

MUNI
ECON

The Corporate Social Responsibility

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Content of the lecture

- 1. What is CSR**
- 2. History of CSR**
- 3. Why is it important and how to do it**
- 4. Critique and argument of CSR**
- 5. Greenwashing**



All Toyota Green Wave Project

All Toyota Harmony with Nature Working

オールトヨタ グリーンウェーブ プロジェクト

The advertisement is split into two vertical panels. The left panel shows a woman with dark curly hair, wearing a colorful patterned dress, standing in a lush green jungle. She is holding a blue sign with white text that reads "I CARE ABOUT KEEPING GREEN THINGS GREEN." In the top left corner of this panel is a small circular logo with a recycling symbol and the text "the planet". The right panel has a blue background with white bubbles. At the top, the text "WHAT DO YOU CARE ABOUT?" is written in large, bold, white letters, with the Pepsi logo integrated into the letters "O" and "A". Below this, there is a paragraph of smaller text: "Maybe it's green spaces. Or educational comic books. Maybe it's teaching kids to rock out. This year, the Pepsi Refresh Project™ is giving millions of dollars to fund ideas that will refresh the world. Here's how it works: You submit ideas. The public votes. Ideas with the most votes receive Pepsi Refresh Grants. So ask yourself, what do you care about? And do something about it at refresh^{everything}.com". Below the text is the Pepsi Refresh Project logo, which consists of three cans of Pepsi (one blue, one silver, one red) and the text "The Pepsi Refresh Project. Thousands of ideas. Millions in grants." At the bottom of the right panel, there are three more cans of Pepsi and the slogan "every pepsi refreshes the world™".



The infographic features a central red circle containing the Coca-Cola logo and three bottles. Surrounding this are various icons: a red faucet with a drop, gears, a factory, and several water drops in different colors (teal, green, light blue). The text is positioned to the left of the central circle.

Coca-Cola is working to ensure the sustainability of local water sources everywhere it operates.



What is the Corporate Social Responsibility

**CSR! Is that really for me? So technical,
very expensive!!
I'm overwhelmed**



What is the Corporate Social Responsibility

CSR is the continuing commitment by business to behave ethically and to contribute to economic development while improving the quality of life of the workforce and their families, local community and the society at large

(World Business Council For Sustainable Development)

What is the Corporate Social Responsibility

"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 the quality of life in ways that are both good for business and good for development" (World Bank, 2008).

What is the Corporate Social Responsibility

Corporate Social Responsibility



The responsibility of business towards the society

How?

Business area:

- No corruption
- Transparency
- Good relationships with customers, shareholders, business partners
- Intellectual property protection
- Legal Fullfilment

Social area:

- Filantrophy
- Human rights
- Equal opportunities
- Community engagement



Enviromental area:

- Efficient production
- Enviroment friendly behavior on all levels

Why?

- **License to operate**
- **Avoiding additional taxation or regulation**
- **The most important and strategic part for every business organization in decision making**
- **Anticipate the future needs of society**
- **Competitive Advantage**

Corporate Citizenship Concepts

<i>Corporate Social...</i>	<i>Emphasizes...</i>
<i>Responsibility</i>	Obligation, accountability
 <i>Responsiveness</i>	action, activity
 <i>Performance</i>	outcomes, results

History of CSR

Early Works

- **M. P. Follett, 1918, 1924: social problems are not only a government matter**
- **Ch. Barnard, 1938: the purpose of business existence is to serve the society**
- **J. M. Clark, 1939: *Social Control of Business***
- **T. Kreps, 1940: *Measurement of the Social Performance of Business***
- **Howard Bowen 1953, was the first author who published a book on corporate social responsibility**

History of CSR

Conditions

- excess of demand over supply
- enormous labor specialization
- need for large amounts of capital
- growth of capital intensity

History of CSR

Boom

- H. Bowen, 1953: *Social Responsibilities of a Businessman*
- A. B. Carroll: *A Three Dimensional Conceptual Model of Corporate Performance.*
- Mid: 70s a project focusing CSR at Harvard Business School
- World Economic Forum Meeting (Davos), 1973: Managers' Code of Conduct

Historical Perspective

- *Economic model* – the invisible hand of the marketplace protected societal interest
- *Legal model* – laws protected societal interests
- Modified the economic model
 - Philanthropy
 - Community obligations
 - Paternalism

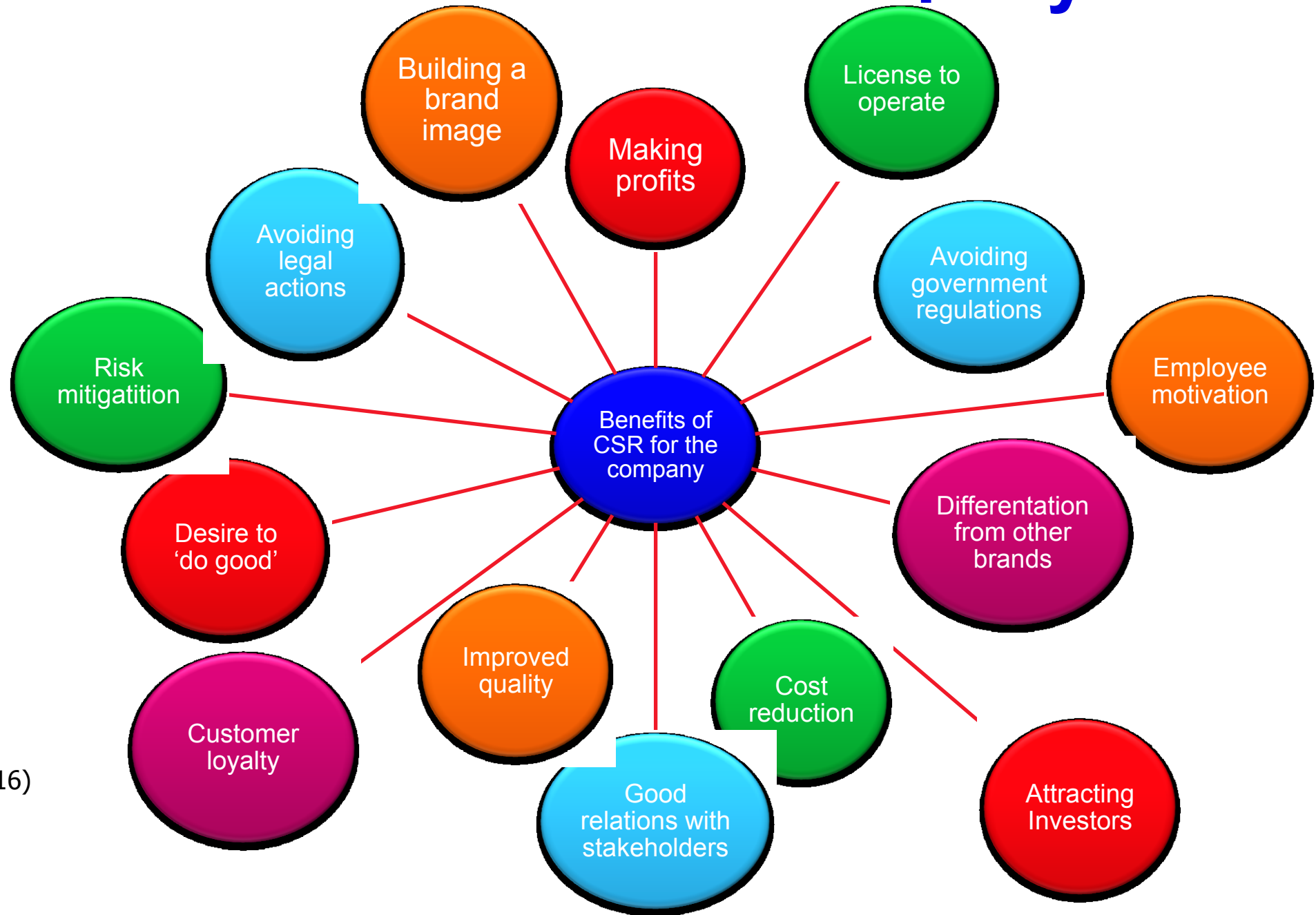
CSR's evolution

- Early definitions (1950s-1970s): broad and heavily rooted in the 'social' element
- 'Conceptualisations' and models (1970s-1980s): efforts to produce a model of CSR and its institutional role
- Business case grows (1980s-): research turned towards analysing the financial impacts and competitive advantages offered

Corporate Social Responsibility (CSR) Business Responsibilities in the 21st Century

- Demonstrate a commitment to society's values and contribute to society's social, environmental, and economic goals through action.
- Insulate society from the negative impacts of company operations, products and services.
- Share benefits of company activities with key stakeholders as well as with shareholders.
- Demonstrate that the company can make more money by doing the right thing.

The Benefits of CSR for the company



Paulina Księżak (2016)

Advantage against competitors within CSR elements

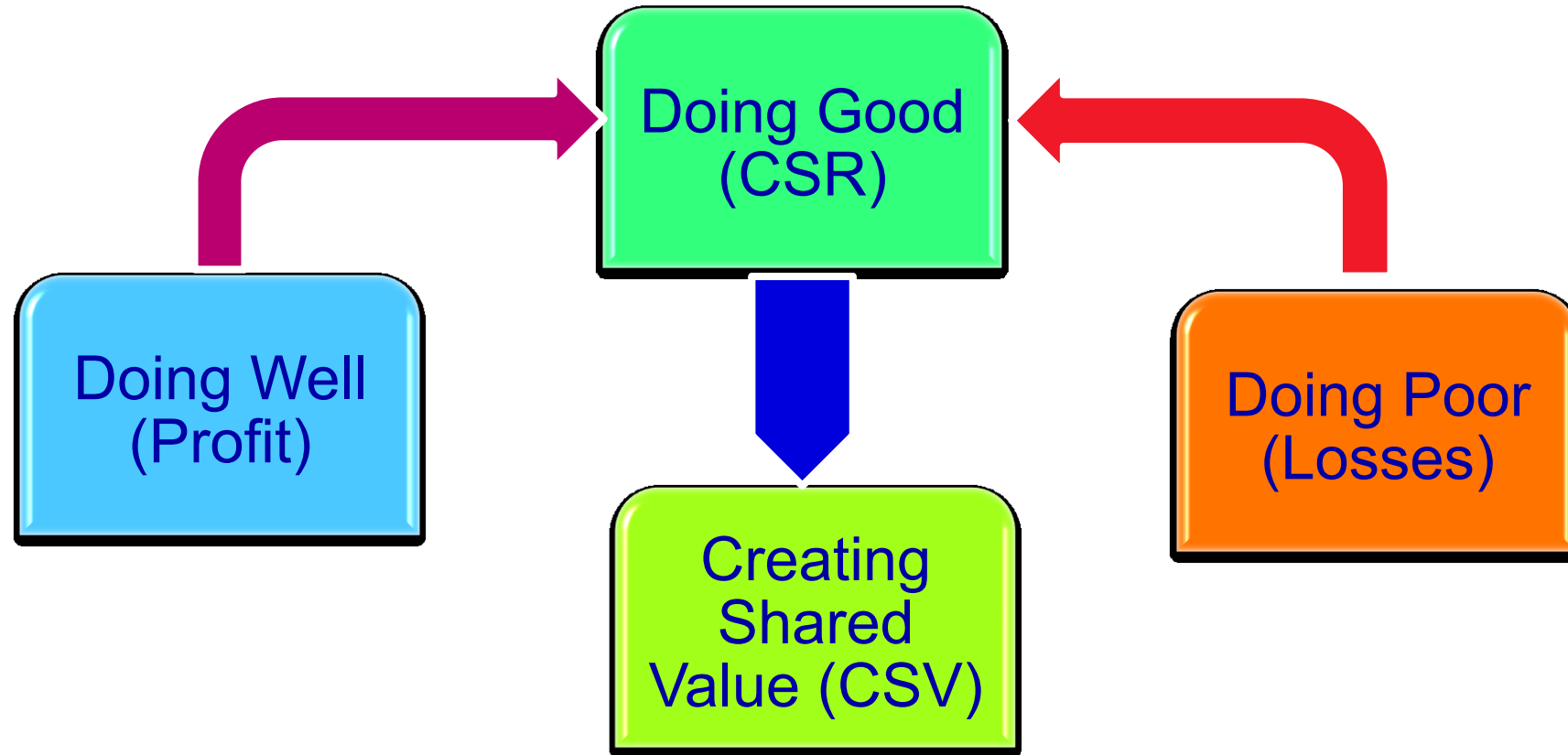
- creating a positive image of a company
- shaping proper relations with all of the stakeholders
- increasing employees' morale
- taking social responsibility of a company into consideration by potential consumers

Source : Gołaszews- ka-Kaczan (2009)

The Benefits of CSR for the society



Doing Well and Doing Good



Source : Hategan (2018)

How to do CSR: Principles

- Voluntariness
- ACTIVE cooperation with ALL involved parties
- Transparency
- Systematic and long-term nature
- Responsibility towards the society
- Tripple bottom line

Why to do CSR: CSR activities should result in

- Higher margins, better access to additional capital, lower costs, better image
- Higher turnover and productivity, ability to attract better employees
- Lower risk, lower scrutiny

The other side:

- Higher costs, cash outflows

Why to do CSR: Empirical research issues

- Corporate financial performance
- Corporate social performance
 - Domini 400 Social Index (DSI 400)
 - Standard and Poors 500 Index for socially responsible firms
 - Best employers, most respectable companies, etc.
- Direction
- Causality

CSR: Evolving Viewpoints

- *CSR considers the impact of the company's actions on society.*
- *CSR requires decision makers to take actions that protect and improve the welfare of society as a whole along with their own interests.*

CSR: Evolving Viewpoints

- *CSR supposes that the corporation has not only economic and legal obligations, but also certain responsibilities to society which extend beyond these obligations.*
- *CSR relates primarily to achieving outcomes from organizational decisions concerning specific issues or problems which (by some normative standard) have beneficial rather than adverse effects upon pertinent corporate stakeholders. The normative correctness of the products of corporate action have been the main focus of CSR.*

Carroll's Four Part Definition

CSR encompasses the **economic**, **legal**, **ethical** and **discretionary** (philanthropic) expectations that society has of organizations at a given point in time

Carroll's Four Part Definition

Responsibility	Societal Expectation	Examples
Economic	Required	Be profitable. Maximize sales, minimize costs, etc.
Legal	Required	Obey laws and regulations.
Ethical	Expected	Do what is right, fair and just.
Discretionary (Philanthropic)	Desired/ Expected	Be a good corporate citizen.

The Pyramid of CSR



Critique of CSR

- Mullerat (2010) notes that CSR, as many other concepts, can be twisted and used only as a PR tool.
- “I do not think that most Czech companies are as responsible and fair as many of them say about themselves. Some companies have just adopted what foreign sources call “pinkwashing” or “greenwashing”; i.e. creation of an impression of a socially responsible company” (Čanik 2007)
- Moon (2014) points out the difficulty of measuring the actual impact of CSR implementation
- Visser and Tolhurst (2010): “it will allow companies to feel good about themselves, while communities crumble, ecosystems collapse and economies descend into chaos”

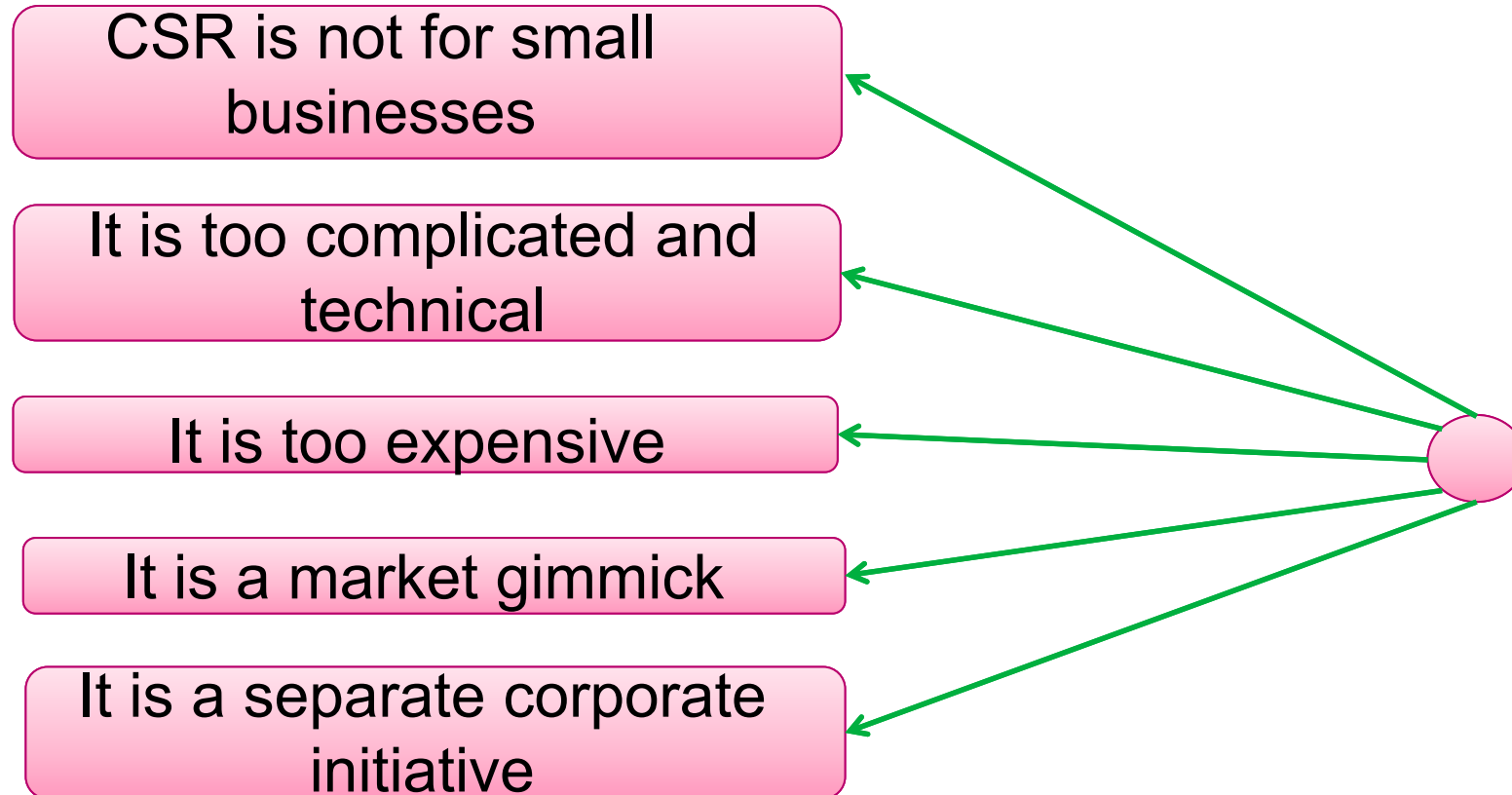
Critique of CSR

- Restricts the classic economic goal of profit maximization
- Business is not equipped to handle social activities
- Dilutes the primary purpose of business
- Increases the power of business
- Limits the ability to compete in a global marketplace

Arguments For CSR

- Addresses social issues brought on by business, and allows business to be part of the solution
- Protects business self-interest
- Wards off future government intervention
- Addresses issues by using business resources and expertise
- Addresses issues by being proactive
- The public supports CSR

Myths surrounding CSR



CONTROVERSY ON CSR

One of the most controversial thing about CSR is “Greenwashing”

What is Greenwashing?

“Greenwashing is the process of conveying a false impression or providing misleading information about how a company's products are more environmentally sound”

It is to make the consumers to believe that the products are environmentally safe but are actually not

It's greenwashing when a company or organization spends more time and money claiming to be "green" through advertising and marketing than actually implementing business practices that minimize environmental impact.

Examples:

1. Claiming the air conditioners as CFC free even after a ban on CFCs to create impression on the product makes no sense
2. An area rug is labeled “50% more recycled content than before”
The manufacturer increased the recycled content from 2% to 3%. Although technically true, the message conveys the false impression that the rug contains a significant amount of recycled fiber
3. Many food products have packaging that evokes an environmentally friendly imagery even though there has been no attempt made at lowering the environmental impact of its production



“Seven Sins of Greenwashing”

The sin of suggestive pictures

***Green images that indicate a (un-justified) green impact,
like flowers blooming from exhaust pipes***

“Seven Sins of Greenwashing”

The sin of the hidden trade off

Suggestion of being Green, based on a single environmental attribute, while blurring all other parameters which are maybe more important, like a Hummer that is claiming that it is a Hybrid

“Seven Sins of Greenwashing”

The sin of no proof

Claims that could be right, but are not supported by any evidence, or by any reliable third-party certification, like Household lamps that promote their energy efficiency without any supporting figures or certification

“Seven Sins of Greenwashing”

The sin of vagueness

Claims that are expressed with fluffy language with no clear meaning, like ‘planet-friendly’ packaging

“Seven Sins of Greenwashing”

The sin of irrelevance

Environmental claims that are redundant and unimportant for customers seeking environmentally preferable products. It is irrelevant and therefore distracts the consumer from finding a truly greener option, Like ‘unleaded fuel (all fuel in Europe is unleaded

“Seven Sins of Greenwashing”

The sin of lesser of two evils

***These are “green” claims that may be true within the product category, but that risk distracting the consumer from the greater Health or other negative impacts of the category as a whole,
Like organic cigarettes***

“Seven Sins of Greenwashing”

The sin of fibbing

Out-right lying, and produce totally fabricated claims or data

Like driving climate neutral

Find me 5 sins of Greenwashing in this ad



We Support Breast Cancer Research.

Because the longer you live, the more you can smoke.



SURGEON GENERAL'S WARNING: The Surgeon General has determined that smoking cigarettes increases the risk of profits for tobacco companies.



Open questions about CSR

- Should companies do CSR?
- Should CSR be regulated?
- Should CSR be obligatory?
- Do CSR have risks?



THANK YOU

FOR YOUR

ATTENTION

ANY QUESTIONS?