

THE THEORETICAL AND THE POLITICAL DISCUSSIONS AROUND THE NOTION OF CORPORATE SOCIAL RESPONSIBILITY

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1. INTRODUCTION

Although the concept of Corporate Social responsibility (CSR) has been advocated for decades and is commonly employed by corporations globally, agreement on how CSR should be defined, and implemented remains a contentious debate amongst academia, businesses and society.

This has been worsened by the theoretical discussions and the political debates on this subject that demonstrate that there is little or no consensus regarding the meaning and role of CSR for different stakeholders. I must say that this gap is problematic for corporations because they are increasingly being required to align with societal norms while generating financial returns.

According to Dahlsrud (2006), in his book “*Social Corporate Responsibility and Environmental Management*”, there exist five dimensions to CSR: The environmental, social, economic, voluntariness and stakeholder. By the use of examples from the two last dimensions: ***The volunteerism and stakeholder***, the focus of this discussion will be on the perspectives of CSR that promote the development of two contrasting models and the role of the Government in both.

We are starting from the notion that:

- An organization should recognize that its activities have a wider impact in the society it operates.
- In response the organization should take into account economic, social, environmental and human rights impact on the activities across the world,
- Therefore, an organization should seek benefits by working in partnership with other groups and organizations

2. DEFINITION AND MEANING OF CSR?

2.1. Definition

This discussion will adopt the following definitions:

First, the EU framework for CSR (2002) defines CSR as a business behavior that goes beyond legal requirements and seeks sustainable development by integrating economic, social and environmental issues into existing management practices and operations.

Second, Richard E. Smith who states that CSR is a business system that enables production and distribution of wealth for the betterment of its stakeholders through the implementation and integration of its ethical systems and sustainable management practices.

2.2 Origin

The notion of Corporate social responsibility has been in existences more than hundred and 50 years ago.

The US

- It emerged in the United States of America as early as a social and political reaction to rapid growth of capitalism following the 30 years after the American Civil War in 1861 – 5. When big

companies appeared in the US, became powerful and wasted resources, were politically dangerous and socially irresponsibly. (McEwwan 2001). Thus the American Government assumed responsibility for correcting this social behavior and passed specific laws on the same.

The UK

- The idea that business should take into consideration social and not only economic issues is traced back to the Victorian Industrial era. Among the pioneers of this era were: Robert Owen, Lord Shaftbury, Lord Ashley and John Stuart Mill, called for a more responsible approach to the needs of those who failed to prosper from the industrial revolution. They argued that workers who were well treated would respond well. (Cannon 1994, p. 17)

In France and Germany

- Much of the impetus for industrialization and change came from Government action in the 19th century.

The Scandinavian Governments

- Put a strong emphasis on community based projects and the Government created comprehensive welfare support in the 20th century (Cannon 1994).

In 1970s,

The meaning of corporate social responsibility was associated with the excluded social costs of production and the hidden costs occurred by society as a result of business activities including: industrial pollution and toxic waste, political influence of powerful corporations, business crime among others.

3. THEORETICAL DISCUSSIONS AND DEBATES AROUND CSR.

3.1. Academic Debates And Discussions

a) *In the early years,*

Classical economics like Adams Smith (1770) , *The Wealth of Nations*, assumed that if Governments would mind their own business, markets would still be perfect and self correcting. Thus for neo-classical economics, the main purpose of business is to make money and increase profitability. He stated that ***“Its not for the butcher, the brewer or the baker that we expect our dinner, but from their regard of their own interests”***

To Adams Smith, then when he pursues his own interest, he will then promote that of the society than when he intentionally attempts to promote that of the society first.

However, to contradict this, Charles Handy(2002) provided a metaphor by stating that ***“eating is necessary for living but no one would state that eating is the purpose of life”*** Therefore, there must be collective actions.

Porter and Kramer (2006) coined a phrase ***“shared value”*** to manage the conflict between CSR and corporate self interest.

b) *Classical View of Corporate Social Responsibility*

- Milton Friedman (1970) criticized corporate social Responsibility. His argument was people have responsibility but business does not.

- For him a CEO of a business is an agent. The corporation employs him to make as much money as possible. He is answerable to his employers and therefore if an executive officer acts in a socially responsible way, then it is not in the interest of his employers, he acts as a principle and not as agent.
- And for him spending money on social services is the duty of civil servants and not of corporations.
- It is important to note that Friedman does not claim that corporations have no responsibility. On the contrary he argues that corporations are responsible but only to stakeholders (Bichta 2000)

c) *The New meaning of corporate social responsibility: The Theory of Modern Corporation*

- This classical view of business has been challenged by new arguments that appeared in the 1980s.
- This new approach has been exposed in the Stakeholder theory which states that managers do not just have a duty to stakeholders but they bear a fiduciary relationship to stakeholders.
- In short the stakeholders have some special claims on the firm, they have a right to demand certain actions by the management, and the main question they ask is ***“ for whose benefit and at whose expense should the firm be managed?***
- Their main argument is “if modern corporations require treating others as a means to an end, then these others must agree on, and hence participate (or chose not to participate on the decisions to be used as such (*Evan, Freeman 1988, p. 148*).
- According to Evan Freeman, (1998), stakeholders include: owners, management suppliers, customers, employees, local communities).
- Drawing from Kantian Philosophy, they argue that each of these stakeholders has a right not to be treated as a means to an end therefore must participate in determining the future direction of the firm/company in which they have a stake.
- In supporting this view, Donaldson and Preston, 1995 argue that managers should acknowledge the validity of diverse stakeholder interests and should attempt to respond to them within a mutually supportive framework, because that is a moral requirement of the legitimacy of the management function.
- ***Thus the following principles become key i) corporate rights, ii) corporate effects, corporate legitimacy and iv) stakeholder fiduciary.***
- ***What this principle implies is that because managers posses discretion, they are responsible for exercising it and cannot avoid this responsibility by referring to rules, policies and procedures (Wood 1991).***

Archie Caroll (1979) is respected among CSR scholars: for the contribution of a four part definition of CSR.

- From an economic view, a corporation must generate wealth in order to operate.
- The corporation must also abide by the laws within the country in which it operates.
- Corporations also have an obligation to the society to act ethically.
- Corporation must apply discretion and observe environmental impacts that might arise from their activities.

3.2. Political perspective of responsible behavior within a society?

The term social responsibility is a brilliant one. It means something but not always the same thing to everyone. To some it conveys the idea of legal responsibility and liability, to others it means socially responsible behavior in an ethical sense, others it means responsible for in a casual mode, many simply equate it with charitable contributions, some take it to mean socially conscious. Others see it in form of legitimacy, in the context of belonging or being proper or valid, a few see it as duty of imposing high standards of behavior on business than of citizens at large. (Carroll 1999).

There are many definitions but the dilemma facing businesses is finding a definition (s) that can be used by all businesses globally.

And yet, Internationalization has placed national financial systems under scrutiny to make corporate governance transparent and open to market actors.

- European integration since 1968 has also formulated a number of company directives and stood publicly in favour of CSR regarding best [practices, equal opportunities, social exclusion, sustainable development, environmental issues among others.
- In the post industrial society, concerns of the company in community affairs has been increasingly formalized.

3.3. So The role of the Government in CSR

- The theory argues that sometimes political decisions may be required to answer major questions in CSR. This is because CSR fall in the arena of public policy, which is the primary task of the Government.
- The Government helps business achieve CSR through regulation, control and enforcement. For example in countries like Denmark, Sweden, Netherlands, Austria, Luxembourg, the representation of employees in company boards is required by law.
- The stakeholder theory thus is meant to redefine the purpose of business.
 - *In Kenya is there a CSR strategy?*
 - *Which Ministries deal with CSR?*
 - *What specific activities?*
 - *What is the role of Economic regulators like NEMA? How do they promote social and environmental policy objectives?*
 - *Are there any environmental action plans around energy services, renewable among others?*
 - *Do different companies have defined CSR policy or strategy?*
 - *What is the role and meaning that these companies attach to these policies?*
 - *Do companies operate health and safety policies and how do they measure their effectiveness?*
 - *Together with health and safety policies, how do different companies report environmental performance?*
 - *Is it CSR or Legal Compliance?*

Challenges of Implementation

- There are standards that provide some useful guidelines for corporations. But there is also a big flaw in these standards; they create the same guidelines for both private and public sector organizations.

- Because CSR lacks a common definition and measurement tools, making comparison between corporations and studies is quite challenging.
- Could it be that sometimes, corporations implement strategies of developed markets in developing economies.

4. WAY FORWARD

With reference to the HSSSR theme “Social Responsibility; Smart Goals for a Sustainable Future” what are some of these things that should be done for a sustainable future?

1. First and foremost, there must be an in depth review of the definitions and supporting concepts. This will provide the needed vision and knowledge to enable corporations to successfully manage CSR strategies. Many of the concepts are commonplace and thus can be taken for granted (*production and distribution of wealth, stakeholder management, ethical systems, sustainable management practices, community involvement and development, human rights, labour practices, the environment, fair operating practices, consumer issues etc*).
2. CSR should be defined according to the development stage of a business, awareness and ambition of each organization, rather than a “One Solution fits all” approach.
3. The different dimensions of the CSR are usually view as distinct parts. (social economic, environment, stakeholder) However they should be viewed in a holistic integrated manners ince each part affects the whole system of CSR to build a CSR value system that allows a corporation to behave in a socially responsible and accepted manner.

For example, and very broadly, in the O&G industry illustrations range from local building of school projects in the companies lease holds to global initiatives to curb CO2 emissions. So, some are micro and some mega overarching engagements. Stakeholders expectations are increasing higher as pressure builds from governments, NGOs and the public in general for companies to perform. It is a balance between keeping internal standards high while managing external expectations.

1. *Call for Corporate action :*

- Corporations should built management incentive systems , broad structures, internal control systems and research agendas for self control and integrity.
- They should also pay attention to human impacts of their operations and policies and reject practices that might create controversies. And thus moral responsibility must exist among individuals that work within a corporate in order to create corporate conscience.
- A corporation should adopt a clear set of moral and values which relate to the general public both globally and locally and which can guide corporate actions irrespective of whether or not this is required by law.
- Corporate governance must be observed. The company should comply with the obligations placed on it by legislation ownership and control? Everyone must be held accountable and those non- executing directors are checked individually and not as a group. In 1998, the

Organization of Economic corporation and Development developed set of corporate standards and guidelines which can be very useful in this area.

2. *Call for individual action:*

- Individual decision making or moral responsibility should consist of rationality and respect towards others. It involves careful mapping of alternatives, clarity about goals and purposes, attention to details of implementation, concern for the effects of an individual's decisions and policies on others. (Goodpaster and Mathews).

3. *Generally,*

- That specific information on how different companies relate to local communities in CSR approaches and good practices should be shared within the industry and with all relevant stakeholders.
- That those discussions on challenges facing Kenya and East Africa and Africa on CSR activities should be commonplace and innovative methods be proposed by relevant actors to deal with these challenges.

In Conclusion

- Consequently, Freeman and Gilbert (1988) argue that “corporate strategy which ignores the role of people in an organization simply ignores why organizational members act in the way they do. Corporate strategy must return to individual values or corporate members, before it is formulated. It must build on these values rather than taking them as constraining factors.”
- Companies will be prone to move towards best practices if there is support and increased values in their activities. The Government should therefore set the mood for the companies to move towards best practices
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