

CSR and the new context of business

To survive and grow, companies have to accommodate changes in what the public expects of business. Failure to do so could result in serious challenges from society.

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1. Introduction: What really is the role of business in society?

With the development of large corporations coming on the heels of the industrial revolution of the 19th century, there arose pungent environmental impacts and social dimensions to the operation of corporation. Aside from the rendering returns to investors, payment of taxes to government, dispensing with wage obligations to their employees, corporations couldn't for a long time situate their role within society.

Aside from the philanthropy of early business icons such as Andrew Carnegie, David Rockefeller and Gerald Ford, which were predicated on enlightened self-interest and the ethical notion that the wealthy should give to the needy, businesses found it hard to situate their role in the larger social nexus. Given the fact that governments made statutory and voluntary demands on their citizen and had an inverse responsibility to deliver good governance and social welfare in the public interest, many business operators functioned under a *laissez-faire* milieu that was underscored by the notion that they only existed to cater to the needs of their immediate stakeholders. And they did by meeting a need in society in exchange for profit. Thus, business's attitude to society was parasitic and carefree and often tended to lead to an atmosphere of cynicism and ambivalence from the public while analysing the impact of business on the lives of individuals who co-exist with businesses in the same physical, social and economic environment.

Over time however, with the emergence of the welfarist state following the Bolshevik and French revolutions, it became imperative to devise a social structure which ensured preventive giving in order to reduce social vices and militate against rebellion while stressing the need for a stoical lower class immune to the idea of an insurrection or the dethronement of the status-quo. In this milieu, governments across Europe and America started to stress the idea of human rights that included freedom of association and expression, access to education, pipe-borne water, clean and decent living conditions and the right to vote and be voted for. Increasingly, this responsible social behaviour began to permeate business practices as civil, environment, women and child rights groups began to demand greater accountability to society from business and an increasing level of public responsibility. At this time, Governments also saw a need for the tighter regulation of business in order to ensure that it conforms to social ethos that guarantees amity between the haves and the have-nots. Here the emphasis was on taxes and other corporate responsibilities that were not voluntary but statutory.

Gradually, organisations, based on social issues in their operating environment that tended to disrupt the achievement of their corporate objective, began to see the need for a redefinition of the nature of interaction of the organisation as a corporate citizen with other citizens in a social nexus. This new thinking over time became etched in the tenets of corporate governance hence opening the route to corporate social responsibility as we know it today.

2. The mercantilist and social views of business

The typical mercantilist view is that Corporate Social Responsibility has no conceivable business benefits and could destroy shareholder value by diverting resources from core business areas to activities which are

out of the spheres of business. This view holds that businesses are surreptitiously persuaded by anti-pecuniary interests to take on the responsibilities that should be handled by government and by so doing lose their core focus which is to deliver value to shareholders.

There are however obvious contradictions in the postulations of the pure mercantilist view of business as another school which takes a social view of business enthuses that it is a misconception to portray business as something divorced from the wider community. According to this school, business is an inseparable part of society, contributing to and benefiting from society. To survive and grow, therefore, companies have to accommodate changes in what the public expects of business. Failure on the part of business to act responsibly and be seen as a dependable ally in the quest at positive social transformation may result in consumer boycotts of products, attacks on assets, such as machinery and buildings, a failure to attract positive buzz on operations and activities and the loss of government and community support. This in turn, could result in extra spending to remedy past mistakes, diversion of management attention away from core activities, restrictions on operations, such as new legislation and regulation, obstacles in raising funds from the capital market and complications in business and product life cycle. The failure of business to act above board therefore, usually places a pressure, sometimes of an unquantifiable dimension, which hinders the ability of business to deliver on the expectations of its shareholders. The social view of business has over time gained wider acceptability and today dominates management thinking in the developed world. To this end, current shifts in societal expectations are strongly towards business demonstrating that it can behave ethically and responsibly in return for the freedoms and opportunities that society bestows on it. Maintain such a reputation is essential for survival.

As businesses evolve and as priorities change, social pressures – fuelled mainly by the perception that business is unresponsive to and out of tune with the ideals of society – often manifests in a shift in what society expects from business. These changes occur in the context of a fast-changing world, characterized by global communications and diminishing respect for established authority and social frameworks – creating a vacuum in which insecurity, fear and suspicion flourish, often leading to the break-down of the mutual respect which corporate citizens and ordinary individual citizens share.

Faced with the volatile and often unpredictable nature that characterizes organisation/society dialogue, the ordinary individual citizens have tended to withdraw their trust for the corporate citizen unless it can demonstrate that such confidence is justified in action and not just in words. Yet at the same time the growing understanding of the social impact of business and rising expectations from society create a demand for higher standards from businesses on the local and global scene.

With the rapid transformation of the business landscape and the attendant altering of the social framework the rule of the game has suddenly changed with corporate leaders having to grapple with the fact that businesses' license to operate have moved beyond filling a consumption need in society in exchange for profit to becoming a bulwark for positive social transformation. There are now higher expectations and more serious consequences, and the implications go beyond protecting business reputation and sustaining profit. Rather, there is a changing context in which the tension between profit motive and social concerns are now higher and for business, this is an opportunity to establish a competitive position, grow revenues, and even drive profit. In the end, that is the new mantra of sustainability investing – to seize the opportunities for investing in social transformation in order to guarantee long-term survival and profit. Given this paradigm shift, companies now realize that there are not only reputation issues related to social responsibility, but they also recognize that, in the end, business's involvement on the social arena is really about driving profitability and competitive position.

3. The 'what' and 'how' of Corporate Social Responsibility

Corporate Social Responsibility has for some time now been on the global business policy agenda due largely from society's demand of business to be more active in the social arena. According to the World Business Council for Sustainable Development (WBCSD) Stakeholder Dialogue on Corporate Social Responsibility, The Netherlands, "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large".

Furthermore, drawing from the postulation of the World Business Council for Sustainable Development Social Dialogue on Corporate Social Responsibility, "CSR, in broad summary, is the ethical behaviour of a company towards society". This implies that, to be classified as socially responsible, businesses must, aside from opening a platform for dialogue in order to communicate their role and contribution to society, also act dependably in its relationships with its stakeholders who have a legitimate interest in the business. These stakeholders may range from the immediate – shareholders, employees and suppliers, to the remote – consumers, regulators, the media and other interested parties such as non-government organisations and the general public.

The principle of Corporate Social Responsibility, though having no universally acceptable definition, therefore presupposes that organisations, like the common citizen on the street, must feel the pulse of society and act in ways that help to reduce social tension while also helping to ameliorate the social impact of their operations.

With the advent of globalization and the demand for responsibility away from the primordial tendency of business for profit at the expense of society, the context of business is clearly changing. Business is now confronting the limits of the ecological system as greenhouse gas and effluent emission issues are becoming more obvious, at the same time social expectations of business are expanding. On top of that, there is the sudden realization that global corporations are oftentimes better positioned than governments to deal with some of the most complicated global challenges, such as climate change, HIV/AIDS, water scarcity, and poverty. Technology and communications are also changing, and the environment is gradually reaching a point where civil society is now demanding a response from business, hence the coming to fore of Corporate Social Responsibility as an inalienable ingredient for business success.

Drawing from the struggle between the mercantilist and social schools of business, it is clear that social obligations should not be seen as an unnecessary cost for business. On the contrary, a properly articulated and executed Corporate Social Responsibility strategy would have positive business impacts because it would reduce costs by helping to enhance positive social effects and avoid the negative. Furthermore, such a strategy will help align corporate and social values, and by so doing help reshape priorities and indeed redefine commercial opportunities.

From this point, the question is how do businesses identify social issues and cascade that into potential commercial opportunities? In answering this question, companies would need to define their priorities starting out. Having identified their turf based on issues within their operating environment, they would need to draw-up a strategy that would guarantee effective social involvement. Furthermore, they would need to integrate this with their business strategy in order to draw optimal mileage from their involvement. However, a key component of this process is the identification of the various stakeholders from which business requires cooperation in the quest at securing a healthy operating environment with the consequent imperative of achieving the corporate objective which is underscored by survival and long term growth.

Integrating Corporate Social Responsibility into the corporate strategy therefore, requires, as a minimum, inclusion of stakeholder contribution. In the absence of dialogue, an organisation is left to deal with social pressures by making concessions at critical points, often outside its immediate influence. Such trade-offs might relieve pressures temporarily but they do not necessarily bring alignment, nor a reduction in tension between the organisation and society. Nor does such an attitude help to identify and enhance business decisions that have a positive effect on society.

This brings up the idea of sustainability, which is premised on need to replenish the source from which business success is derived. Far from philanthropy therefore, Corporate Social Responsibility is a codified and well thought-out process for achieving harmony in the natural, technological, economic, social and political environment from which business draws its mileage.

4. Sustainability and the future of business

So, there is a need for companies to be seen as ethical and above board in their area of operations in order for them to attract an adequate measure of goodwill needed to guarantee long-term shareholder value. However, there are obvious challenges in balancing this view of business with the essential demand for profitability for which business strategies are crafted.

In navigating this paradoxical path – the need to trim overheads, streamline the supply chain process, cut costs, be more efficient through optimal resource deployment, aggressively grow market share either through product innovation or inventive channel deployment and product delivery, and the need to be ethical and responsible by making certain investments in society which seem outside of immediate business concerns – businesses have to consider the social dimensions of their business. They must take a long-term view of their investment in order to be able to balance the hard and soft sides of their existence. This immediately raises the question of the social and economic relevance of CSR as defined by the principle sustainability.

In today's business context, there are material sustainability challenges in all industries. In the food production and marketing industry, there's a very strong move toward healthy eating habits in order to mitigate obesity and diabetes and the implications for sustainable agriculture. And how do companies deal with the challenges of these trends, challenges such as the resistance to consumption of excess fat and sugar which hitherto posed no challenge in the era of baby boomers but which today is a critical business challenge as society has suddenly become more health conscious? The tobacco and alcohol sectors also face a host of issues which are sustainability driven – not just the health issues associated with the consumption of cigarettes and alcohol, but also litigation risk which comes from under-aged smoking, drunken driving, tobacco and alcohol advertising, land acquisition for tobacco and barley farming as opposed to food crops. In the telecommunications sector, there is the subject of the erection of base-stations and mobile phone use with associated radioactivity and health issues often raised by society. Furthermore, in the financial services sector, the key sustainability issue is the management of human capital – with issues such as remuneration, work conditions and work-life balance rearing its head. In the energy sector, environmental pollution and degradation as well as climate change are critical issues. In the health sector, there is the issue of ethical marketing practices between pharmaceutical organisations and medical practitioners. In shoe, bags and other luxury goods industry, there is the issue of the depletion of natural resource in the quest at obtuse materialism, with a lot of animal rights and environmental conservation groups been pitched against business in finding answers to a moral and ethical question.

5. Conclusion: Taking the involvement of business with society to the next level

Having noted that there is really a thin line between the profit and social goals of business as the former can only be maximised with the involvement of the latter, there is a need to begin to understand not only the dynamics of these roles on the human, natural, technological and economic spheres but to bring this understanding to bear in charting a new course for business.

From the foregoing, it is evident that for business not only to exist but to survive in the ever changing global environment it must abide by three obligations, the formal contract, the semi-formal contract and the frontier expectations. The formal contract implies issues such as taxes, regulation, shareholder rights, intellectual property and product liability. Formal contracts are therefore statutory and mandatory as opposed to being voluntary. On the other hand, semi formal contracts are such things as adherence to global best practice in labour and environment standards, adherence to industry regulations and corporate governance codes and fulfilling the organisation's values and brand promise. The third and final obligation of business are the frontier expectations which include the environmental, technological, social and political issues from which Corporate Social Responsibility become creatively evident and actually help shape the future of business. Frontier expectations play out in practical issues which businesses daily confront beyond the bounds of their immediate operational concerns such as the worry of oil and energy companies for renewable energy sources on the technological front, the worry of automobile and white goods companies about carbon and greenhouse gas emissions which deplete the ozone layer on the environment front, the concern of manufacturing companies about child labour on the social front and concern of trans-national corporations for open governments which allow private sector driven economic initiatives on the political front.

Finally, looking at all of the issues that are likely to shape the future of Corporate Social Responsibility, it is apparent that businesses can no longer play the ostrich in the quest to secure an egalitarian society where the enterprise spirit thrives.

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