

CORPORATE SOCIAL RESPONSIBILITY: VARIETY OF CONCEPTUAL FRAMEWORK AND FORMS

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Abstract. Despite the fact that CSR is one of the most-debated topics for a long time there is still no any universally accepted definition and concept of CSR. The concept of corporate social responsibility (CSR) has a variety of definitions that reflects variety and differences of understanding of CSR and, especially, the level of its contribution to business and society development. The article observes the CSR as a phenomenon from the perspective of business community and the society and provides the views of academic researchers as well. The article offers an overview of the main definitions, contemporary concepts and forms of CSR.

Introduction. There is no single view on defining the starting point in corporate social responsibility (CSR) history. The social responsibility concept has long and diverse history (Boatright, 2003; Mason, 1974). According to many researchers the term appeared in the middle of the XX century and due to the growth of economic and political influences of corporations the CSR became even more popular and debated topic both in scientific and business environment nowadays. (Vanessa Hastenpflug Wottrich, Dalinee Sastararaji, 2007).

However, one can also find statements about early appearance of CSR in the scientific literature. They link its appearance with the industrialization and new type of business impact on society and environment. Thus, based upon this point of view the beginning of XX century was marked by appearance of “new” vision of CSR, with new requirements towards business. (Wallence B. Donham, 1929).

The basis for the debate was laid by the “corporate self-interest” theory. Its views were presented by the Nobel laureate, M. Friedman. In 1971, M. Friedman wrote in “The New York Times” that “there is one and only one social responsibility of business: to use its resources and energies in actions leading to an increase in profits, as long as it is done within the rules of the game.”

Another point of view in the theory was called “enlightened self-interest.” It views CSR as one of the types of social investment in the form of sponsorship or charitable activities. One of the extreme views of this theory is the statement that reduction of a company’s revenue at the expense of the socially oriented spending creates a favorable social environment, which in turn contributes to the sustainable development of businesses.

Whatever the period of CSR history dated back, the discussions around it were always very hot. Nowadays, the issues connected with corporate responsible attitude of the companies in globalization context are of great interest. The understanding that corporations are crucial centers where focused financial, human and material resources, makes society to intensively follow their activities and growing impact on social processes.

Thus, as a result of globalization progress and growing business power, there are new flares of discussions about the role of the companies in society, their social obligations and responsible attitude. The survey covers four directions:

On academic level there is a growing interest of scientists (Andriof and McIntosh, 2001; Habish et al, 2005) in analysis of various economic interactions, laws concerning wide range of economic theory – from financial expenditures to human capital assets management.

On political level CSR issues are discussed in the context of three-party cooperation institute of state of power, business and trade-union. The ideas of labour law, regional responsibility, environment protection and social phenomena such as unemployment, poverty and urbanization are included today in agenda of CSR discussions.

On the company's management level a social responsibility is reviewed as an instrument of strategy (Duane Winsdor, 2006). The researchers views are often refer to marketing and competitive strategy issues. CSR issues are reviewed at the interface of business practices and theory management. The researchers highlight the environment management, resource management and stakeholders' management. (D.J.Wood, 1991).

On the regional/national level the majority of researchers of CSR are focused on multinational relationships, models and European context (Aaronson, 2002; Perrini, 2005; Silberhorn and Warren, 2007) or interrelations between Europe and America (Maignan and Ralston, 2002).

While resuming one can certainly say that XX century was marked by deepening and expansion of theories, which explain main point of business and society relationships. One of the main postulates of most views about CSR is a thesis that if a company properly pays taxes, sets proper salary level, provides with adequate working conditions, follows environment protection rules, then it carries on fair business practice and it is a socially responsible company. Today another spread statement is voluntary principle support and defining CSR as an activity carried out in addition to legislative required activities.

Variety of CSR concepts. Until now one of the most spread issues for many business companies, which begin to carry out social activities, is: "What Is Corporate Social Responsibility?" Notwithstanding the duration of discussions in this field, there is no single definition of this concept.

Thus, different authors and organizations offer their own definitions, though all these definitions have common basis. CSR implies that companies take care of their positive impact on society while doing business.

Economic responsibility concept. At the first stages of the concept development term 'social' meant economic responsibility of a company which was restricted by business operations and profitability support. M. Freedman (Capitalism and Freedom, 1962) is often mentioned as strong supporter of this theory. He thinks that "there is only one business social responsibility – to use own resources and be engaged in activity targeted at growth of profits provided that they stick to the rules of a game, i.e. participate in free competitiveness without deception and fraudulent activities". M. Freedman was especially skeptical of the term 'social' which he associated with socialism.

Well-known management theorist M. Porter is considered to be another supporter of this concept. In contrast to M. Freedman, his understanding of social responsibility is wider since it covers the notion of moral responsibility in a form of honesty and ethics. According to M.Porter, enterprises are involved in charity "to avoid scandals and to be loved", although such path is quite risky. M. Porter considered that companies should replace protective measures by preventive integration of social initiatives in a competitive business strategy. Business makes economy work and it should be proud of it. Money comes from business but not from the government. From M. Porter's standpoint, business should not try to solve all social problems but should focus on the most relevant business operations.

Basic business strategy concept rests on the fact that business can not thrive if surrounding society is not safe. Corporate responsibility involves those measures which are taken by enterprises to support and settling this close relationship. Society can also promote CSR providing such services as law-enforcement, investment in public benefits used by business, and respective regulation funding such activity through rationally built and arranged public finance system. If interaction of business and society becomes successful, it promotes mutual confidence and predictability, which, in its turn, leads to successful business and improves economic, social, and environmental well-being of society.

Responsibility concept. A. Carroll (1999) considers that the corporation activity should be assessed not only based on business success but also on noneconomic criteria. See the Figure 1.

In order to perform its corporate civil role, corporation should have the following obligations:

Economic: gain enough profit for owner equity, provide products which cost the paid money, create new jobs, new tangible values for its business, encourage innovations.

Legal: abide by the law.

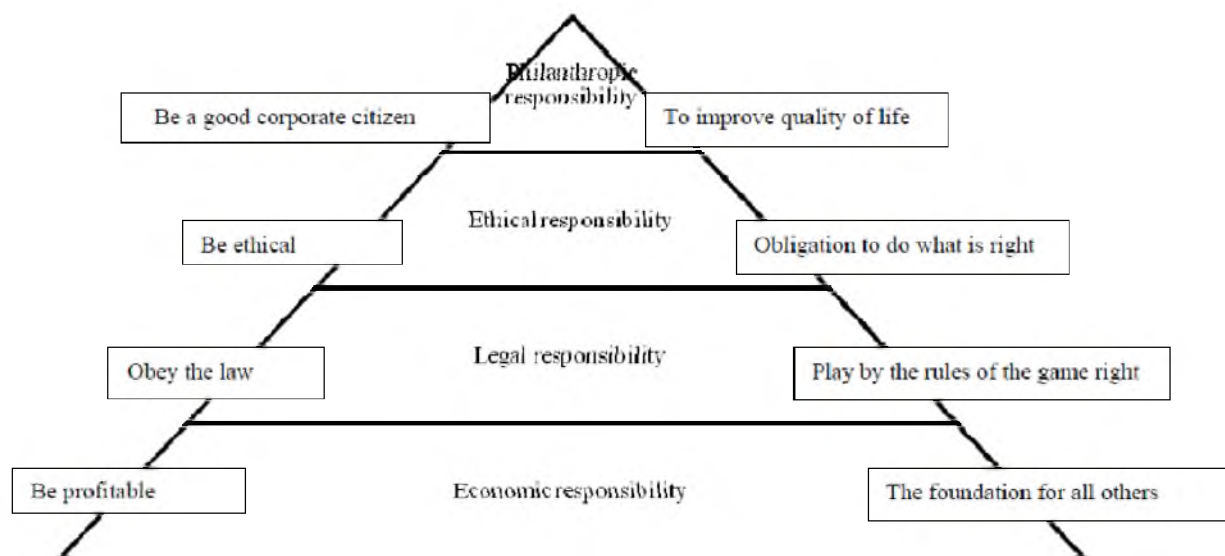


Figure 1 – The pyramid of corporate social responsibility (Carroll, 1999).

Source: Carroll A.B. 1999. Corporate Social Responsibility: Evolution of Definitional Construct. *Business and Society*. 38, p. 268 - 295.

Ethic: be moral, honest, and just, respect human rights, avoid infliction of social harm, prevent harming others.

Philanthropic: conduct socially useful activity.

Stakeholder concept. Irrespective of the enterprise or organization type, there are groups of people influencing organization or influenced by organization. This group is called ‘stakeholders’ and includes: employees, buyers, shareholders, suppliers, local community, Government, and society as a whole. As a rule, some of stakeholders have more influence than others, and business should understand the level of influence of each group of stakeholders.

Corporate accountability concept. This concept stresses that companies are responsible to some extent for implications of their activities. Nowadays companies should become more accountable to the whole society. Moreover, they are responsible to stakeholders. The only way to ensure that transnational companies will not use differences in national regulation is to reconsider accountability of businesses under the mandatory international standards of conduct.

Voluntary concept. One of social responsibility concepts implies that in addition to the company’s obligations envisaged by the law and economy, there should be a tendency to achieve long-term goals beneficial for society (Buchholz; Robbins and Desenzo, 2001). It is important for organizations to come up to expectations and perform moral obligations on the society level. This means that correct conduct should be based on long-term wellbeing of society as a whole.

Proactive concept. From the point of view of business, CSR is a means of response to sustainable development challenges. Companies can do it in a ‘reactive’ (reaction-based approach) and ‘proactive’ (strategic approach) way which systematically extend management capabilities for sustainable development. Using the reaction-based approach companies perceive changes in their development and behavior as risks they respond to taking certain measures. Companies understand that disregard of a problem may seriously harm their reputation, and in some cases deprive of the license to operate or at least become one of the lost opportunities.

Forms of Corporate social responsibility. Variety in CSR concepts explains the variety of its forms.

In general, various forms of CSR can be shown in a form of pyramid consisting of three layers. At the bottom of the pyramid there are issues related to optimization of business quality and business processes (Figure 2). Further there is mitigation of business impact on environment, as well as partner programs enabling business social infrastructure development. Charity is on the top of the pyramid.

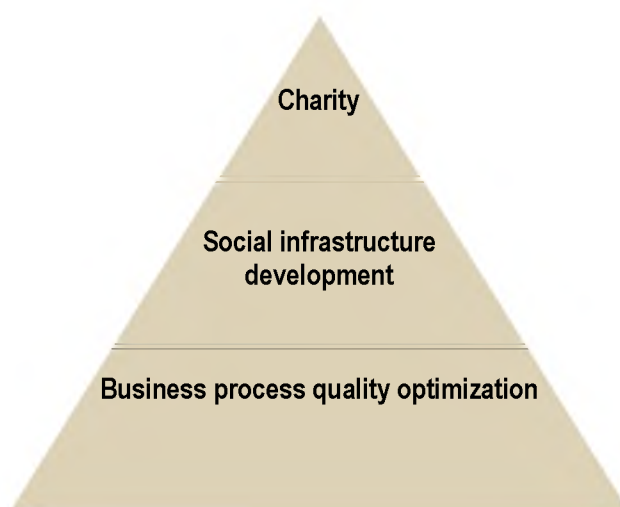


Figure 2 – CSR Activity forms

New forms of Corporate Social Responsibility. Business globalization has significantly influenced formation of new forms of business social responsibility. More competitive strain in the commodity and financial markets has brought about restrictions in charity programs financing. According to M. Freedman, ‘capitalism of managers’ is being replaced by ‘capitalism of investors’ which has established more efficient mechanisms of shareholders regulation of the managers, affected replacement of traditional scope of charitable activity and contributed to establishment of such new forms as strategic philanthropy, charitable marketing, corporate social marketing, etc.

Strategic philanthropy – pragmatic charitable strategy encouraging business to achieve its new commercial and financial goals when implementing CSR programs. Such activity may lead to increased demand in the company’s products and may target improvement of social, political, ecological or institutional environment in which the company operates. For example, it may focus on support of programs in the field of university and specialized secondary education, social programs, health care investments; culture; fundamental and applied research, etc. This is also referred to support of partnership, NGOs shares, public bodies (primarily, local authorities) which in future will contribute to promotion of a profit-making organization’s product (service) to the target group.

Charitable marketing – focuses on acquisition by a company of those positive business features which make it significantly different from its competitors, to form stable reputation. Reputation is formed thanks to fidelity clients’ fidelity and increased demand in the company’s products. Often certain sales interest goes for specific charity. There is also practice of selling participation of consumers in useful activities ‘in a package’ with its goods. Success of such activities significantly depends on the partner (social organization), enterprise which was chosen by business for promotion of a specific social initiative. It is worth mentioning that there is a tendency of gradual increase in charitable marketing dimension, for example, in the USA it is estimated at US \$ 1 billion per annum.

Corporate social marketing is described in detail by F. Kotler and N. Lee in the book “Corporate Social Responsibility”. The authors propose to consider as corporate social marketing “company’s support of development and/or change of some ways of behavior (habits) in order to improve people’s health or security, contribute to environment protection or community development. Typical feature of this initiative is putting emphasis on change in behavior which makes it different from promotion of a socially valuable activity. Company’s behavior is focused on supporting measures for making the idea popular, collection funds, and involvement of volunteers”.

The issue of how to act to support social initiatives and to be socially responsible while maintaining competitive edge in the new global environment becomes increasingly important in the business environment. The choice of specific forms and models of CSR depends on the analysis of social problems at different levels and opportunities, objectives, and possibilities of business.

Conclusion. Variety of CSR concepts, approaches, and forms in the international practice shows the importance of CSR as a phenomenon. Experience accumulated by countries and separate companies is almost an age-long. The fact that CSR is one of the most-debated topics in business for a long period of time makes it possible to state that a socially responsible company became an integral part of private businesses, the valuable instrument of their competitive advantages and significantly contributes to the long-term sustainability of society.

The application of different CSR forms by companies cannot be a unified process. Every company has to choose its own way of development and strengthening on the market. However, knowledge and dissemination of international best practices allow learning useful tools to assess consequences and expected results upon the application of a certain CSR model and form.

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КОРПОРАТИВТІК ӘЛЕУМЕТТІК ЖАУАПКЕРШІЛІК: ТҮСІНІКТЕРІ МЕН НЫСАНДАРЫНЫҢ ӘРТҮРЛІЛІГІ

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Түйін сөздер: корпоративтік әлеуметтік жауапкершілік, корпоративтік әлеуметтік бастамашыл, корпоративтік басқару.

Аннотация. Корпоративтік әлеуметтік жауапкершілік (КӨЖ) ұзақ уақыт кезіні ішінде ең көп талқыланатын және өзекті тақырыптардың бірі болғанына қарамастан, әлі күнге дейін оны анықтауға арналған бірыңғай және жалпы танылған көзқарас жоқ. Бұл жағдай КӨЖ-ті түсіну тәсілдерінің әртүрлілігі нәтижесінде пайда болды, атап айтқанда, қоғам дамуына бизнестің қатысуының дәрежесін түсіну. Бұл мақалада КӨЖ бизнес құбылыс ретінде және азаматтық қоғам тұрғысында қарастырылады, сондай-ақ мақалада КӨЖ туралы зерттеушілердің көзқарасы беріледі. Мақалада КӨЖ туралы негізгі анықтамалар мен қазіргі заман түсініктері мен нысандарына шолу жасайды.

КОРПОРАТИВНАЯ СОЦИАЛЬНАЯ ОТВЕТСТВЕННОСТЬ: РАЗНООБРАЗИЕ КОНЦЕПЦИЙ И ФОРМ

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Ключевые слова: корпоративная социальная ответственность, корпоративная социальная инициатива, корпоративное управление.

Аннотация. Несмотря на то, что корпоративная социальная ответственность (КСО) является одним из наиболее обсуждаемых тем в течение длительного периода времени, до сих пор не существует единого и общепринятого подхода к определению КСО. Данная ситуация явилась результатом разных подходов в понимании и интерпретации КСО, в частности, понимания степени участия бизнеса в развитии общества. В данной статье КСО рассматривается как явление с точки зрения бизнеса и гражданского общества, также в статье дается видение КСО учеными – исследователями. В статье предлагается обзор основных определений, современных концепций и форм КСО.

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