (CSR) is a very common term in the corporate and social sectors these days. CSR has become so important that many organizations have re-branded their core values to include social responsibility. CSR is broadly grounded in an understanding of business being part of society. It has important effects on environmental issues, eradication of poverty, employment creation and labor practices, environmental protection, education and human development.

**KeyWords:** Corporate Social Responsibility (CSR), Society, Social Issues, Organizations

1. Introduction

Corporate engagement with society, also termed corporate social responsibility (CSR), has become a commonly used term in contemporary society and refers to one process by which an organization expresses and develops its ‘corporate culture’ and social consciousness (Rupp et al, 2006 and Calderon, 2011). CSR has been receiving lots of attention from various backgrounds of researchers worldwide (Ismail 2011), it has attracted a great deal of attention over the past decade (Zu & Song 2008) and according to some researchers, has gathered great momentum over the past number of years and is now regarded to be at its most prevalent (Sweeney 2007). Therefore business leaders, government officials, and academics are focusing more and more attention on the concept of “corporate social responsibility” (Reinhardt et al 2008).

Almost all corporate websites/policies/reports talk about their endeavors for CSR, which has become a way of ensuring that the organization is fulfilling all the obligations towards society and thus is eligible for the license to operate. It assures that the organization can grow on sustainable basis (Sharma et al. 2009). There are also societal pressures with respect to social issues such as human rights and the environment on the corporations and CSR is widely regarded as the response of corporations to this pressure (Miller & Guthrie 2007) and according to Bénabou & Tirole (2009), responding to such pressure, business leaders, governments and academics are now also emphasizing the notion of CSR. In CSR, the central issue is the appropriate role of business that overlaps, almost completely, with its reference area (Reinhardt et al, 2008; BORZA, 2011) and now business organizations have waked up to the need for being committed towards CSR (Sharma et al. 2009) because the role of businesses in society is no longer focused on creating wealth alone but is also focused on acting responsibly towards stakeholders (Abd Rahim, et al, 2011).

Everyone agrees that firms should obey the law. But beyond full compliance with environmental regulations do firms have additional moral or social responsibilities to voluntarily commit resources to environmental protection (Reinhardt et al 2008). To be specific, why companies do CSR (Ismail, 2011)? For this, it is answered that CSR is situations where the firm goes beyond compliance and engages in “actions that appear to further some social good, beyond the interests of the firm and that which is required by law” (McWilliams et al 2006) and it is also due to various reasons such as to attract new investors, part of branding strategy, an obligation from the government and the lists go on (Ismail, 2011). However, CSR does not mean just taking part in charitable activities and events; it means holding the responsibility to develop the society by envisioning future plans for socio-economic justice and be conscious about their responsibility for the welfare of society around them.

Therefore, according to Zu & Song (2008), a large number of companies appear increasingly engaged in a serious effort to define and integrate CSR into all aspects of their businesses. Corporate executives have also encountered demands from multiple stakeholder groups to devote resources to CSR. This may be partially due
to the pressure generated by a union of ethics-oriented campaigners including NGOs, anti-capitalism activists, labor unions, and news media; and partially due to the demand for doing so by their customers, employees, suppliers, communities, governments, and even stockholders. Ismail (2011) stated that CSR is supported by the case whereby the government alone is definitely cannot afford to have a sole responsibility in improving the lives of their people as it exceeds their capabilities. If the government is unable to fulfill the increasing demand of their people thus this is where the corporations should support the government. However, those who opposed this statement saw the situation as unfair to the business corporations, such as Friedman’s (1970) famous statement that ‘the only responsibility of a business is to maximize shareholders’ wealth’. But according to Krishnan & Balachandran (n.d.), companies are beginning to realize the fact that in order to gain strategic initiative and to ensure continued existence, business practices may have to be molded from the normal practice of solely focusing on profits to factor in public goodwill and responsible business etiquettes. An examination of some of the factors, which have led to the development of the concept of CSR, would be ideal starting ground for the conceptual development of suitable corporate business practices for emerging markets.

Krishnan & Balachandran (n.d.) also expressed that in the last twenty years, there has been a sea change in the nature of the triangular relationship between companies, the state and the society. No longer can firms continue to act as independent entities regardless of the interest of the general public. The evolution of the relationship between companies and society has been one of slow transformation from a philanthropic coexistence to one where the mutual interest of all the stakeholders is gaining paramount importance. Bénabou & Tirole (2009) asserted that CSR is somewhat of a “catch-all” phrase for an array of different concepts. An analysis of CSR must, therefore, clarify its exact meaning, and in particular the presumed impact of CSR on the cost of capital.

2. History of Concept of CSR

CSR, which was previously referred to as social responsibility (SR) and today some often call it as corporate responsibility (CR) (Ismail, 2011) over the years has gained unprecedented momentum in business and public debate and has become a strategic issue crossing the departmental boundaries, and affecting the way in which a company does business (Sharma et al. 2009). Maç, & Çalış, (2011), referring some studies, expressed that there is an impressive history associated with the evolution of the concept of CSR although it is stated that roots of the concepts and implementations could be traced back to prehistoric times, generally works on its evolution start with 1950s and 1990s are defined with its popularity and development of similar themes. In 1990s, increasing number of corporate social responsibility reports, standards and code of conduct show the interest for CSR. But Rupp et al (2006) asserted that corporate engagement with society, also termed corporate social responsibility (CSR) mired in a definitional debate dating back several decades. According to Sriramesh et al (2007), Bowen (1953) offered one of the earliest definitions seeing CSR since then, the field has evolved assuming different names such as corporate social responsiveness (in the 1970s) and corporate social performance (in the 1980s). This evolution also reflects an increase in awareness in important areas of action and performance that the early definitions had overlooked. Hopkins (2004) is of the view that until 1970s, despite regulation and legislation, business continued largely along an autonomous path, ignoring its critics and listening only to its shareholders, to whom it felt somewhat responsible. But the decade of the 1960s was to be a period of enlightenment for many. Citizens were distrustful of government, business and the undefined “establishment”. Consumers had grown suspicious of adulterants in their food and dangerous defects in the products they bought. People were becoming aware of the fragile nature of the earth’s ecology, while simultaneously becoming more cognizant of human rights.

Abd Rahim et al (2011) quoted Carroll (1979) who expressed that CSR has been evolving as early as the 1930s. But Calderon (2011) quoted from book of Zerk (2006) who discussed a more contemporary evolution from the international legal precedents starting visionary employee compensation policies to more complex examples of corporate citizenship in recent years. In his book Zerk, quoted numerous examples of Corporate initiatives that can be categorized as CSR for instance, in 1914 Henry Ford’s employees received higher salaries in 8 hour working days, when the industry standard was 9 hour work days, and in 1935 Johnson & Johnson published a
document titled “Try Reality” where the company defined its responsibility towards different groups of society, an initiative that was followed by a publication of a company-wide “Credo” in 1994 that outlined the corporation’s ethical and social goals which made it a precursor of many modern Codes of Ethics. According to Ismail (2011), the root of CSR has emerged since the Industrial Revolution era yet the subject is still been in a debatable position until today. It appears to be difficult for researchers to identify or share the common definition, principles or core areas of CSR.

Calderon (2011) also referred J. W. Anderson (1986) who considered that there had been earlier demonstrations of Corporate Citizenship or Corporate Philanthropy that can be considered forms of Social Responsibility in Business, dating from the Pre-medieval period (5000 B.C.- 550 A.D.) to the time where the concept gained social Prominence (1930-1988). Calderon (2011) further narrated that even when present actions of corporate philanthropy before the twentieth century represented isolated efforts; it was not until the advent of the figure of multinational corporations that the discussion on the topic really evolved. Up until then there was no clear idea of whether companies had an inherent responsibility towards society. In 1929 the then Dean of Harvard Business School Walter B. Donham raise the point when he said: “Business have been long centuries before the dawn of history, but business as we know is new – new in its broadening scope, new in its social significance.

3. Definitions of CSR and Its Difficulties

According to Reinhardt et al (2008), one of the challenges of examining the concept of CSR is identifying a consistent and sensible definition from among a bewildering range of concepts and definitions that have been proposed in the literature. While Zu & Song (2008) expressed that a large number of companies appear increasingly engaged in a serious effort to define and integrate CSR into all aspects of their businesses. Hopkins (2004); McWilliams et al (2005) Sriramesh et al (2007) and Ismail (2011) wrote that a variety of definitions of CSR have been proposed but a fundamental problem in the field of CSR is that no clear, universally accepted definition of the concept is given and there is no overall agreement or consensus in the ideal meaning of CSR making theoretical development and measurement difficult. Reinhardt et al (2008) and Bénabou & Tirole (2009) adopted a simple standard definition of CSR originally offered by Elhauge (2005) that is: sacrificing profits in the social interest. For there, to be a sacrifice, the firm must go beyond its legal and contractual obligations, on a voluntary basis. CSR thereby embraces a wide range of behaviors, such as being employee friendly, environment friendly, mindful of ethics, respectful of communities where the firm’s plants are located and even investor friendly. Sometimes, the call for duty extends beyond the corporation’s immediate realm and includes supporting the arts, universities and other good causes. This definition has the merit of being consistent with some of the most useful prior perspectives, while focusing the discussion on the most interesting normative and positive questions. Bénabou and Tirole (2009) commented that some CSR advocates argue that there is a business case for good corporate behavior, while others discuss it in terms of sacrificing some profit in the quest for the social good.

According to Hopkins (2004) and Abd Rahim, et al (2011) CSR can be defined as treating the stakeholders of the firm ethically or in a responsible manner. Koestero (2007) offered definition is: Ways of companies in addressing various social issues in their operating areas, individually or collectively, are known as Corporate Social Responsibility (CSR). Sriramesh et al (2007 and Ismail (2011) reported that Bowen (1953) identified as the pioneer in providing the modern literature on CSR, offered one of the earliest definitions seeing CSR as the “obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”.

Kim, (2011) asserted by quoting many studies (Friedman, 1970; Jensen, 2000; Davis, 1967; Donaldson & Dunfee, 1999) that since Bowen (1953) defined CSR as a method employed by corporations to pursue policies, decisions, and actions for the social purpose and value, many researchers have defined CSR in a number of different ways. Such definitions have typically been based on two representative theories: agency theory and social contract theory. CSR researchers following agency theory have suggested that corporations are responsible only to stockholders because stockholders authorize the management to operate corporations. On the other hand, those researchers following social contract theory have suggested that corporations have an
implied contract with society and that this contract necessitates them to be faithful to their roles to develop the society under the contract. Devi, et al (2011) quoted definition with reference to Carroll (1979, 1991) and Carroll & Buchholtz (2003) who defined. CSR as: “The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time”. Kim, (2011) and Devi, et al (2011) referred that Carroll’s four dimensional definition of CSR involves the conduct of a business so that it is economically profitable, law abiding, ethically oriented and socially supportive. The discretionary dimension involves voluntarism and/or philanthropy. Mahlouji and Anaraki (2009) referred a definition by David Waldman et al. (2006) who defined CSR as actions on the part of the firm that appear to advance, or acquiesce in the promotion of some social good, beyond the immediate interests of the firm and its shareholders, which is required by law. Such actions may result in a company embodying socially responsible attributes in their products.

Sriramesh et al (2007) quoted definition of CSR developed by Bowd, Harris, and Cornelissen’s (2003) (derived from the views of many scholars such as Carroll, 1999; Wood, 1991; Freeman, 1984 and Friedman, 1970 and also incorporating recent industry reports such as Commission of the European Communities (2001, 2002) and the Financial Times Top 100 Index) as: CSR is corporations’ being held accountable by explicit or inferred social contract with internal and external stakeholders, obeying the laws and regulations of government and operating in an ethical manner which exceeds statutory requirements.

BORZA (2011) referring Holme, Watts, 2000) and Ismail (2011) and Krishnan & Balachandran (n.d.) quoted the definition of CSR by World Business Council for Sustainable Development, (WBCSD), which defined the CSR as “The continuing commitment by business to behave ethically and contribute to sustainable 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.”

Ismail (2011) argued that business has a wider responsibility as it is not limited to shareholders only but extend to various stakeholders. It is supported by the case whereby the government alone definitely cannot afford to have a sole responsibility in improving the lives of their people as it exceeds their capabilities. If the government is unable to fulfill the increasing demand of their people thus this is where the corporations should support the government. However those who opposed this statement saw the situation as unfair to the business corporations, such as Friedman’s (1970) famous statement that ‘the only responsibility of a business is to maximize shareholders’ wealth’. According to Calderon (2011) there are copious definitions of CSR both from the academia and the professional field, but a generally accepted one originated by the European Commission that defined CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance”. This general definition is an advantage as much as a drawback for CSR. It is an advantage because it allows CSR to reach a broad area of competence from environmental issues, eradication of poverty, employment creation and labor practices, environmental protection, education and human development among others. But in the other hand this broad nature has attracted many critics: “The term is a brilliant one; it means something, but not always the same thing, to every-body.

4. Elements of CSR

Maç, & Çalış, (2011) quoted Matten and Moon (2008), who identified two distinct elements of CSR as the explicit and the implicit. “Explicit CSR” refers to corporate policies assuming and articulating responsibility for some societal interests. It generally includes voluntary programs and strategies of corporations combining social and business value and addressing issues perceived as being part of the social responsibility of the company. In this regard, it can be response to stakeholder pressures and it may involve partnerships with governmental, non-governmental organizations and alliances with other corporations. Here the main point is the voluntary character of explicit CSR. “Implicit CSR” stands for corporations’ role within the wider formal and informal institutions for society’s interests and concerns. It involves values, norms and rules that impose requirements for corporations to deal with stakeholder issues and defines obligations in collective. In this regard, the role of business associations in the definition and legitimization of these requirements is
acceptable, but the individual corporations have inability for articulating their own versions of responsibility. Companies practicing explicit CSR use the language of CSR in communicating their policies and practices to their stakeholders, while those practicing implicit CSR generally do not describe their activities. Krishnan & Balachandran (n.d.) mentioned Warhurst (2001) pointing out, the three major elements of CSR are product-use which focuses on contribution of industrial products which help in well being and quality of life of the society, business practice which focuses on good corporate governance and gives high impetus for the environmental well being and equity which tries for distribution of profits equitably across different societies especially the host community.

5. Discussion

Bénabou & Tirole (2009) asserted that CSR is somewhat of a “catch-all” phrase for an array of different concepts. An analysis of CSR must therefore clarify its exact meaning, and in particular the presumed impact of CSR on the cost of capital. Some CSR advocates argue that there is a business case for good corporate behavior, while others discuss it in terms of sacrificing some profit in the quest for the social good. Abd Rahim, et al (2011) quoted that CSR is a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on stakeholders as well as the environment. This obligation is seen to extend beyond the statutory obligation to comply with legislation and sees organizations voluntarily taking further steps to improve the quality of life of employees and their families as well as the local community and society at large.

Rupp et al (2006) after squeezing from several studies asserted that corporate engagement with society, also termed corporate social responsibility (CSR), refers to one process by which an organization expresses and develops its ‘corporate culture’ and social consciousness. CSR has been conceptualized as activities, decisions, or policies that ‘organizations’ engage in to effect positive social change and environment sustainability. Calderon (2011) is of the opinion (referring Schreck, 2009) that understanding of the concept of CSR is important because it will aid a proper judgment of which kind of activities can be considered as CSR. In the etymological and philosophical meaning the term “Responsibility” means “answerable (to another or something). From Latin responses, meaning “morally accountable for one’s actions”. This concept includes several elements; it contains a subject or carrier (the responsible one), an authority (responsible to whom?), an object (what for?) and a recipient (to whom?).

According to Borza (2011) the Corporate Social Responsibility (CSR) is one of the newest and most modern concepts identified in the society and companies level from worldwide Thus, given that the society is evolving in a fast rhythm with visible results in economic and social terms, respectively in attitudes and consumption preferences behavior, we consider the reorientation to a development direction which promotes the maintaining resources at a quantitative and qualitative guaranteed level and he concerns manifestation related to protect the limited natural space in which people are obliged to act and live together, is a series of responsibilities that the companies must to assume, given that they are a permanent and active intermediary between social and economic environment.

Hopkins (2004) narrated that CSR means the ethical behavior of business towards its constituencies or stakeholders. Nevertheless, there are a wide variety of concepts and definitions associated with the term “corporate social responsibility”, but no general agreement of terms. Some companies use the terms “corporate citizenship”, some “the ethical corporation”, while others use “good corporate governance” or “corporate responsibility”. These flaws lead some companies to consider CSR as pure corporate philanthropy, others as a new corporate strategic framework, while others dismiss the notion entirely. Hopkins, (2004) is of the opinion that using the term “corporate responsibility” (CR) instead of “corporate social responsibility” changes the nature of what the concept is all about. Many practitioners included the term “social” to encourage corporations to look at their social responsibilities as well as their usual “responsibilities”. Hopkins (2004) further expressed that ‘Corporate Sustainability’ is another parallel concept to CSR that has led to a lot of useful work on quantifying the issue of sustainability. This latter concept arose out of concerns for the environment, but has been expanded in recent years to encompass both social and economic aspects of corporations.
ILO (2008) further narrated that the very expression “CSR” is controversial in its use of the term “social” or “societal” to describe the subjects covered. Initially, the expression referred to a "social" responsibility, which included the innovative concepts of CSR, particularly in the environment field. Devi, et al (2011) narrated that the concept of corporate social responsibility means that organizations have moral, ethical, and philanthropic responsibilities in addition to their responsibilities to earn a fair return for investors and comply with the law. A traditional view of the corporation suggested that its primary, if not sole, responsibility is to its owners, or stockholders. However, CSR requires organizations to adopt a broader view of its responsibilities that includes not only stockholders. Devi, et al further narrated by arguing that Carroll (1979) defined CSR as: “The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time”. Carroll’s four dimensional, definition of CSR involves, the conduct of a business so that it is economically profitable, law abiding, ethically oriented and socially supportive. The discretionary dimension involves voluntarism and/or philanthropy. Abd Rahim, et al (2011) also quoted Carroll (1991) suggestion that CSR should be divided into four levels: economic, legal, ethical and philanthropic responsibilities. Economic responsibility refers to the profitability of the organization, while legal responsibility is complying with laws and regulation. As for the ethical perspective, the organizations’ operation should go beyond the laws to do the right thing in fair and just ways. Philanthropic responsibility refers to voluntary giving and service to the society. McWilliams et al (2006) stated that CSR as situations where the firm goes beyond compliance and engages in “actions that appear to further some social good, beyond the interests of the firm and that which is required by law.” This is only one interpretation of CSR, but confining the discussion to this definition allows researchers to move beyond simply defining and identifying CSR activities to serious examinations of the role of CSR in organizations. Maç & Çalış (2011) expressed that, CSR practices of the companies focus on environment, education, culture-art, donations and sponsorship. Foreground activities can be counted as production of environmentally friendly products, trainings for environment, development of cooperation with the universities and technical high schools in the field of automotive sector, development of training programs, contribution for the technical infrastructure of education institutions and sponsorship for culture and art activities. Maç, & Çalış (2011) referred Matten and Moon (2008) who identified two distinct elements of CSR as the explicit and the implicit. “Explicit CSR” refers to corporate policies assuming and articulating responsibility for some societal interests. It generally includes voluntary programs and strategies of corporations combining social and business value and addressing issues perceived as being part of the social responsibility of the company. Here the main point is the voluntary character of explicit CSR. “Implicit CSR” stands for corporations’ role within the wider formal and informal institutions for society’s interests and concerns. It involves values, norms and rules that impose requirements for corporations to deal with stakeholder issues and defines obligations in collective. In this regard, the role of business associations in the definition and legitimation of these requirements is accepted, Ismail (2011) pointed out (by picking from Barnett, 2007; Friedman, 1970; Orlitzky, Schmidt & Rynes, 2003; Cochran & Wood, 1984 and Kurucz et al., 2008) that voluntary and discretionary are two common terms that are always related to CSR. Since there is no mandatory act or law on CSR being enacted thus some companies view CSR as a minor element of demand. Some even thought that by exercising concern towards employees’ welfare (certain things are mandated by law like occupational, health and safety) they have done their CSR. But most perceptions see involvement in CSR as money flow out rather than flow in. The core argument of CSR is why the companies voluntarily expending, their limited resources, on social issues, which, will increase their cost? Even some views the reason why companies pursue CSR is for personal gain and not for shareholder benefit. These are finally translated as will reduce part of competitive advantage target. However CSR proponents have different views. CSR practices actually are able to increase firm’s performance or even competitive advantage if it is strategically implemented. The business case for CSR means a company can do well by doing good, which explains, how a company will perform better if they concern for both their core business and social responsibility. To be specific why companies do CSR, it is due to various reasons such as to attract new investors, part of branding strategy, an obligation from the government and the lists go on.
Koestoer (2007) asserted in a research report about Indonesia that value creation on triple bottom line (profit, people, and planet) is very fundamental to the concept of CSR. However, the process of improving corporate social and environmental performance undoubtedly encompasses broader cultural and societal change. Mahlouji and Anaraki (2009) quoted the concept of Triple Bottom Line (TBL). They reported that the triple bottom line phrase was first coined by John Elkington in 1994. The concept demands that a company's responsibility be to “stakeholders” rather than “shareholders”. In this case, “stakeholders” refers to anyone who is influenced, either directly or indirectly, by the firm’s actions. Typical groups of stakeholders are owners, financiers, suppliers, customers, employees, unions, trade associations, competitors, government and political groups. According to the stakeholder theory, the business entity should be used as a vehicle for coordinating stakeholders’ interests, instead of maximizing shareholders’ profit. The TBL concept was later on referred in several studies. For example according to ILO (2008) if we had to explain the scope of CSR and what is meant by “social”, the whole philosophy behind it could be summed up in the (TBL) “triple bottom line” theory (“people, planet, profit”). A business, no matter where it – directly or indirectly – carries out its activity, must be judged according to three criteria: how it treats its employees, how its activity affects the environment, and how much profit it makes. It can no longer be conceivable or acceptable – and this is the root of all the controversy about whether CSR should be based on voluntary measures or non-negotiable rules of law – for a business to resort to social dumping, sacrificing workers’ rights and the world around us in a sort of global, no-holds barred race for maximum profit.

Abd Rahim, et al (2011) expressed that the traditional view of business is essentially to maximize profits. However, the traditional views are no longer accepted in today’s business environment, where, as a result, corporations have adopted the concept of CSR, which is concerned with economic, environment, and social performance. Of late, the broader concept of CSR has been introduced, where the corporation’s concern is seen to be shifting to broader components of CSR, which includes stakeholders as one of the most important components while not forgetting effects on the environment or society. The Triple Bottom Line (TBL) is (people, the planet and profits) a CSR concept that takes into account the impact of corporations’ activities on people, the planet and profits. The human component is also known as human capital, and the planet component refers to natural capital. TBL has been recognized as a framework for measuring business performance. The performance is being measured not only on profitability but also on the efficiency of the organization in managing its human and natural capital. The environment (planet) has been considered one of the stakeholders of corporations.

Abd Rahim, et al (2011) expressed (referring Harrison & Freeman, 1999) that today, consumers are more aware of the corporations’ responsibility through better education and through the influence of the media. It may no longer be accepted for business organizations to neglect CSR. The role of businesses in society is no longer focused on creating wealth alone but is also focused on acting responsibly towards stakeholders. Bénabou & Tirole (2009) referring Hong and Kacperczyk (2009) expressed three views of CSR: (a) Vision 1: “Win-win” (“doing well by doing good”) According to some advocates of CSR, being a good corporate citizen can also make a firm more profitable. Since firms presumably have no interest in simultaneously reducing profits and harming society (damaging the environment, hurting workers or consumers), for such a claim to be more than management consultants’ promise of a “free lunch” it requires elaboration, as well as supporting evidence. There are two ways in which it could be reasonably interpreted, corresponding respectively to visions 1 and 2 below. The first one involves the existence of limits to governance and managers’ temporal horizons. The upshot is that, in this first vision, CSR is about taking a long-term perspective to maximizing (inter-temporal) profits. This suggests that socially responsible investors should position themselves as long-term investors who monitor management and exert voice to correct short-termism. In the same vein, but with much more ambiguous welfare consequences, “strategic CSR” consists in taking a socially responsible stance in order to strengthen one’s market position and thereby increase long-term profits. For instance, CSR could be a means of placating regulators and public opinion to avoid strict supervision in the future, or to attempt raising rivals’ cost by encouraging environmental, labor or safety regulations that will particularly handicap competitors.
(b) Vision 2: Delegated philanthropy (the firm as a channel for the expression of citizen values). For the reasons discussed in Section 2, some stakeholders (investors, customers, employees) are often willing to sacrifice money (yield, purchasing power and wage, respectively) so as to further social goals. Put differently, stakeholders have some demand for corporations to engage in philanthropy on their behalf. The corresponding CSR profit sacrifice is then passed through to stakeholders at their demand. The view that corporations engage in socially responsible behavior (SRB) on behalf of stakeholders is also supported by the observation that “sin stocks” (tobacco, alcohol, casinos) exhibit higher returns. Visibility with respect to stakeholders demanding SRB thus incentivizes firms to engage in such behavior. Vision 2 of CSR does not raise any specific corporate governance issue: management caters to demand and maximizes profit. As with the long-term perspective, profit maximization and CRS are consistent.

(c) Vision 3: In this interpretation of CSR, corporate pro-social behavior is not motivated by stakeholders’ demands or willingness to sacrifice money for a good cause, but rather reflects management’s or the board members’ own desires to engage in philanthropy. For instance, corporations often give to charities on the boards of which their executives or own board members sit, or to institutions (concert halls, opera houses, museums) and causes (e.g., political think-tanks) which their top management favors. Profit is then typically not maximized. This type of philanthropy has come under attack from both the right and left sides of the political spectrum. In a well-known piece, Milton Friedman (1970) wrote in essence that corporations should not do charity with others’ money. Rather, managers and directors should employ their own wealth to this purpose. On the other side of the aisle, Robert Reich has argued that there is no way to ensure that private money will go to the “right” causes and that firms should not substitute for the state (meaning, presumably, that elections provide the legitimacy to define what is “right”). In practice, the state restricts the set of potential recipients of corporate generosity by deciding which institutions are eligible for tax-deductible contributions. So, while it has very imperfect control over the allocation, it at least keeps control over the identity of recipients. It may also weaken managerial accountability by creating multiple objectives and performance criteria; at the extreme, too many missions amount to no mission at all.

Hopkins (2004) is of the opinion that CSR is concerned with treating the stakeholders of the firm ethically or in a responsible manner. “Ethically” or “responsible” means treating stakeholders in a manner deemed acceptable in civilized societies. Social includes economic responsibility. Stakeholders exist both within a firm and outside. The natural environment is a stakeholder. The wider aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for peoples both within and outside the corporation. Becchetti et al (2007) is of the view that CSR is increasingly a core component of corporate strategy in the global economy. In recent years its importance has become even greater, primarily because of the financial scandals, investors’ losses, and reputation-al damage to listed companies. Reinhardt et al (2008) stated that business leaders, government officials, and academicians are focusing considerable attention on the concept of “CSR”, particularly in the realm of environmental protection. Fernández-Kranz & Santaló (2008) argued that CSR has been advocated as a key component of the social contract between business and society. Yet competition and markets demand efficiency and to the extent that CSR imposes costs on a firm, its competitive position with respect to its rivals may suffer. This would suggest an inverse relation between healthy Product Market Competition and corporate engagement in relevant CSR activities. Sharma et al. (2009) concluded that business organizations have waked up to the need for being committed towards CSR. But still majority have just been taking some form of philanthropic activities for its stakeholders. Nurturing a strong corporate culture, which emphasizes CSR values and competencies, is required to achieve the synergistic benefits. The employees of an organization occupy a central place in developing such a culture, which underlines CSR values and competencies. Kim, (2011) narrated that previous CSR studies have focused on how CSR activities influence relationships among corporations, customers, investors, and employees. Recently, the influence of corporations has been increasing rapidly, and many types of stakeholders have become involved. Thus, the role of the corporate ability of stakeholder management has become more important in the overall performance of corporations. One of the most effective tools for managing various stakeholder groups is corporate social responsibility (CSR).
Maç, & Çalış, (2011), by referring few studies, asserted that the main argument in CSR is related to its volunteer character. Although it is especially related to ethical and philanthropic responsibilities, CSR could also be applied to economic and legal responsibilities, because corporations could choose to fail to meet main responsibilities to the major stakeholders of companies including shareholders and employees. McWilliams et al (2005) asserted that CSR activities have been posited to include incorporating social characteristics or features into products and manufacturing processes (e.g., aerosol products with no fluorocarbons or using environmentally-friendly technologies), adopting progressive human resource management practices (e.g., promoting employee empowerment), achieving higher levels of environmental performance through recycling and pollution abatement (e.g., adopting an aggressive stance towards reducing emissions), and advancing the goals of community organizations. Researchers are moving beyond just defining and identifying CSR activities, to examine the strategic role of CSR in organizations.

Calderon (2011) asserted that CSR includes a variety of activities to reach a broad area of competence from environmental issues, eradication of poverty, employment creation and labor practices, environmental protection, education and human development among others. Bénabou & Tirole (2009) argued that CSR is about sacrificing profits in the social interest. For there, to be a sacrifice, the firm must go beyond its legal and contractual obligations, on a voluntary basis. CSR thereby embraces a wide range of behaviors, such as being employee friendly, environment friendly, mindful of ethics, respectful of communities where the firm’s plants are located and even investor friendly. Sometimes, the call for duty extends beyond the corporation’s immediate realm and includes supporting the arts, universities and other good causes. Borza (2011) expressed that to define the context in which the CSR operates and manifests, it is necessary to mention that business environment overlaps, almost completely, with the reference area of CSR. Thus, CSR makes reference, relates to how the business environment plans and proceeds to align the values and behaviors with expectations and needs of social partners.

In essence, these three types of companies’ orientations (economic, social and environmental) coincide with the sustainable and durable development goals. Borza (2011) wrote in a study about Romania that the corporate social responsibility is a new and modern concept met in Romanian economy and has been adopted with great interest by national companies, which operate on national market. The implementation of specific models in order to assume a corporate social responsibility is a consequence of needs to solving the economic, social and environmental problems. In condition that the development of economic activities determine some special social consequences and produce a negative impact on environment, we consider that is normally and ethical that the social responsibility have been part of economic development projects. Borza proposed to present the content of corporate social responsibility concept, the functional models in Romanian economy compared with international models and to identify the consequences that the initiatives such these can determines in social terms, in order to bring a significant contribution to increase the human life quality and ensure the society prosperity in the same time.

Rupp et al (2006) squeezing from many researches (Orlitzky, Schmidt, & Rynes, 2003) asserted that CSR has been conceptualized as activities, decisions, or policies that ‘organizations’ engage in to effect positive social change and environment sustainability. CSR is typically identified as a macro-level activity that has macro level consequences, and as a result, it has received scant attention within the micro organizational behavior literature. Kim (2011) expressed in detail by squeezing from many studies (Moskowitz, 1972; Vance, 1975; Bragdon & Martin, 1972; Parket & Elibirt, 1975; Sturdivant & Ginter, 1977; Sen et al. 2006; Folkes & Kamins, 1999; Brown & Dacin, 1997; Barone, 2000; Klein & Dawar, 2004; Maignan et al., 1999; Greening & Turban, 2000; Sen et al., 2006 and Aguilera et al. 2007) that previous business administration research has focused on the effects of CSR on the relationship among individual stakeholders, and early studies examining CSR effects have addressed the relationship management of investors. World Bank (2003) reported that CSR is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve quality of life, in ways that are both good for business and good for development. World Bank (2003) further narrated that the role of the public sector in CSR is complex and is an emerging field. As the term “CSR” has
not yet taken hold in many public sector agencies, many of their interventions have not been undertaken explicitly as CSR initiatives, but nevertheless could be seen as part of the agenda. There is therefore a wealth of relevant experience among public sector agencies that is currently being overlooked. Yperen (2006) expressed that CSR is a worldwide-accepted development on how companies can manage their business processes to produce an overall positive impact on society and environment. CSR represents care for social and environmental issues with a profitable business perspective: the so-called ‘People – Planet – Profit’ philosophy. Yperen (2006) also expressed that CSR sees environmental and social trends as opportunities for growth and competitive advantage.

Employees, especially highly skilled ones, increasingly want to work for a company that cares for their well being and that have a good image in society. Attracting the best people and having them highly motivated drives growth. This is one reason sustainability is being integrated into business. Textile companies that work out how to drive the market in that direction, and how to ride that wave, will grow faster with lower risk. In western countries, current human rights discussions increasingly focus on the conditions under which consumer goods are produced in developing and newly industrialized countries. Improving social standards in the producing countries, which supplies retailers in industrialized nations, has therefore become a very important topic on many company’s agendas. This is also the case for environmental aspects, especially in the cotton producing and processing industry Yperen (2006).

McWilliams et al (2006) stated that CSR as situations where the firm goes beyond compliance and engages in “actions that appear to further some social good, beyond the interests of the firm and that which is required by law.” This is only one interpretation of CSR, but confining the discussion to this definition allows researchers to move beyond simply defining and identifying CSR activities to serious examinations of the role of CSR in organizations. Maç & Çalış (2011) expressed that, CSR practices of the companies focus on environment, education, culture-art, donations and sponsorship. Foreground activities can be counted as production of environmentally friendly products, trainings for environment, development of cooperation with the universities and technical high schools in the field of automotive sector, development of training programs, contribution for the technical infrastructure of education institutions and sponsorship for culture and art activities.

6. Conclusion

Borza (2011) argued that in order to establish a functional link between corporate social responsibility concept and practical implementation mechanisms at the company level, we consider that the specialist’s opinions that have “tested” this mechanism are highly relevant. To define the context in which the corporate social responsibility operates and manifests, it is necessary to mention that business environment overlaps, almost completely, with the reference area of CSR. Thus, previous research has focused mainly on the effects of CSR on corporate financial performance. CSR has a positive effect on stock prices, and corporations with excellent CSR activities are more likely to show better financial performance in terms of their Return on Equity (ROE), Earning per Share (EPS), profit margin, and net margin, among others. This positive relationship between CSR and financial performance can improve the relationship between the corporation and its investors, and it can also have a direct effect on investors’ investment decision. Previous research examining the role of CSR in marketing has focused mainly on customers.

Corporate capacity and CSR, two main determinants of corporate relationships, can generate positive attitudes toward the corporation and its products as well as increase purchase intention. Customers have a tendency to buy goods made by corporations engaging in CSR activities if they cannot derive any benefit from competitive brands. The halo effect resulting from the CSR association can have a positive effect on the evaluation of the corporations and its brands, and CSR activities can limit brand devaluation in a brand crisis. Another effect of CSR can be found in the relationship between corporations and their employees. According to early research, employees are more likely to have confidence in corporations with excellent CSR activities resulting in higher organizational commitment, job satisfaction, and increased HRM capacity. Employees’ job satisfaction, commitment, turnover rate, and job performance can different depending on what they perceive from actions
of their corporation, and they argued that CSR performs an important role by allowing employees to evaluate how their corporation administers justice.

The companies not only have economical responsibilities, but especially in conjunction of undesirable phenomena occurrence (as environmental pollution, unhealthy social concerns, waste of resources, etc.) they have also the social responsibilities plus those of the environmental protection area. The importance of concept is derived from the fact that CSR is presented as an innovative factor at European and global level. In order to depth understanding of the concept, it may be referred to a number of useful terms in CSR describing, among which business-companies involvement in community, corporate responsibility and sustainability can be mentioned.

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