

What Constitutes Effective Corporate Responsibility?

(Appendix 11)

Thesis: In selecting the most efficient CSR Programs, the areas of obtaining a social conscience, corporate culture, and the business entity and society coming together as one is necessary to create a successful program.

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Choosing Correct Corporate Social Responsibility Programs

Thesis: In selecting the most efficient Corporate Social Responsibility (CSR) Programs, the areas of obtaining a social conscience, corporate culture, and the business entity and society coming together as one is necessary to create a successful program.

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Choosing a corporate social responsibility (CSR) program requires several aspects of the corporation and of society to be explored. In selecting the most efficient CSR process, the areas of obtaining a social conscience, corporate culture, and the business entity and society coming together as one are necessary to create a successful program. Thinking on the grounds of having a social conscience, a corporation with a philanthropic characteristic of having a human like brain with its conscience, is vital for the success of CSR programs. When thinking about corporate culture, the corporation's belief and value structure must be evaluated and the concept of having a social conscience needs to be implemented in the vision and goals of the business. In the end, the entire corporation and the communal society has to create some form of unity to support the process in the stages of defining, evaluating, analyzing, and support implementation as with inserting any program into an organization. The community as a whole must be in demand and gladly accept what the policy offers. These areas of exploration will give some idealistic view of the priorities that are needed in choosing a CSR program.

Defining . . .

To choose a CSR program, the history and defining corporate social responsibility will help determine the procedure that would be the most beneficial. CSR processes have added ethics to management decisions in business. There have been two opposing forces in CSR's: those for it and those against it.

“Beginning in the 1960's, major changes in the social expectations of business became visible in the form of a tidal wave of social regulation.... The legitimacy or social support for business and the other social institutions began to drop, and the political environment became marked hostile.”¹

¹Newman S. Perry, Jr., *Business, Government, & Society: Management competitiveness, Ethics, and Social Issues*, Englewood Cliffs, NJ: Prentice-Hall, Inc., 1995, p.257.

Milton Friedman has been one of the highest regarded philosophers against CSR programs.² He feels that this philosophy of business helping society would undermine society and would take over what the government should control. The purpose of government is to rule over society, and the purpose of business is to make a profit for investors and contribute to the wealth of the stockholders. Friedman agrees to the fact that corporate resources need to benefit society and in the mean time contribute to the economies of the company. CSR programs are beginning to not only become a demand, but a requirement by society and as a means of government searching for businesses to help with the problems in the community. The underlying philosophical view is to share the burden among business and the government. Kenneth E. Goodpaster and John B. Matthews, Jr.'s³ views are deemed extremely different from those held by Friedman. Both authors see corporations having a conscience, and held morally accountable for the consequences of behavior. This is the contemporary philosophy among management in corporations supporting CSR programs, as mentioned above; all with a combined effort of business, government, and society. The bases of arguments for corporate social responsibility are:

“. . . (1) corporations can be said to have a conscience and be held morally accountable for the consequences of behavior; (2) a corporation is based upon an evolving social contract; (3) the social contract changes with society's expectations; (4) business has the capability and resources to improve society and thus managers should assume CSR; (5) the solution of social problems depends upon everyone, including businesses; (6) and CSR is consistent with the long term economic interest of business.”⁴

According to Archie Carroll,⁵ the CSR programs form the shape of a pyramid consisting of four dimensions with in the pyramid: economics, legality, ethical, and philanthropic. Economics is the basis of the pyramid because of the business being built solely on gaining a profit. Next, legality is the dimension where business should play by the rules and laws define what society thinks as being moral. After this, business should be ethical in avoiding harm; do what is right, just, and fair. Then on top of the pyramid, a corporation becomes philanthropic--a citizen, so it should act like one. Corporate social responsibility has three domains that cover Carroll's dimensions as described above. The three domains are institutional, organizational, and individual as defined by Donna Wood.⁶ Institutional is the power granted by society, and a business must act legitimate in using the power because those who abuse the power will lose the power. In organizational, managers should consider the consequences of their actions. Their responsibility lies in the areas of business related operations and interests. For individual, the moral action of managers is to be aware of what is around them and apply it to production, innovation, marketing and communication in solving problems. After the corporate staff evaluates what is needed in

²Ibid., pp. 260-262.

³Kenneth E. Goodpaster & John B. Matthews, “Can a Corporation Have a Conscience,” *Harvard Business Review*, January-February 1982, pp. 132-141.

⁴Newman S. Perry, Jr., *Business, Government, & Society: Management competitiveness, Ethics, and Social Issues*, Englewood Cliffs, NJ: Prentice-Hall, Inc., 1995, p.257.

⁵Archie B. Carroll., “The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders,” *Business Horizons*, July-August 1991, pp. 39-48.

⁶Donna Wood, “Corporate Social Performance Revisited,” *Academy of Management Review*, 16, no.4 (1991), pp. 691-718.

CSR programs, the next level is in choosing them and to look at how the business entity fits into the dimensions and domains by looking at their corporate structure.

Evaluating . . .

After evaluating the concepts of CSR, the next process is to look at the business entity - that is to evaluate the program before implementation. In reviewing the business entity, a social conscience must be maintained in the formation of the committees in referring to sources for reliable information, defining their own social conscience and to analyze their own corporate culture and the direction that is needed for the selection process in implementing corporate social responsibility. Having a committee to oversee the CSR program can help the corporate officers, usually the board of directors, keep a very close tab on everything. Most committees are given titles like Public Affairs or Social Responsibility Committees. "By forming a distinct social responsibility committee the board can make social concerns a permanent part of its mandate."⁷ The role of the Committee is to find ways for the corporation to interact with society in areas of urban American housing, schools, equal opportunities, health care for the needy, day care for employees, and play areas for the community's youth. The committee then can recommend changes in the economic structure, implement their technologies and communications, and possibly help minorities and women begin their own businesses. For a corporation, this is actually a long-term investment in the community. This is one investment that the public can see and in the future may determine growth and future investments that have been really based on adding ethics to the corporate structure and investments. "Establishing a board committee on social responsibility or public policy signifies that the corporation accepts a willingness and commitment to broaden its scope of governance."⁸ According to Francesco Cantarella, President of Corporate Social Solutions, the Committee selection is a three-step process. First, a resolution through paper means to establish the Committee subject to the board of director's governance. Then, the board provides them with proper authorization to review policies and procedures in the company's role as a corporate citizen. In the end, an outline of the areas to be overseen will be given to the members, which may range from customers to products, even to employment matters.⁹ For a nominal fee, the corporation can have Corporate Social Solutions to create and help establish a CSR program. Another area for the Committee to refer to for ideas about the area is their own human resources department. This department is usually current with the values that today's society holds and may aid in the process of obtaining Committee members. Some corporations like AT&T, ". . . have to constantly rethink our strategy, our structure, our organization and our people--and that, absolutely, will be continuous."¹⁰ Drawing from that conclusion about employee recruiting, it is obvious that CSR programs will constantly have to be evaluated in order to promote the current values that society holds in order for the program to continue once it has been implemented. With the formation of the Committee, the actions of obtaining a social conscience are next. One of the most popular areas is in the concept of protecting our natural environment. Thinking about what is next relates to how the panel of representatives was formed and the belief and value structure of the corporation. An example,

⁷ Francesco Cantarella, "Growth of Corporate Responsibility Committees," *The Corporate Board*, November-December 1996, p.16.

⁸ *Ibid.*, p. 18.

⁹ *Ibid.*, p. 18.

¹⁰ Jennifer J. Laabs, "Today's Priorities May not Be Tomorrow's: Eyeing Future HR Concerns," *Personnel Journal*, January 1996, p. 30.

globally, of a corporation taking action is the New San Juan¹¹ forestry cooperative project. The industry that is represented here is the logging industry and their concern about the existence and well being of the community. In correlation with the government, the logging industry is protecting and replanting the areas that have been harvested. Local residents are allowed to harvest their own trees for employment. As a result, the involvement of locals in doing everything for themselves from community development up to creating a strong local economy will establish a stronger community. In order for a success story like this to take place, an in-depth analyzation of the corporate culture as to what is best for the corporations is a necessity.

Analyzing . . .

CSR programs bases are subject to the existing or redefining corporate culture. Corporate culture is the so called “norms” of the business entity which constitutes the areas of popularity to the business itself and possibly its competitors, how employees react to the culture, and the direction that the CSR program needs to take to “best fit” the corporate culture. As research is processed on the views of the corporate culture, the employee/employer relationship is a characteristic that needs to be asses. An understanding of exactly what types of personality traits employees possess and their views become essential. Another key element is how customers are treated. Are the customers, number one, as in a Total Quality Management (TQM) philosophy, or are they seen just as a process that will result in a profit? In all ranges of the corporation, are the employees on a team base approach to production or providing a service, or does a high level of individuality exist. In working with the corporate culture, different philosophies exist. For example, the concepts of “winner-take-all” markets requires business to invest more at staying in the top line of competition than in any other areas of the business. CSR programs, in a way, become a lesser item on the priority scale to being number one when economics become a major attribute in how the corporation is doing in the competitive market. “. . . [O]bviously the most popular of any class of products or programs will shoulder the less popular off, although in quality, these may be close to the most successful popularity.”¹² Greed in business activities have changed our society, and make other businesses that tries to invest in society gain or carry a bad reputation when they implement CSR programs. The main reasons for having a bad name are delaying or decreasing funds to invest more in the economy than in the social markets. Inside of the corporation, the culture needs a sense of loyalty by the committee members, managers, board of directors and even down to employees. On the other hand, so much internal restructuring of corporations to gain global competitiveness of American businesses has taken away some of the loyalty that many prospective supporters have turned away from supporting anything a corporation may elect to do. So many promises have been made, and then taken away – therefore creating a lack of corporate trust. Not only does this take away the inside loyalty of the corporation, but society may also have difficulties in gaining the trust of corporate responsibility that is true, of being properly funded, and will not be taken away as it involves to becoming an essential part of the community. Without one hundred percent commitment level, the programs will be difficult to support. As information is gathered in defining the corporate culture, Corporate Social Solutions (as previously mentioned), is a service entity that specializes in CSR programs. Some of the areas of analyzing and evaluating the corporate culture are: counsel directors in forming committees, consult the committees, create programs of diversity and of minority need, identify weaknesses, coordinate relationship objectives

¹¹David Tenenbaum, “Entrepreneurship With a Social Conscience,” *Technology Review*, May-June 1996, pp. 18-19.

¹²Robert A. Frank and Philip J. Cook, *The Winner-take-all Society*, New York, NY: The Free Press, 1995, p. 3.

to the outside world, revise corporate philanthropy programs, reduce tension in the community by creating partnerships, improve communications external and internal, generate positive relationships in every aspect of the community and its members.¹³ Another method of determining the importance of the corporate culture is the priority matrixes that consist of listing priorities and listing in columns the level of importance. In reality, the corporate culture represents the values and beliefs that the entity holds in the areas of how it competes, its inward structure, and the priorities the business may hold. It truly defines which comes first, the business, or adding ethics to the decisions that are made and to maintain CSR programs even when funding is readily not available. Corporate social responsibility takes the effort of all departments, offices, and branches of a corporation.

Implementing . . .

In determining the correct CSR program, the final stages after defining, evaluating, and analyzing the corporation is to gain support throughout the entity, the community and then to implement the desired program. Every department of the business entity has to communicate efficiently to the Committee. As examples, the accounting department needs the details of the amount of monetary spending that will be expense on the program and the financing department desires to know how much capital is necessary for rising proper funding. The marketing department will become a great asset to the program as their skills become utilized to “sale” the program to the community, and the human resources department importance has already been discussed by effectively using their knowledge of the people that are in the external environment. In essence, of the program becoming appealing, society has to be willing to accept what the corporation has to offer. The community must define or at least establish the needs they desire and communicate to the corporation these needs. It is essential to have community involvement in the programs. To help foster CSR programs, many corporations are now volunteering a range of employees from corporate staff and executives to general employees and even retirees as volunteers for programs in the community. Corporate volunteers also serve as representatives dealing with government issues, which concern their community. An example of a project that is very similar to a CSR program is The Atlanta Project (TAP), a joint venture on devastating social problems where residents, businesses, and government come together as one collective unit. For many local businesses, TAP has been made into corporate responsibility for them and large corporations that are in the area like Coca-Cola, AT&T, and Kroger’s. TAP empowers people at the low end to make decisions as a corporation gives a Public Affairs Committee the power to choose and empower those below them in the chain of command. The only disadvantage to businesses is the recognition of doing the plans or activities and gaining no special attention for each entity involved. That really forces equalities among the business participants in the project. Initiatives of TAP for businesses to support the community are “. . . literacy training, home improvement training, communications, feasible studies, health initiatives and sales training, and children’s’ issues and nutrition,”¹⁴ and by a direct link of employee involvement. These are also comparative elements in how CSR schemes relate to the needs of the community but on a smaller scale rather than the entire metropolitan area. After support is gained internally and externally, then the process of choosing the CSR program is nearly finished.

CSR programs require an extensive amount of effort and time to develop. Understanding the priorities of the business is a lengthy process of defining, evaluating, analyzing, and supporting the

¹³Corporate Social Solutions, *Corporate Social Solutions: Creating Effective Solutions to Accommodate the World of Corporate and Community Needs*.

¹⁴Archie B. Carroll and Gerald T. Horton. “Do Joint Corporate Responsibility Programs Work?”

purpose of corporate responsibility. Defining CSR is to list the pros and cons and to find the extremities of the range that the strategies will cover in a joint effort with the board of directors. To evaluate CSR programs requires proper utilization of the Committee and the resources readily available and to begin the process of obtaining a social conscience as conclusions are beginning to be made. In an effort to implement an efficient CSR program, the corporate culture needs to be exhaustively analyzed, look at popular beliefs, and determine a process of implementation. Total support by the corporation is a required element of implementing the corporate social responsibility, which is exemplified by all departments coming together under one goal or vision for a common purpose. Looking at these priorities and steps will constitute an efficient CSR program.

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