Corporate Social Responsibility

Lecture 10
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Lecture Outline:

• Corporate Social responsibility.

• Types and nature of social responsibilities.

• CSR principles and strategies.

• Models of CSR.

• Best practices of CSR.

• Need of CSR.

• Arguments for and against CSR.
• Person going from one side of the canyon to the other... a lot of clouds like fog. The point is going from one way of doing business to another is very tough. There’s a lot uncertainty. It takes a lot of skill, but we have to lift ourselves beyond that, above the fog, and that’s not going to be a simple exercise. CSR is about seeing the forest, the fog, and seeing how we can get on the other side, and how we can be well-equipped for doing that. So probably we need to develop additional skills, knowledge, and understanding.”
The message is that whatever we do today will have an impact on future generations. We should not hope that the walls we build to protect ourselves will be tall enough to protect our children. Only with very conscious effort we can make the world for them a better place to live...even if we address our most selfish needs we have to address the needs of the next generation. That’s what CSR is about.”
Meaning:

• Corporate social responsibility is a gesture of showing the company’s concern & commitment towards society’s sustainability & development.

• CSR is the ethical behaviour of a company towards society.
WBCSD (World Business Council for Sustainable Development)

“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.”
Basic Constituents of CSR

Contribute towards a sustainable economic development

Make desirable social changes

Improvement of social environment

Towards Business & Society
Types of Social Responsibility

Social Responsibility is a central thought
Responsibility towards Society

• Carrying on business with moral & ethical standards.
• Prevention of environmental pollution.
• Minimizing ecological imbalance.
• Contributing towards the development of social health, education.
• Making use of appropriate technology.
• Overall development of locality.
Responsibility towards Government

• Obey rules & regulations.
• Regular payment of taxes.
• Cooperating with the Govt to promote social values.
• Not to take advantage of loopholes in business laws.
• Cooperating with the Govt for economic growth & development.
Responsibility towards Shareholders

• To ensure a reasonable rate of return over time.
• To work for the survival & the growth of the concern.
• To build reputation & goodwill of the company.
• To remain transparent & accountable.
Responsibility towards Employee

- To provide a healthy working environment.
- To grant regular & fair wages.
- To provide welfare services.
- To provide training & promotion facilities.
- To provide reasonable working standard & norms.
- To provide efficient mechanism to redress worker’s grievances.
- Proper recognition of efficiency & hard work.
Responsibility towards consumers

• Supplying socially harmless products.
• Supplying the quality, standards, as promised.
• Adopt fair pricing.
• Provide after sales services.
• Resisting black-marketing & profiteering.
• Maintaining consumer’s grievances cell.
• Fair competition.
Nature of social responsibility

- CSR is normative in nature.
- CSR is a relative concept.
- CSR may be started as a proactive or reactive.
- All firms do not follow the same patterns of CSR.
  - Legal & socially responsible.
  - Legal but socially irresponsible.
  - Illegal but socially responsible.
  - Illegal & socially irresponsible.
Total Corporate Social Responsibility

Economic Responsibility
Be profitable.

Legal Responsibility
Obey the law.

Ethical Responsibility
Be ethical. Do what is right. Avoid harm.

Discretionary Responsibility
Contribute to the community; be a good corporate citizen.
CSR Principles & Strategies.

• Respect for human rights.
• Respect for the differences of views.
• Diversity & non-discrimination should be the guiding principle.
• Make some social contribution.
• Enter into dialogue.
• Self-realization & creativity.
• Fair dealings & collaboration.
• Feedback from the community.
• Positive value-added.
• Long term economic & social development.
Environmental Integrity & Community Health Model.

- This model developed by Redman.
- Many corporate in US adopted this model.
- Corporate contribution towards environmental integrity & human health, there will be greater expansion opportunities.
- Healthy people can work more & earn more.
- CSR is beneficial for the corporate sector.
- CSR in a particular form is welcome.
Corporate Citizenship Model

• To be a corporate citizen, a corporate firm has to satisfy four conditions:
  • Consistently satisfactory
  • Sustainable economic performance
  • Ethical actions
  • Behaviour.

• A particular firm’s commitment to corporate citizenship requires the fulfillment of certain social responsibility.
Stockholders & Stakeholders Model

Stockholders Model  

1. Productivism  
2. Progressivism  

Stakeholder Model  

3. Philanthropy  
4. Ethical Idealism  

MOTIVES  

Self  
Moral  

ORIENTATION  

Interest  
Duty  

Moral  
Self  

Duty  
Interest  

Ethical Idealism  
Philanthropy  
Progressivism  
Productivism  

Stockholders Model  

Stakeholder Model
Contd............

• Productvists believe that the only mission of a firm is to maximize the profit.
• Philanthropists who entertain the stockholders. CSR is dominated by moral obligations & not self-interest.
• Progressivists believes the corporate behaviour basically motivated by self interest & should have ability to transform the society for good.
• Ethical Idealism concern with sharing of corporate profits for humanitarian activities.
New Model of CSR

Ethical Rooting

Financial Capability

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<th>Strong</th>
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<tr>
<td>Strong</td>
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<td>Poor</td>
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Best Practices of CSR

- To set a feasible, Viable & measureable goal.
- Build a long lasting relationship with the community.
- Retain the community core values.
- The impact of the CSR needs to be assessed.
- Reporting the impact.
- Create community awareness.
Need for Corporate Social Responsibility

• To reduce the social cost.
• To enhance the performance of employees.
• It a type of investment.
• It leads to industrial peace.
• It improves the public image.
• Can generate more profit.
• To provide moral justification.
• It satisfies the stakeholders.
• Helps to avoid government regulations & control.
• Enhance the health by non polluting measures.
Arguments for & against the CSR

• Corporate should have some moral & social obligations to undertake for the welfare of the society.

• Proper use of resources, capability & competence.

• The expenditure on CSR is a sort of investment.

• Company can avoid many legal complications.

• It create a better impression.

• Corporate should return a part of wealth.
Arguments against the CSR

- Fundamental principles of business get violated.
- It is very expensive for business houses.
- CSR projects will not be successful.
- There are not the special areas of any business.
- CSR is to induce them to steal away the shareholders' money.
Companies in trouble

• Dasani mineral water (part of Coca-Cola).

• Coke’s sale was banned as the result of tests, including those by the Indian government, which found high concentrations of pesticides.

• Communities in India, around Coca-Cola's bottling operations are facing severe shortages of water as a result of the cola major sucking huge amounts of water from the common groundwater source.
Issues at NIKE

• Nike Inc producer of footwear, clothing, equipment and accessory products for the sports and athletic market.

• Selling to approximately 19,000 retail accounts in the US, and approximately 140 countries around the world.

• Manufactures in China, Taiwan, Korea, Indonesia, Mexico as well as in the US and in Italy.

• People working - 58% young adults between 20 and 24 years old, 83% - women.

 Few have work-related skills when they arrive at the factory.

• Issue- unhealthy work environment – debates heated arguments, verbal abuse, 7.8% of workers reported receiving unwelcome sexual comments, and 3.3% reported being physically abused. In addition, sexual trade practices in recruitment and promotion were reported.
Case Study

Jack Cohen founded Tesco in 1919 when he began to sell surplus groceries from a stall in the East End of London. The Tesco brand first appeared in 1924. The name came about after Jack Cohen bought a shipment of tea from T.E. Stockwell. He made new labels using the first three letters of the supplier's name (TES), and the first two letters of his surname (CO), forming the word TESCO. The first Tesco store was opened in 1929 in Burnt Oak, Edgware, Middlesex. Tesco was floated on the London Stock Exchange in 1947 as Tesco Stores (Holdings) Limited.
Corporate Social Responsibility of Tesco

- Tesco has made a commitment to corporate social responsibility, in the form of contributions of 1.87% in 2006 of its pre-tax profits to charities/local community organisations.

- In 1992 Tesco started a "computers for schools scheme", offering computers in return for schools and hospitals getting vouchers from people who shopped at Tesco. Until 2004, £92 million of equipment went to these organisations. The scheme has been also implemented in Poland.

- Starting during the 2005/2006 football season the company now sponsors the Tesco Cup, a football competition for young players throughout the UK. The cup now runs a boy's competition at Under 13 level and two girl's cups at Under 14 level and Under 16 level. Over 40,000 boys alone took part in the 2007/08 competitions.

- In 2009 Tesco used “Change for Good” as advertising, which is trade marked by Unicef for charity usage but is not trademarked for commercial or retail use which prompted the agency to say "it is the first time in Unicef’s history that a commercial entity has purposely set out to capitalise on one of our campaigns and subsequently damage an income stream which several of our programmes for children are dependent on".
Vodafone promised to cut down their carbon dioxide emissions in half by 2020 through improving the energy efficiency of its global mobile-phone networks. Additional points for Vodafone on CSR because they are constantly updating us with the results of the campaign; no matter whether it’s going well or not.

Future promises includes pledging to recycle 95% of network equipment waste and plans to reduce work-related accidents that cause lost time by 10%. On top of that, Vodafone is a leading business in socially responsible products such as the text-to-speech software for blind people and easy-to-use handsets for the elderly.
CSR issues in Sri Lanka

Top 10 Sri Lankan Corporates: 28 Causes | Initiatives

- Rural Development
- Sustainable Sourcing
- Heritage Preservation
- Hospital Development
- Soft Skills
- Water Supply
- Library & IT Labs
- Railway Construction
- Wildlife Conservation
- English Education
- Eye Care
- Reduce Malnutrition
- Scholarships
- Entrepreneur Support
- HIV/AIDS
- Water Management
- Waste Management
- Fuel & Energy Efficiency
- Ensuring Biodiversity
- Cancer Care
- Book Distribution
- Education Programmes
- School/Unit Construction
- Disaster Management
- Veteran Rehabilitation
- IT Literacy Development
- Renewable Energy Usage
- Road Safety Awareness

* Clustered from 74 specific initiatives | CSE listed
CSR in Sri Lanka

http://www.csrsrilanka.lk/index.php
"I was paying the price for my lack of knowledge. Now I get the right price for my crop. ITC has changed my life."

Gulab Singh Verma, e-Choupal Sanchalak, Bhavkhedi, Madhya Pradesh

Gulab is one among the 4 million farmers to benefit from ITC’s transformational e-Choupal programme which enhances farm incomes through productivity gains and greater market access.
Thank You