NIILM University

Corporate social responsibility

CONTENTS

Chapter 1

Introduction of CSR

Corporate social responsibility

Corporate social responsibility (CSR, also called corporate conscience, corporate citizenship, social performance, or sustainable responsible business/ Responsible Business) is a form of corporate self-regulation integrated into a business model. CSR policy functions as a built-in, self-regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. In some models, a firm's implementation of CSR goes beyond compliance and engages in "actions that appear to further some social good, beyond the interests of the firm and that which is required by law." CSR is a process with the aim to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered as stakeholders.

The term "corporate social responsibility" became popular in the 1960s and has remained a term used indiscriminately by many to cover legal and moral responsibility more narrowly construed.

Proponents argue that corporations make more long term profits by operating with a perspective, while critics argue that CSR distracts from the economic role of businesses. McWilliams and Siegel's article (2000) published in Strategic Management Journal, cited by over 1000 academics, compared existing econometric studies of the relationship between social and financial performance. They concluded that the contradictory results of previous studies reporting positive, negative, and neutral financial impact, were due to flawed empirical analysis. McWilliams and Siegel demonstrated that when the model is properly specified; that is, when you control for investment in Research and Development, an important determinant of financial performance, CSR has a neutral impact on financial outcomes.

In his widely cited book entitled Misguided Virtue: False Notions of Corporate Social Responsibility (2001) David Henderson argued forcefully against the way in which CSR broke from traditional corporate value-setting. He questioned the "lofty" and sometimes "unrealistic expectations" in CSR.

Some argue that CSR is merely window-dressing, or an attempt to pre-empt the role of governments as a watchdog over powerful multinational corporations. Political sociologists became interested in CSR in the context of theories of globalization, neo-liberalism, and late capitalism. Adopting a critical approach, sociologists emphasize CSR as a form of capitalist legitimacy and in particular point out that what has begun as a social movement against uninhibited corporate power has been co-opted by and transformed by corporations into a 'business model' and a 'risk management' device, often with questionable results

CSR is titled to aid an organization's mission as well as a guide to what the company stands for and will uphold to its consumers. Development business ethics is one of the forms of applied ethics that examines ethical principles and moral or ethical problems that can arise in a business environment. ISO 26000 is the recognized international standard for CSR. Public sector organizations (the United Nations for example) adhere to the triple bottom line (TBL). It is widely accepted that CSR adheres to similar principles but with no formal act of legislation. The UN has developed the Principles for Responsible Investment as guidelines for investing entities.

Approaches

CSR Approaches

Some commentators have identified a difference between the Canadian (Montreal school of CSR), the Continental European and the Anglo-Saxon approaches to CSR. And even within Europe the discussion about CSR is very heterogeneous.

A more common approach to CSR is corporate philanthropy. This includes monetary donations and aid given to local and non-local nonprofit organizations and communities, including donations in areas such as the arts, education, housing, health, social welfare, and the environment, among others, but excluding political contributions and commercial sponsorship of events. Some organizations do not like a philanthropy-based approach as it might not help build on the skills of local populations, whereas community-based development generally leads to more sustainable development .Another approach to CSR is to incorporate the CSR strategy directly into the business strategy of an organization. For instance, procurement of Fair Trade tea and coffee has been adopted by various businesses including KPMG. Its CSR manager commented, "Fair trade fits very strongly into our commitment to our communities."

Another approach is garnering increasing corporate responsibility interest. This is called Creating Shared Value, or CSV. The shared value model is based on the idea that corporate success and social welfare are interdependent. A business needs a healthy, educated workforce, sustainable resources and adept government to compete effectively. For society to thrive, profitable and competitive businesses must be developed and supported to create income, wealth, tax revenues, and opportunities for philanthropy. CSV received global attention in the Harvard Business Review article Strategy & Society: The Link between Competitive Advantage and Corporate Social Responsibility by Michael E. Porter, a leading authority on competitive strategy and head of the Institute for Strategy and Competitiveness at Harvard Business School; and Mark R. Kramer, Senior Fellow at the Kennedy School at Harvard University and co-founder of FSG Social Impact Advisors. The article provides insights and relevant examples of companies that have developed deep linkages between their business strategies and corporate social responsibility. Many approaches to CSR pit businesses against society, emphasizing the costs and limitations of compliance with externally imposed social and environmental standards. CSV acknowledges trade-offs between short-term profitability and social or environmental goals, but focuses more on the opportunities for competitive advantage from building a social value proposition into corporate strategy. CSV has a limitation in that it gives the impression that only two stakeholders are important - shareholders and consumers — and belies the multi-stakeholder approach of most CSR advocates.

Many companies use the strategy of benchmarking to compete within their respective industries in CSR policy, implementation, and effectiveness. Benchmarking involves reviewing competitor CSR initiatives, as well as measuring and evaluating the impact that those policies have on society and the environment, and how customers perceive competitor CSR strategy. After a comprehensive study of competitor strategy and an internal policy review performed, a comparison can be drawn and a strategy developed for competition with CSR initiatives.

Cost-benefit analysis with a resource-based view

In competitive markets the cost-benefit analysis regarding positive financial outcomes upon implementing a CSR-based strategy, can be examined with a lens of the resource-based-view (RBV) of sustainable competitive advantage. According to Barney's (1990) "formulation of the RBV, sustainable competitive advantage requires that resources be valuable (V), rare (R), inimitable (I) and non-substitutable (S)." A firm can conduct a cost benefit analysis through a RBV-based lens to determine the optimal and appropriate level of investment in CSR, as it would with any other investments. A firm introducing a CSR-based strategy might only sustain high returns on their investment if their CSR-based strategy were inimitable (I) by their competitors. In competitive markets, a firm introducing a CSR-based strategy might only sustain high returns on their investment and there may only be a short-lived strategic competitive advantage to implementing CSR as their competitors may adopt similar strategies. There is however, a long-term advantage in that competitors may also imitate CSR-based strategies in a socially responsible way. Even if a firm chooses CSR for strategic financial gain, the firm is also acting responsibly Attention to CSR as an element in corporate strategy led to examining CSR activities through the lens of the resource-based-view (RBV) of the firm. The RBV, as introduced by Werner felt (1984) and refined by Barney (1991), presumes that firms are bundles of heterogeneous resources and capabilities that are imperfectly mobile across firms. Accordingly, the imperfect mobility of heterogeneous resources can result in competitive advantages for firms that have superior resources or capabilities. McWilliams and Siegel (2001) used a model based on RBV to address optimal investment in CSR. In their model, CSR activities and attributes may be used in a differentiation strategy. They conclude that managers can determine the appropriate level of investment in CSR by conducting cost benefit analysis in the same way that they analyze other investments. Applying the RBV to CSR naturally leads to the question of whether firms can use CSR to achieve a sustainable competitive advantage. Reinhardt (1998) addressed this issue and found that a firm engaging in a CSR-based strategy could only sustain an abnormal return if it could prevent competitors from imitating its strategy.

Incidents like the 2013 Several building collapse with more than 1,100 victims have led to a shift from company-individual thinking towards supply-chain thinking in order to increase social responsibility. Thus, best practices from supply chain management are increasingly applied to the CSR context. Wieland and Hand field (2013) suggest that companies need to audit products and suppliers and that supplier auditing needs to go beyond direct relationships with first-tier suppliers. They also demonstrate that visibility needs to be improved if supply cannot be directly controlled and that smenvironmental effects of a company's economic actions to particular interest groups within society and to society at large, is thus an important element of CSR.

Social accounting emphasizes the notion of corporate accountability. D. Crowther defines social accounting in this sense as "an approach to reporting a firm's activities which stresses the need for the identification of socially relevant behavior, the determination of those to whom the company is accountable for its social performance and the development of appropriate measures and reporting techniques." An example of social accounting, to a limited extent, is found in an annual Director's Report, under the requirements of UK company law.

A number of reporting guidelines or standards have been developed to serve as frameworks for social accounting, auditing and reporting including:

- Account Ability's AA1000 standard, based on John Elkington's triple bottom line (3BL) reporting
- The Prince's Accounting for Sustainability Project's Connected Reporting Framework
- The Fair Labor Association conducts audits based on its Workplace Code of Conduct and posts audit results on the FLA website.
- The Fair Wear Foundation takes a unique approach to verifying labour conditions in companies' supply chains, using interdisciplinary auditing teams.
- Global Reporting Initiative's Sustainability Reporting Guidelines
- Economy for the Common Good's Common Good Balance Sheet
- Good Corporation's Standard developed in association with the Institute of Business Ethics
- Synergy Codethic 26000 Social Responsibility and Sustainability Commitment Management System (SRSCMS) Requirements — Ethical Business Best Practices of Organizations - the necessary management system elements to obtain a certifiable ethical commitment management system. The standard scheme has been build around ISO 26000 and UNCTAD Guidance on Good Practices in Corporate Governance. The standard is applicable by any type of organization.;

- Earthcheck www.earthcheck.org Certification / Standard

- Social Accountability International's SA8000 standard
- Standard Ethics Aei guidelines
- The ISO 14000 environmental management standard
- The United Nations Global Compact requires companies to communicate on their progress (or to produce a Communication on Progress, COP), and to describe the company's implementation of the Compact's ten universal principles. This information should be fully integrated in the participant’s main medium of stakeholder communications, for example a corporate responsibility or sustainability report and/or an integrated financial and sustainability report. If a company does not publish formal reports, a COP can be created as a stand-alone document.
- The United Nations Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)provides voluntary technical guidance on eco-efficiency indicators, corporate responsibility reporting, and corporate governance disclosure.

The FTSE Group publishes the FTSE4Good Index, an evaluation of CSR performance of companies.

In some nations, legal requirements for social accounting, auditing and reporting exist (e.g. in the French bilan social), though international or national agreement on meaningful measurements of social and environmental performance is difficult.

Chapter 2

Social License

"Social license" generally refers to a local community's acceptance or approval of a company's project or ongoing presence in an area. It is increasingly recognized by various stakeholders and communities as a prerequisite to development. The development of social license occurs outside of formal permitting or regulatory processes, and requires sustained investment by proponents to acquire and maintain social capital within the context of trust-based relationships. Often intangible and informal, social license can nevertheless be realized through a robust suite of actions centered on timely and effective communication, meaningful dialogue, and ethical and responsible behavior.

Local conditions, needs, and customs vary considerably and are often opaque, but have a significant impact on the likely success of various approaches to building social capital and trust. These regional and cultural differences demand a flexible and responsive approach and must be understood early in order to enable the development and implementation of an effective strategy to earn and maintain social license. Governments could facilitate the necessary stakeholder mapping in regions for which they are responsible and provide a regulatory framework that sets companies on the right path for engagement with communities and stakeholders. Social media tools empower stakeholders and communities to access and share information on company behaviors, technologies, and projects as they are implemented around the world. Understanding and managing this reality will be important for companies seeking social license. Voluntary measures integral to corporate-responsibility frameworks contribute to achieving social license, particularly through enhancing a company's reputation and strengthening its capacity for effective communication, engagement, and collaboration. However, such measures do not obviate the need for project-specific action to earn license.Potential business benefits

The scale and nature of the benefits of CSR for an organization can vary depending on the nature of the enterprise, and are difficult to quantify, though there is a large body of literature exhorting business to adopt measures beyond financial ones (e.g., Deming's Fourteen Points, balanced scorecards). Orlitzky, Schmidt, and Rynes found a correlation between social/environmental performance and financial performance. However, businesses may not be looking at short-run financial returns when developing their CSR strategy. Intel employs a 5-year CSR planning cycle.

The definition of CSR used within an organization can vary from the strict "stakeholder impacts" definition used by many CSR advocates and will often include charitable efforts and volunteering. CSR may be based within the human resources, business development or public relations departments of an organisation, or may be given a separate unit reporting to the CEO or in some cases directly to the board. Some companies may implement CSR-type values without a clearly defined team or programme.

The business case for CSR within a company will likely rest on one or more of these arguments:

Triple bottom line

People planet profit, also known as the triple bottom line, are words that should be used and practiced in every move an organization makes. People relates to fair and beneficial business practices toward labour, the community and region where corporation conducts its business. Planet refers to sustainable environmental practices. A triple bottom line company does not produce harmful or destructive products such as weapons, toxic chemicals or batteries containing dangerous heavy metals for example. Profit is the economic value created by the organization after deducting the cost of all inputs, including the cost of the capital tied up. It therefore differs from traditional accounting definitions of profit.

Despite the fact that adopting this triple measure has helped some companies be more conscious of their social and moral responsibilities, the triple bottom line has its critics. The first criticism is that the reporting of environmental and social/moral responsibilities is selective and ignores some real moral demands, thus substituting the adopted list for a company or its members paying attention to its myriad moral obligations. The second criticism is that there is no guaranteed-upon way to carry out the environmental and social/moral audits comparable to the way that companies carry out their financial audits-much of which is governed by government requirements. An inherent difficulty with any social reporting is that it is not quantifiable in the way that a financial report is. There is no quantitative method that captures what is significantly at issue and no agreed-upon way to represent qualitative measures.

Human resources

A CSR program can be an aid to recruitment and retention, particularly within the competitive graduate student market. Potential recruits often ask about a firm's CSR policy during an interview, and having a comprehensive policy can give an advantage. CSR can also help improve the perception of a company among its staff, particularly when staff can become involved through payroll giving, fundraising activities or community volunteering. CSR has been found to encourage customer orientation among frontline employees.

Risk management

Managing risk is a central part of many corporate strategies. Reputations that take decades to build up can be ruined in hours through incidents such as corruption scandals or environmental accidents. These can also draw unwanted attention from regulators, courts, governments and media. Building a genuine culture of 'doing the right thing' within a corporation can offset these risks.

Brand differentiation

In crowded marketplaces, companies strive for a unique selling proposition that can separate them from the competition in the minds of consumers. CSR can play a role in building customer loyalty based on distinctive ethical values. Several major brands, such as The Co-operative Group, The Body Shop and American Apparel are built on ethical values. Business service organizations can benefit too from building a reputation for integrity and best practice.

Engagement plan.

An engagement plan will assist in reaching a desired audience. A corporate social responsibility team, or individual is needed to effectively plan the goals and objectives of the organization. Determining a budget should be of high priority. The function of corporate social responsibility planning: 1. To add discussion and analysis of a new set of risks into corporate decision-making. 2. To represent issues within the corporation that watchdogs, NGOs and advocates represent within society. 3. To assess the future. An organizations long term and short term future needs to be thought of. 4. To help prioritize consideration of socially and environmentally friendly projects that might otherwise lack a corporate advocate. 5. To keep corporations aware of potential major societal impacts even when a negative impact may not be immediate, and thus lessen liability. 6. To positively influence decision making where societal impacts are maximized, whilst ensuring efforts are within a given budget.

Developing an engagement plan

Commit to coming up with and improving on your companies goals. CSR commitments communicate the nature and direction of the firm's social and environmental activities and, will help others understand how the organization is likely to behave in a particular situation 1. Do a scan of CSR commitments 2. Hold discussions with major stakeholders 3. Create a working group to develop the commitments 4. Prepare a preliminary draft 5. Consult with affected stakeholders 6. Revise and publish the commitments 7. Consider what is feasible within the budget • To ensure employee buy-in, include employees in the process of developing the vision and values. To spark the process, create a CSR working group or hold a contest for the best suggestions, encouraging employees and their representatives to put some thought into their submissions. • Host a visioning session and ask participants to think about what the firm could look like in the future as a CSR leader. • Review the CSR priorities to determine which codes of ethics or conduct fit best with the firm's goals.

Consultants are recommended when planning for CSR activities involving small, medium and large sized corporations. All levels of management should be on board, and the support of high ranking corporate officials should be given.

License to operate

Corporations are keen to avoid interference in their business through taxation or regulations. By taking substantive voluntary steps, they can persuade governments and the wider public that they are taking issues such as health and safety, diversity, or the environment seriously as good corporate citizens with respect to labour standards and impacts on the environment.

Supplier relations

Businesses are constantly relying on suppliers to reduce overall costs, while improving the quality of their goods or services. Many North American companies have downgraded the volume of suppliers they do business with, and award contracts to a select few, in order to lower operating costs. By establishing a strong supply chain, companies are able to push for continuous quality improvements, and price reductions. The long-term benefits of the listed above create a better value for stakeholders.

Some multi-national companies like General Motors can shift suppliers, if a lower offer is made by the competition. As a result, competitiveness, and greater profits are created, in turn contributing to a stronger market

The strategic use of supplier relations can benefit single, double and triple bottom-lines. Corporations excelling in supply relations include Wal-Mart, Ford, General Motors, Toyota and Nestle. All companies listed above have gained tangeable results through the practice of ensuring sound supply chains, and sourcing materials from ethical sources.

Emphasizing the importance of practicing CSR to suppliers, researching their existing supply chain, and sending out CSR check-sheets to existing suppliers is important to staying on-track of a company's implemented CSR activity.

Common Types of Corporate Social Responsibility Actions

There are many aspects of corporate social responsibility; whether a company decides to develop one area of CSR, or multiple, the end result is a more profitable company experiencing a higher level of employee engagement. The following is a list of common ways corporate social responsibility is implemented by organizations.

1. Environmental Sustainability: Areas include recycling, waste management, water management, using renewable energy sources, utilizing reusable resources, creating 'greener' supply chains, using digital technology instead of hard copies, developing buildings according to Leadership in Energy and Environmental Design (LEED)® standards, etc. There is a business sector dedicated to specifically to environmental sustainability consulting for businesses of any size to utilize. The highest ranked sustainability consulting firm is Ernst & Young

2. Community Involvement: This can include raising money for local charities, supporting community volunteerism, sponsoring local events, employing people from a community, supporting a community's economic growth, engaging in fair trade practices, etc. Starbucks is an

example of a company that focuses on community involvement and engagement; since these programs began the company has seen higher profits and greater employee engagement.

3. Ethical Marketing Practices: Companies that ethically market to consumers are placing a higher value on their customers and respecting them as people who are ends

Criticisms and concerns

Critics of CSR as well as proponents debate a number of concerns related to it. These include CSR's relationship to the fundamental purpose and nature of business and questionable motives for engaging in CSR, including concerns about insincerity and hypocrisy.

Nature of business

Milton Friedman and others have argued that a corporation's purpose is to maximize returns to its shareholders, and that since only people can have social responsibilities, corporations are only responsible to their shareholders and not to society as a whole. Although they accept that corporations should obey the laws of the countries within which they work, they assert that corporations have no other obligation to society. Some people perceive CSR as incongruent with the very nature and purpose of business, and indeed a hindrance to free trade.

Chapter 3

CSR Motives

Motives

Some critics believe that CSR programs are undertaken by companies such as British American Tobacco (BAT), the petroleum giant BP (well known for its high-profile advertising campaigns on environmental aspects of its operations), and McDonald's (see below) to distract the public from ethical questions posed by their core operations. They argue that some corporations start CSR programs for the commercial benefit they enjoy through raising their reputation with the public or with government. They suggest that corporations which exist solely to maximize profits are unable to advance the interests of society as a whole.

Another concern is that sometimes companies claim to promote CSR and be committed to sustainable development but simultaneously engage in harmful business practices. For example, since the 1970s, the McDonald's Corporation's association with Ronald McDonald House has been viewed as CSR and relationship marketing. More recently, as CSR has become mainstream, the company has beefed up its CSR programs related to its labor, environmental and other practices. All the same, in McDonald's Restaurants v Morris & Steel, Lord Justices Pill, May and Keane ruled that it was fair comment to say that McDonald's employees worldwide 'do badly in terms of pay and conditions' and true that 'if one eats enough McDonald's food, one's diet may well become high in fat etc., with the very real risk of heart disease.'

Royal Dutch Shell has a much-publicized CSR policy and was a pioneer in triple bottom line reporting, but this did not prevent the 2004 scandal concerning its misreporting of oil reserves, which seriously damaged its reputation and led to charges of hypocrisy. Since then, the Shell

Foundation has become involved in many projects across the world, including a partnership with Marks and Spencer (UK) in three flower and fruit growing communities across Africa.

Critics concerned with corporate hypocrisy and insincerity generally suggest that better governmental and international regulation and enforcement, rather than voluntary measures, are necessary to ensure that companies behave in a socially responsible manner. A major area of necessary international regulation is the reduction of the capacity of corporations to sue states under investor state dispute settlement provisions in trade or investment treaties if otherwise necessary public health or environment protection legislation has impeded corporate investments. Others, such as Patricia Werhane, argue that CSR should be considered more as a corporate moral responsibility, and limit the reach of CSR by focusing more on direct impacts of the organization as viewed through a systems perspective to identify stakeholders. For a commonly overlooked motive for CSR, see also Corporate Social Entrepreneurship, whereby CSR can also be driven by employees' personal values, in addition to the more obvious economic and governmental drivers.

Principles

The main principles involving corporate social responsibility

involve economic, legal, ethical and discretionary aspects. A corporation needs to generate profits, while operating within the laws of the state. The corporation also needs to be ethical, but has the right to be discretional about the decisions it makes. Levels of corporate social responsiveness to an issue include being reactive, defensive, responsive and interactive. All terms are useful in issues management. Selecting when and how to act can make a difference in the outcome of the action taken.

Ethical consumerism

The rise in popularity of ethical consumerism over the last two decades can be linked to the rise of CSR. As global population increases, so does the pressure on limited natural resources required to meet rising consumer demand (Grace and Cohen 2005, 147). Industrialization, in many developing countries, is booming as a result of both technology and globalization. Consumers are becoming more aware of the environmental and social implications of their day-to-day consumer decisions and are therefore beginning to make purchasing decisions related to their environmental and ethical concerns. However, this practice is far from consistent or universal.

Globalization and market forces

As corporations pursue growth through globalization, they have encountered new challenges that impose limits to their growth and potential profits. Government regulations, tariffs, environmental restrictions and varying standards of what constitutes "labor exploitation" are problems that can cost organizations millions of dollars. Some view ethical issues as simply a costly hindrance, while some companies use CSR methodologies as a strategic tactic to gain public support for their presence in global markets, helping them sustain a competitive advantage by using their social contributions to provide a subconscious level of advertising. (Fry, Keim, Meiners 1986, 105) Global competition places a particular pressure on multinational corporations to examine not only their own labor practices, but those of their entire supply chain, from a CSR perspective. That all government is controlling.

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religious investors in the US have withdrawn investment from companies that fail to fulfill their ethical expectations. The Non-governmental organizations are also taking an increasing role, leveraging the power of the media and the Internet to increase their scrutiny and collective activism around corporate behavior. Through education and dialogue, the development of community awareness in holding businesses responsible for their actions is growing. In recent years the traditional conception of CSR is being challenged by the more community-conscious Creating Shared Value concept (CSV), and several companies are refining their collaboration with stakeholders accordingly.

Ethics training

The rise of ethics training inside corporations, some of it required by government regulation, is another driver credited with changing the behavior and culture of corporations. The aim of such training is to help employees make ethical decisions when the answers are unclear. Tullberg believes that humans are built with the capacity to cheat and manipulate, a view taken from Trivers (1971, 1985), hence the need for learning normative values and rules in human behavior. The most direct benefit is reducing the likelihood of "dirty hands" (Grace and Cohen 2005), fines and damaged reputations for breaching laws or moral norms. Organizations also see secondary benefit in increasing employee loyalty and pride in the organization. Caterpillar and Best Buy are examples of organizations that have taken such steps.

Increasingly, companies are becoming interested in processes that can add visibility to their CSR policies and activities. One method that is gaining increasing popularity is the use of well-grounded training programs, where CSR is a major issue, and business simulations can play a part in this.

One relevant documentary is The Corporation, the history of organizations and their growth in power is discussed. Corporate social responsibility, what a company does in trying to benefit society, versus corporate moral responsibility (CMR), what a company should morally do, are both important topics to consider when looking at ethics in CSR. For example, Ray Anderson, in The Corporation, takes a CMR perspective in order to do what is moral and he begins to shift his company's focus towards the biosphere by utilizing carpets in sections so that they will sustain for longer periods. This is Anderson thinking in terms of Garret Hardin's "The Tragedy of the Commons," where if people do not pay attention to the private ways in which we use public resources, people will eventually lose those public resources.

Geography

In a geographical context, CSR is fundamentally an intangible populist idea without a conclusive definition. Corporations who employ CSR behaviors are empirically dissimilar in various parts of the world. The issue of CSR diversity is produced through the perpetual differences embedded in the social, political, cultural, and economic structures within individual countries. The immense geographical separations feasibly contribute to the loosely defined concept of CSR and difficulty for corporate regulation.

Public policies

CSR has inspired national governments to include CSR issues into their national public policy agendas. The increased importance driven by CSR, has prompted governments to promote socially and environmentally responsible corporate practices. Over the past decade governments have considered CSR as a public issue that requires national governmental involvement to address the very issues relevant to CSR. The heightened role of government in CSR has facilitated the development of numerous CSR programs and policies. Specifically, various European governments have implemented public policies on CSR enhancing their competence to develop sustainable corporate practices. CSR critics such as Robert Reich argue that governments should set the agenda for social responsibility by the way of laws and regulation that will allow a business to conduct themselves responsibly. Actors engaged in CSR:

- governments
- corporations
- civil societies

Recently ,15 European Union countries have actively engaged in CSR regulation and public policy development. Recognizably, the CSR efforts and policies are vastly different amongst countries resultant to the complexity and diversity of governments’, corporations’, and civil societies’ roles. Scholars have analyzed each body that promotes CSR based policies and programs concluding that the role and effectiveness of these actors are case-specific. Global issues so broadly defined such as CSR generate numerous relationships between the different socio-geographic players.

A key debate in CSR is determining what actors are responsible to ensure that corporation's are behaving in a socio-economic and environmentally sustainable manner.

Regulation

The issues surrounding corporate regulation pose several problems. The concept of regulation is inherently difficult to address because of the numerous corporations that exist are vastly dissimilar in terms of corporate behavior and nature. Thus, regulation in itself is unable to cover every aspect in detail of a corporation's operations. For example, This leads to burdensome legal processes bogged down in interpretations of the law and debatable grey areas (Sacconi 2004). For example, General Electric failed to clean up the Hudson River after contaminating it with organic pollutants. The company continues to argue via the legal process on assignment of liability, while the cleanup remains stagnant. (Sullivan & Schiafo 2005). Government regulation or public institutional regulation is difficult to achieve. Depending on the political regime and form of government – democracy, parliamentary, presidential – issues of governmental ineffectiveness may transpire. As a result, attempts at CSR policy development and implementation may be unattainable.

The second issue is the financial burden that regulation can place on a nation's economy. This view shared by Bulkeley, who cites the Australian federal government's actions to avoid compliance with the Kyoto Protocol in 1997, on the concerns of economic loss and national interest. The Australian government took the position that signing the Kyoto Pact would have caused more significant economic losses for Australia than for any other OECD nation (Bulkeley 2001, pg 436). On the change of government following the election in November 2007, Prime Minister Kevin Rudd signed the ratification immediately after assuming office on 3 December 2007, just before the meeting of the UN Framework Convention on Climate Change.

Chapter 4

Laws of CSR

The government of Canada has adopted a national position that expects Canadian corporations to practice behaviors parallel to CSR. In 2007, Prime Minister Harper was aware of Canada’s abundant investment into the resource/mineral extractive sector and encouraged the Canadian mining companies to meet Canada’s newly developed CSR standards and expectations. The method of developing and implementing CSR policies was achieved through government-company consultation and government stakeholder cooperation. The successful relationship between the CSR actors within Canada’s government and country, may advocate that cooperation amongst constituencies is the most imperative element to CSR regulation.

The European Union has recently done extensive work to try and find the best form of regulation. Some critics argue that the creation of a CSR organization with a democratically appointed minister focused solely on monitoring and enforcing socially responsible behaviour will be extremely effective.

Laws

In the 1800s, the government in the primary establishment of corporate legislation could take away a firm's license if it acted socially irresponsible.This was due to corporations being viewed as "creatures of the state" under the law. However in 1819, The United States Supreme Court in the Dartmouth College vs. Woodward case established a corporation as a fictitious being. This new ruling not only allowed corporations to be protected under the Constitution but also limited states from enforcing restrictions on firms that did not act in the public good. The laws legally binding the corporation’s behavior and activity are quite insignificant in relation to the global consequences. Only recently have countries included CSR policies in government agendas legislature. Common types of countries who have implemented legislation and CSR laws generally consist of socio-economic and politically sophisticated countries. The level of political stability and effectiveness is inextricably linked to a countries capacity to ensure national CSR policies.

The increasing ability and influence corporations have on the economic, political, and social dynamics of society correlate to the recent studies by the UN Commission on Human Rights. More research and international political instruments are being explored to protect and prevent corporations from violating human rights.

Denmark has a law on CSR. On 16 December 2008, the Danish parliament adopted a bill making it mandatory for the 1100 largest Danish companies, investors and state-owned companies to include information on corporate social responsibility (CSR) in their annual financial reports. The reporting requirements became effective on 1 January 2009. The required information includes:

- information on the companies' policies for CSR or socially responsible investments (SRI)
- information on how such policies are implemented in practice, and
- information on what results have been obtained so far and management's expectations for the future with regard to CSR/SRI.

CSR/SRI is still voluntary in Denmark, but if a company has no policy on this it must state its positioning on CSR in their annual financial report. More on the Danish law can be found at CSRgov.dk

Crises and their consequences

Often it takes a crisis to precipitate attention to CSR. One of the most active stands against environmental mismanagement is the CERES Principles that resulted after the Exxon Valdez incident in Alaska in 1989 (Grace and Cohen 2006). Other examples include the lead poisoning paint used by toy giant Mattel, which required a recall of millions of toys globally and caused the company to initiate new risk management and quality control processes. In another example, Magellan Metals in the West Australian town of Esperance was responsible for lead contamination killing thousands of birds in the area. The company had to cease business immediately and work with independent regulatory bodies to execute a cleanup. Odwalla also experienced a crisis with sales dropping 90%, and the company's stock price dropping 34% due to several cases of E. coli spread through Odwalla apple juice. The company ordered a recall of all apple or carrot juice products and introduced a new process called "flash pasteurization" as well as maintaining lines of communication constantly open with customers.

Stakeholder priorities

Increasingly, corporations are motivated to become more socially responsible because their most important stakeholders expect them to understand and address the social and community issues that are relevant to them. Understanding what causes are important to employees is usually the first priority because of the many interrelated business benefits that can be derived from increased employee engagement (i.e. more loyalty, improved recruitment, increased retention, higher productivity, and so on). Key external stakeholders include customers, consumers, investors (particularly institutional investors), communities in the areas where the corporation operates its facilities, regulators, academics, and the media.

Branco and Rodrigues (2007) describe the stakeholder perspective of CSR as the inclusion of all groups or constituents (rather than just shareholders) in managerial decision making related to the organization’s portfolio of socially responsible activities. This normative model implies that the CSR collaborations are positively accepted when they are in the interests of stakeholders and may have no effect or be detrimental to the organization if they are not directly related to stakeholder interests. The stakeholder perspective suffers from a wheel and spoke network metaphor that does not acknowledge the complexity of network interactions that can occur in cross sector partnerships. It also relegates communication to a maintenance function, similar to the exchange perspective.

Industries considered void of CSR

Several industries are often absent from CSR research. The absence is due to the presumption that these particular industries fail to achieve ethical considerations of their consumers. Typical industries include tobacco and alcohol producers ("sin industry" manufacturers), as well as defense firms

- Accountability
- Beneficiation

- Business in the Community
- Business ethics
- Business philosophy
- The Business for Peace Foundation
- Carbon neutrality
- Carbon offset
- Chief Green Officer
- Civil society
- Corporate behaviour
- Corporate governance
- Corporate personhood
- Corporate social entrepreneurship
- Corporate sustainability
- Corporation
- CSR Wire Canada
- Customer engagement
- Ethical banking
- Ethical job
- Evolution of corporate social responsibility in India
- Green economy
- Green job

- Inclusive business
- Integrity Management
- Interest of the company
- ISO 26000
- Life cycle assessment
- Matching gift
- OECD Guidelines for Multinational Enterprises
- Organizational Justice
- Principles for Responsible Investment (PRI)
- Public Eye Awards
- Responsible mining
- Shareholder primacy
- Socially responsible marketing
- Sustainability
- The Corporation
- Voluntary compliance
- Volunteer grant

Corporation

A corporation is a separate legal entity that has been incorporated through a legislative or registration process established through legislation. Incorporated entities have legal rights and liabilities that are distinct from their employees and shareholders, and may conduct business as either a profit-seeking business or not for profit business. Early incorporated entities were established by charter (i.e. by an ad hoc act granted by a monarch or passed by a parliament or legislature). Most jurisdictions now allow the creation of new corporations through registration. In addition to legal personality, registered corporations tend to have limited liability, be owned by shareholders who can transfer their shares to others, and controlled by a board of directors who are normally elected or appointed by the shareholders.

In American English the word corporation is widely used to describe large business corporations. In British English and in the commonwealth countries, the term company is more widely used to describe the same sort of entity while the word corporation encompasses all incorporated entities. In American English, the word company can include entities such as partnerships that would not be referred to as companies in British English as they are not a separate legal entity.

Despite not being human beings, corporations, as far as the law is concerned, are legal persons, and have many of the same rights and responsibilities as natural people do. Corporations can exercise human rights against real individuals and the state, and they can themselves be responsible for human rights violations. Corporations can be "dissolved" either by statutory operation, order of court, or voluntary action on the part of shareholders. Insolvency may result in a form of corporate failure, when creditors force the liquidation and dissolution of the corporation under court order, but it most often results in a restructuring of corporate holdings. Corporations can even be convicted of criminal offenses, such as fraud and manslaughter. However corporations are not considered living entities in the way that humans are.

History

The word "corporation" derives from corpus, the Latin word for body, or a "body of people." By the time of Justinian (reigned 527–565), Roman Law recognized a range of corporate entities under the names universitas, corpus or collegium. These included the state itself (the populus Romanus), municipalities, and such private associations as sponsors of areligious cult, burial clubs, political groups, and guilds of craftsmen or traders. Such bodies commonly had the right to own property and make contracts, to receive gifts and legacies, to sue and be sued, and, in general, to perform legal acts through representatives. Private associations were granted designated privileges and liberties by the emperor. Entities which carried on business and were the subjects of legal rights were found in ancient Rome and the Maurya Empire in ancient India. In medieval Europe, churches became incorporated, as did local governments, such as the Pope and the City of London Corporation. The point was that the incorporation would survive longer than the lives of any particular member, existing in perpetuity. The alleged oldest commercial corporation in the world, the Stora Kopparberg mining community in Falun, Sweden, obtained a charter from King Magnus Eriksson in 1347.

In medieval times traders would do business through common law constructs, such as partnerships. Whenever people acted together with a view to profit, the law deemed that a partnership arose. Early guilds and livery companies were also often involved in the regulation of competition between traders.

Chapter 5

Role of Private Companies

Mercantilism

Many European nations chartered corporations to lead colonial ventures, such as the Dutch East India Company or the Hudson's Bay Company. These chartered companies became the progenitors of the modern corporation. Acting under a charter sanctioned by the Dutch government, the Dutch East India Company defeated Portuguese forces and established itself in the Moluccan Islands in order to profit from the European demand for spices. Investors in the VOC were issued paper certificates as proof of share ownership, and were able to trade their shares on the original Amsterdam stock exchange. Shareholders are also explicitly granted limited liability in the company's royal charter.

In England, the government created corporations under a Royal Charter or an Act of Parliament with the grant of a monopoly over a specified territory. The best known example, established in 1600, was the British East India Company. Queen Elizabeth I granted it the exclusive right to trade with all countries to the east of the Cape of Good Hope. Corporations at this time would essentially act on the government's behalf, bringing in revenue from its exploits abroad. Subsequently the Company became increasingly integrated with British military and colonial policy, just as most UK corporations were essentially dependent on the British navy's ability to control trade routes.

Labeled by both contemporaries and historians as "the grandest society of merchants in the universe", the British East India Company would come to symbolize the dazzlingly rich potential of the corporation, as well as new methods of business that could be both brutal and exploitative. On 31 December 1600, the English monarchy granted the company a 15-year monopoly on trade to and from the East Indies and Africa. By 1611, shareholders in the East India Company were earning an almost 150% return on their investment. Subsequent stock offerings demonstrated just how lucrative the Company had become. Its first stock offering in 1613–1616 raised £418,000, and its second offering in 1617–1622 raised £1.6 million.

A similar chartered company, the South Sea Company, was established in 1711 to trade in the Spanish South American colonies, but met with less success. The South Sea Company's monopoly rights were supposedly backed by the Treaty of Utrecht, signed in 1713 as a settlement following the War of Spanish Succession, which gave the United Kingdom an assiento to trade in the region for thirty years. In fact the Spanish remained hostile and let only one ship a year enter. Unaware of the problems, investors in the UK, enticed by extravagant promises of profit from company promoters bought thousands of shares. By 1717, the South Sea Company was so wealthy (still having done no real business) that it assumed the public debt of the UK government. This accelerated the inflation of the share price further, as did the Bubble Act 1720, which (possibly with the motive of protecting the South Sea Company from competition) prohibited the establishment of any companies without a Royal Charter. The share price rose so rapidly that people began buying shares merely in order to sell them at a higher price, which in turn led to higher share prices. This was the first speculative bubble the country had seen, but by the end of 1720, the bubble had "burst", and the share price sank from £1000 to under £100. As bankruptcies and recriminations ricocheted through government and high society, the mood against corporations, and errant directors, was bitter.

In the late 18th century, Stewart Kyd, the author of the first treatise on corporate law in English, defined a corporation as:

a collection of many individuals united into one body, under a special denomination, having perpetual succession under an artificial form, and vested, by policy of the law, with the capacity of acting, in several respects, as an individual, particularly of taking and granting property, of contracting obligations, and of suing and being sued, of enjoying privileges and immunities in common, and of exercising a variety of political rights, more or less extensive, according to the design of its institution, or the powers conferred upon it, either at the time of its creation, or at any subsequent period of its existence.

The rise of the private company

Due to the late 18th century abandonment of mercantilist economic theory and the rise of classical liberalism and laissez-faire economic theory due to a revolution in economics led by Adam Smith and other economists, corporations transitioned from being government or guild affiliated entities to being public and private economic entities free of government direction. In 1776, Adam Smith wrote in the Wealth of Nations that mass corporate activity could not match private entrepreneurship, because people in charge of others' money would not exercise as much care as they would with their own.

In the United States, government chartering began to fall out of vogue in the mid-19th century. Corporate law at the time was focused on protection of the public interest, and not on the interests of corporate shareholders. Corporate charters were closely regulated by the states. Forming a corporation usually required an act of legislation. Investors generally had to be given an equal say in corporate governance, and corporations were required to comply with the purposes expressed in their charters. Many private firms in the 19th century avoided the corporate model for these reasons (Andrew Carnegie formed his steel operation as a limited partnership, and John D. Rockefeller set up Standard Oil as a trust). Eventually, state governments began to realize the greater corporate registration revenues available by providing more permissive corporate laws. New Jersey was the first state to adopt an "enabling" corporate law, with the goal of attracting more business to the state. Delaware followed, and soon became known as the most corporation-friendly state in the country after New Jersey raised taxes on the corporations, driving them out. New Jersey reduced these taxes after this mistake was realized, but by then it was too late; even today, most major public corporations in the United States are set up under Delaware law.

By the beginning of the 19th century, government policy on both sides of the Atlantic began to change, reflecting the growing popularity of the proposition that corporations were riding the economic wave of the future. In 1819, the U. S. Supreme Court granted corporations a plethora of rights they had not previously recognized or enjoyed. Corporate charters were deemed "inviolable", and not subject to arbitrary amendment or abolition by state governments. The Corporation as a whole was labeled an "artificial person", possessing both individuality and immortality.

At around the same time, legislation in the United Kingdom was similarly freeing the corporation from historical restrictions. In 1844 the British Parliament passed the Joint Stock Companies Act, which allowed companies to incorporate without a royal charter or an Act of Parliament. Ten years later, limited liability, the key provision of modern corporate law, passed into English law: in response to increasing pressure from newly emerging capital interests, Parliament passed the Limited Liability Act 1855, which established the principle that any corporation could enjoy limited legal liability on both contract and tort claims simply by registering as a "limited" company with the appropriate government agency.

This prompted the English periodical The Economist to write in 1855 that "never, perhaps, was a change so vehemently and generally demanded, of which the importance was so much overrated. The major error of the second part of this judgment was recognized by the same magazine more than 70 years later, when it claimed that, "[t]he economic historian of the future. . . may be inclined to assign to the nameless inventor of the principle of limited liability, as applied to trading corporations, a place of honour with Watt and Stephenson, and other pioneers of the Industrial Revolution.

Modern corporations

The end of the 19th century saw the creation holding companies and corporate mergers creating larger corporations with dispersed shareholders. Countries began enacting anti-trust laws to prevent anticompetitive practices and corporations were granted more legal rights and protections.

The 20th century saw a proliferation of laws allowing for the creation of corporations by registration across the world, which helped to drive economic booms in many countries before and after World War I. Another major post World War I shift was toward the development of conglomerates, in which large corporations purchased smaller corporations to expand their industrial base.

Ownership and control

A corporation is, at least in theory, owned and controlled by its members. In a joint-stock company the members are known as shareholders and each of their shares in the ownership, control and profits of the corporation is determined by the portion of shares in the company that they own. Thus a person who owns a quarter of the shares of a joint-stock company owns a quarter of the company, is entitled to a quarter of the profit (or at least a quarter of the profit given to shareholders as dividends) and has a quarter of the votes capable of being cast at general meetings.

In another kind of corporation the legal document which established the corporation or which contains its current rules will determine whom the corporation's members are. Who is a member depends on what kind of corporation is involved. In a worker cooperative the members are people who work for the cooperative. In a credit union the members are people who have accounts with the credit union.

The day-to-day activities of a corporation are typically controlled by individuals appointed by the members. In some cases this will be a single individual but more commonly corporations are controlled by a committee or by committees. Broadly speaking there are two kinds of committee structure.

- A single committee known as a board of directors is the method favored in most common law countries. Under this model the board of directors is composed of both executive and non-executive directors, the latter being meant to supervise the former's management of the company.

- A two-tiered committee structure with a supervisory board and a managing board is common in civil law countries.

Formation

Historically, corporations were created by a charter granted by government. Today, corporations are usually registered with the state, province, or national government and regulated by the laws enacted by that government. Registration is the main prerequisite to the corporation's assumption of limited liability. The law sometimes requires the corporation to designate its principal address, as well as a registered agent (a person or company designated to receive legal service of process). It may also be required to designate an agent or other legal representative of the corporation.

Generally, a corporation files articles of incorporation with the government, laying out the general nature of the corporation, the amount of stock it is authorized to issue, and the names and addresses of directors. Once the articles are approved, the corporation's directors meet to create bylaws that govern the internal functions of the corporation, such as meeting procedures and officer positions.

The law of the jurisdiction in which a corporation operates will regulate most of its internal activities, as well as its finances. If a corporation operates outside its home state, it is often required to register with other governments as a foreign corporation, and is almost always subject to laws of its host state pertaining to employment, crimes, contracts, civil actions, and the like.

Naming

Corporations generally have a distinct name. Historically, some corporations were named after their membership: for instance, "The President and Fellows of Harvard College." Nowadays, corporations in most jurisdictions have a distinct name that does not need to make reference to their membership. In Canada, this possibility is taken to its logical extreme: many smaller Canadian corporations have no names at all, merely numbers based on a registration number (for example, "12345678 Ontario Limited"), which is assigned by the provincial or territorial government where the corporation incorporates.

In most countries, corporate names include a term or an abbreviation that denotes the corporate status of the entity (for example, "Incorporated" or "Inc." in the United States) or the limited liability of its members (for example, "Limited" or "Ltd."). These terms vary by jurisdiction and language. In some jurisdictions they are mandatory, and in others they are not. Their use puts everybody on constructive notice that they are dealing with an entity whose liability is limited: one can only collect from whatever assets the entity still controls when one obtains a judgment against it.

Some jurisdictions do not allow the use of the word "company" alone to denote corporate status, since the word "company" may refer to a partnership or some other form of collective ownership (in the United States it can be used by a sole proprietorship but this is not generally the case elsewhere).

Accountability

In ethics and governance, accountability is answerability, blameworthiness, liability, and the expectation of account-giving. As an aspect of governance, it has been central to discussions related to problems in the public sector, nonprofit and private (corporate) worlds. In leadership roles, accountability is the acknowledgment and assumption of responsibility for actions, products, decisions, and policies including the administration, governance, and implementation wits Shin the scope of the role or employment position and encompassing the obligation to report, explain and be answerable for resulting consequences.In governance, accountability has expanded beyond the basic definition of "being called to account for one's actions". It is frequently described as an account-giving relationship between individuals, e.g. "A is accountable to B when A is obliged to inform B about A’s (past or future) actions and decisions, to justify them, and to suffer punishment in the case of eventual misconduct".Accountability cannot exist without proper accounting practices; in other words, an absence of accounting means an absence of accountability.

History and etymology

"Accountability" stems from late Latin accomptare (to account), a prefixed form of computare (to calculate), which in turn derived fromputare (to reckon). While the word itself does not appear in English until its use in 13th century Norman England, the concept of account-giving has ancient roots in record keeping activities related to governance and money-lending systems that first developed in Ancient Israel, Babylon, Egypt, Greece, and later, Rome.

Chapter 6

Types of CSR

Types

Bruce Stone, O.P. Dwivedi, and Joseph G. Jabbra list 8 types of accountability, namely: moral, administrative, political, managerial, market, legal/judicial, constituency relation, and professional.[14] Leadership accountability cross cuts many of these distinctions.

Political

Political accountability is the accountability of the government, civil servants and politicians to the public and to legislative bodies such as a congress or a parliament.

In a few cases, recall elections can be used to revoke the office of an elected official. Generally, however, voters do not have any direct way of holding elected representatives to account during the term for which they have been elected. Additionally, some officials and legislators may be appointed rather than elected. Constitution, or statute, can empower a legislative body to hold their own members, the government, and government bodies to account. This can be through holding an internal or independent inquiry. Inquiries are usually held in response to an allegation of misconduct or corruption. The powers, procedures and sanctions vary from country to country. The legislature may have the power to impeach the individual, remove them, or suspend them from office for a period of time. The accused person might also decide to resign before trial. Impeachment in the United States has been used both for elected representatives and other civil offices, such as district court judges.

In parliamentary systems, the government relies on the support or parliament, which gives parliament power to hold the government to account. For example, some parliaments can pass a vote of no confidence in the government.

Researchers at the Overseas Development Institute found that empowering citizens in developing countries to be able to hold their domestic governments to account was incredibly complex in practice. However, by developing explicit processes that generate change from individuals, groups or communities (Theories of Change), and by fusing political economy analysis and outcome mapping tools, the complex state-citizen dynamics can be better understood. As such, more effective ways to achieve outcomes can hence be generated.

Ethical

Within an organization, the principles and practices of ethical accountability aim to improve both the internal standard of individual and group conduct as well as external factors, such as sustainable economic and ecologic strategies. Also, ethical accountability plays a progressively important role in academic fields, such as laboratory experiments and field research. Debates around the practice of ethical accountability on the part of researchers in the social field - whether professional or others - have been thoroughly explored by Norma R.A. Romm in her work on Accountability in Social Research, including her book on New Racism: Revisiting Researcher Accountabilities, reviewed by Carole Truman in the journal Sociological Research Online. Here it is suggested that researcher accountability implies that researchers are cognisant of, and take some responsibility for, the potential impact of their ways of doing research – and of writing it up – on the social fields of which the research is part. That is, accountability is linked to considering carefully, and being open to challenge in relation to, one's choices concerning how research agendas are framed and the styles in which write-ups of research "results" are created.

Administrative

Internal rules and norms as well as some independent commission are mechanisms to hold civil servants within the administration of government accountable. Within department or ministry, firstly, behavior is bound by rules and regulations; secondly, civil servants are subordinates in a hierarchy and accountable to superiors. Nonetheless, there are independent “watchdog” units to scrutinize and hold departments accountable; legitimacy of these commissions is built upon their independence, as it avoids any conflicts of interests.

Individuals within organizations

Because many different individuals in large organizations contribute in many ways to the decisions and policies, it is difficult even in principle to identify who should be accountable for the results. This is what is known, following Thompson, as the problem of many hands. It creates a dilemma for accountability. If individuals are held accountable or responsible, individuals who could not have prevented the results are either unfairly punished, or they "take responsibility" in a symbolic ritual without suffering any consequences. If only organizations are held accountable, then all individuals in the organization are equally blameworthy or all are excused. Various solutions have been proposed. One is to broaden the criteria for individual responsibility so that individuals are held accountable for not anticipating failures in the organization. Another solution, recently proposed by Thompson, is to hold individuals accountable for the design of the organization, both retrospectively and prospectively.

Constituency relations

Within this perspective, a particular agency of the government is accountable if voices are heard from agencies, groups or institutions outside the public sector representing citizens' interests from a particular constituency or field. Moreover, the government is obliged to empower members of agencies with political rights to run for elections and be elected; or, appoint them into the public sector as a way to make the government representative and to ensure that voices from all constituencies are included in policy-making.

Public/private overlap

With the increase over the last several decades in public service provided by private entities, especially in Britain and the United States, some have called for increased political accountability mechanisms for otherwise non-political entities. Legal scholar Anne Davies, for instance, argues that the line between public institutions and private entities like corporations is becoming blurred in certain areas of public service in the United Kingdom, and that this can compromise political accountability in those areas. She and others argue that some administrative law reform is necessary to address this accountability gap.

With respect to the public/private overlap in the United States, public concern over the contracting of government services (including military) and the resulting accountability gap has been highlighted recently following the shooting incident involving the Black water security firm in Iraq.

Contemporary studies

Accountability involves either the expectation or assumption of account-giving behavior. The study of account giving as a sociological act was articulated in a 1968 article on "Accounts" by Marvin Scott and Stanford Lyman, although it can be traced as well to J. L. Austin's 1956 essay "A Plea for Excuses," in which he used excuse-making as an example of speech acts.

Communications scholars have extended this work through the examination of strategic uses of excuses, justifications, rationalizations, apologies and other forms of account giving behavior by individuals and corporations, and Philip Tetlock and his colleagues have applied experimental design techniques to explore how individuals behave under various scenarios and situations that demand accountability.

Recently, accountability has become an important topic in the discussion about the legitimacy of international institutions. Because there is no global democratically elected body to which organizations must account, global organizations from all sectors bodies are often criticized as having large accountability gaps. The Charter 99 for Global Democracy, spearheaded by the One World Trust, first proposed that cross-sector principles of accountability be researched and observed by institutions that affect people, independent of their legal status. One paradigmatic problem arising in the global context is that of institutions such as the World Bank and the International Monetary Fund who are founded and supported by wealthy nations or individuals and provide grants and loans, to developing nations. Should those institutions be accountable to their founders and investors or to the persons and nations they lend money to? In the debate over global justice and its distributional consequences, Cosmopolitans tend to advocate greater accountability to the disregarded interests of traditionally marginalized populations and developing nations. On the other hand, those in the Nationalism and Society of States traditions deny the tenets of moral universalism and argue that beneficiaries of global development initiatives have no substantive entitlement to call international institutions to account. The One World Trust Global Accountability Report, published in a first full cycle 2006 to 2008, is one attempt to measure the capability of global organizations to be accountable to their stakeholders.

Accountability in education

Student accountability is traditionally based on having school and classroom rules, combined with sanctions for infringement.

In contrast, some educational establishments such as Sudbury schools believe that students are personally responsible for their acts, and that traditional schools do not permit students to choose their course of action fully; they do not permit students to embark on the course, once chosen; and they do not permit students to suffer the consequences of the course, once taken. Freedom of choice freedom of action, freedom to bear the results of action are considered the three great freedoms that constitute personal responsibility. Sudbury schools claim that "Ethics" is a course taught by life experience. They adduce that the essential ingredient for acquiring values—and for moral action is personal responsibility, that schools will become involved in the teaching of morals when they become communities of people who fully respect each other's right to make choices, and that the only way the schools can become meaningful purveyors of ethical values is if they provide students and adults with real-life experiences that are bearers of moral import. Students are given complete responsibility for their own education and the school is run by a direct democracy in which students and staff are equals.

Accountability standards

Accountability standards have been set up, and organizations can voluntarily commit to them. Standards apply in particular to the non-profit world and to Corporate Social Responsibility (CSR) initiatives. Accountability standards include:

- INGO Accountability Charter, signed by a large number of NGOs to "demonstrate their commitment to accountability and transparency"
- Account Ability's AA1000 series. " principles- based standards to help organisations become more accountable, responsible and sustainable. They address issues affecting governance, business models and organizational strategy, as well as providing operational guidance on sustainability assurance and stakeholder engagement"
- Humanitarian Accountability Partnership (HAP) 2010 standards. A standard for humanitarian organizations to help them "design, implement, assess, improve and recognise accountable programmes"

In addition, some non-profit organizations set up their own commitments to accountability:

- Accountability, Learning and Planning System (ALPS) by Action Aid, a framework that sets out the key accountability requirements, guidelines, and processes.[36]

Proposed symbolism

Viktor Frankl, neurologist, psychiatrist, author, and founder of logo therapy and one of the key figures in existential therapy, in his bookMan's Search for Meaning recommended "that the Statue of Liberty on the East Coast (that has become a symbol of Liberty and Freedom) should be supplemented by a Statue of Responsibility on the West Coast." Frankl stated: "Freedom, however, is not the last word. Freedom is only part of the story and half of the truth. Freedom is but the negative aspect of the whole phenomenon whose positive aspect is responsibleness. In fact, freedom is in danger of degenerating into mere arbitrariness unless it is lived in terms of responsibleness.

The Four Phases of CSR Development in India

The history of CSR in India has its four phases which run parallel to India's historical development and has resulted in different approaches towards CSR. However the phases are not static and the features of each phase may overlap other phases.

The First Phase

In the first phase charity and philanthropy were the main drivers of CSR. Culture, religion, family values and tradition and industrialization had an influential effect on CSR. In the pre-industrialization period, which lasted till 1850, wealthy merchants shared a part of their wealth with the wider society by way of setting up temples for a religious cause. Moreover, these merchants helped the society in getting over phases of famine and epidemics by providing food from their godowns and money and thus securing an integral position in the society. With the arrival of colonial rule in India from 1850s onwards, the approach towards CSR changed. The industrial families of the 19th century such as Tata, Godrej, Bajaj, Modi, Birla, Singhania were strongly inclined towards economic as well as social considerations. However it has been observed that their efforts towards social as well as industrial development were not only driven by selfless and religious motives but also influenced by caste groups and political objectives.

The Second Phase

In the second phase, during the independence movement, there was increased stress on Indian Industrialists to demonstrate their dedication towards the progress of the society. This was when Mahatma Gandhi introduced the notion of "trusteeship", according to which the industry leaders had to manage their wealth so as to benefit the common man. "I desire to end capitalism almost, if not quite, as much as the most advanced socialist. But our methods differ. My theory of trusteeship is no make-shift, certainly no camouflage. I am confident that it will survive all other theories." This was Gandhi's words which highlights his argument towards his concept of "trustee trustee scientific institutions. The operations of the trusts were largely in line with Gandhi's reforms which sought to abolish untouchability, encourage empowerment of women and rural development.

Chapter 7

Phases of CSR

The Third Phase

The third phase of CSR (1960–80) had its relation to the element of "mixed economy", emergence of Public Sector Undertakings(PSUs) and laws relating labour and environmental standards. During this period the private sector was forced to take a backseat. The public sector was seen as the prime mover of development. Because of the stringent legal rules and regulations surrounding the activities of the private sector, the period was described as an "era of command and control". The policy of industrial licensing, high taxes and restrictions on the private sector led to corporate malpractices. This led to enactment of legislation regarding corporate governance, labour and environmental issues. PSUs were set up by the state to ensure suitable distribution of resources (wealth, food etc.) to the needy. However the public sector was effective only to a certain limited extent. This led to shift of expectation from the public to the private sector and their active involvement in the socio-economic development of the country became absolutely necessary. In 1965 Indian academicians, politicians and businessmen set up a national workshop on CSR aimed at reconciliation. They emphasized upon transparency, social accountability and regular stakeholder dialogues. In spite of such attempts the CSR failed to catch steam.

The Fourth Phase

In the fourth phase (1980 until the present) Indian companies started abandoning their traditional engagement with CSR and integrated it into a sustainable business strategy. In 1990s the first initiation towards globalization and economic liberalization were undertaken. Controls and licensing system were partly done away with which gave a boost to the economy the signs of which are very evident today. Increased growth momentum of the economy helped Indian companies grow rapidly and this made them more willing and able to contribute towards social cause. Globalization has transformed India into an important destination in terms of production and manufacturing bases of TNCs are concerned. As Western markets are becoming more and more concerned about and labour and environmental standards in the developing countries, Indian companies who export and produce goods for the developed world need to pay a close attention to compliance with the international standards.

Current State of CSR in India

As discussed above, CSR is not a new concept in India. Ever since their inception, corporates like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation, to name a few, have been involved in serving the community. Through donations and charity events, many other organizations have been doing their part for the society. The basic objective of CSR in these days is to maximize the company's overall impact on the society and stakeholders. CSR policies, practices and programs are being comprehensively integrated by an increasing number of companies throughout their business operations and processes. A growing number of corporates feel that CSR is not just another form of indirect expense but is important for protecting the goodwill and reputation, defending attacks and increasing business competitiveness.

Companies have specialised CSR teams that formulate policies, strategies and goals for their CSR programs and set aside budgets to fund them. These programs are often determined by social philosophy which have clear objectives and are well defined and are aligned with the mainstream business. The programs are put into practice by the employees who are crucial to this process. CSR programs ranges from community development to development in education, environment and healthcare etc.

For example, a more comprehensive method of development is adopted by some corporations such as Bharat Petroleum Corporation Limited, Maruti Suzuki India Limited, and Hindustan Unilever Limited. Provision of improved medical and sanitation facilities, building schools and houses, and empowering the villagers and in process making them more self-reliant by providing vocational training and a knowledge of business operations are the facilities that these corporations focus on. Many of the companies are helping other peoples by providing them good standard of living.

On the other hand, the CSR programs of corporations like GlaxoSmithKline Pharmaceuticals' focus on the health aspect of the community. They set up health camps in tribal villages which offer medical check-ups and treatment and undertake health awareness programs. Some of the non-profit organizations which carry out health and education programs in backward areas are to a certain extent funded by such corporations.

Also Corporates increasingly join hands with Non-governmental organizations (NGOs) and use their expertise in devising programs which address wider social problems.

For example, a lot of work is being undertaken to rebuild the lives of the tsunami affected victims. This is exclusively undertaken by SAP India in partnership with Hope Foundation, an NGO that focuses mainly on bringing about improvement in the lives of the poor and needy. The SAP Labs Center of HOPE in Bangalore was started by this venture which looks after the food, clothing, shelter and medical care of street children.

CSR has gone through many phases in India. The ability to make a significant difference in the society and improve the overall quality of life has clearly been proven by the corporates. Not one but all corporates should try and bring about a change in the current social situation in India in order to have an effective and lasting solution to the social woes . Partnerships between companies, NGOs and the government should be facilitated so that a combination of their skills such as expertise, strategic thinking, manpower and money to initiate extensive social change will put the socio-economic development of India on a fast track.

The Importance of Corporate Social Responsibility

Business Review Australia takes a look at the benefits Corporate Social Responsibility initiatives can bring to a business

In the initial growth phase of a business the natural emphasis and attention is on developing from a financial perspective. However, as a business matures there is the opportunity to take stock and focus on broader considerations such as giving back to the community in which you operate.

For CBRE in Pacific this has entailed the development of a multi-faceted Corporate Social Responsibility program – one that took shape following a period of significant growth pre the Global Financial Crisis.

CBRE: A CSR Case Study

In this growth phase, we transformed the business via a series of M&A's and the launch of a raft of new business lines. Our staff numbers doubled and our financial performance was significantly enhanced. But we were cognisant of the fact that financial considerations weren't the be all and end all for our staff. With that in mind we decided to take part four years ago in the Aon Hewitt Best Employers survey, which measures staff engagement. Part of the feedback from the survey, particularly from our younger employees, was that we were perhaps focusing too heavily on financial success and that we needed to become a more well rounded corporate.

At a global level, CSR has been a highly important tenet of our business for many years. We were recently named to the Companies that Care Honor Roll for the sixth consecutive year and through our CBRE Disaster Relief Foundation we've facilitated employee contributions to disaster relief efforts and matched those contributions to the tune of 50 cents for every dollar raised. This has provided significant funds to assist communities in wake of events such as Super storm Sandy and, closer to home, the Christchurch Earthquake in New Zealand and devastating Queensland floods in Australia in 2011.

However, what we recognised in the wake of the Hewitt survey was the need to develop a much more robust CSR platform at a local level. I'm pleased to say that in the years since that first survey was completed we've steadily increased our staff engagement scores each year. In my mind, CSR is important for reasons, which stand outside promoting our brand. It fits with the ethos of appreciating how fortunate we are and is vital in helping to develop a happy and productive company culture.

A Rewarding Experience

A key component of our program has been Walk For A Wish – an idea that was generated four years ago by one of senior Property Managers. It's evolved to become a company-wide event that sees our Pacific staff take part in concurrent 10 km walks across Australia and New Zealand to raise money for the Starlight Children's Foundation and Make-A-Wish New Zealand. Last year, Mirvac came on board as our major sponsor and their staff also joined us on the walk. In all we had 900 people take part in last year's event and, over the life of Walk For A Wish, we've raised circa AU$500,000 for these two charities – both of whom couldn't exist without this type of corporate support. It's a really humbling experience when you visit the hospital programs that these charities support and it's personally been such a rewarding experience to see this event grow and garner such strong support from our staff and clients.

Another leg to our CSR strategy has been our Helping Hands program, which we launched in Sydney in 2011 and expanded to be a company-wide initiative last year. In Sydney, our staff members now regularly volunteer at the Salvation Army Street level Café, which provides a place of refuge for the disadvantaged and homeless. Our volunteers prepare and serve lunch, interact with community members, and work in the charity shop. I firmly believe that, where possible, active involvement in a community or charity program enhances awareness and is far more beneficial than simply making a cash contribution. Our Brisbane office recently held its first volunteer day assisting at homeless drop-in centre the 139 Club. Victorian staff members have also signed up for the program with volunteer days scheduled for the Australian Animal Protection Society, St Mary's House of Welcome, the Lighthouse Foundation and the Property Industry Foundation.

Corporate social responsibility as a source of competitive advantage:

Abstract

Corporate social responsibility (CSR) has been an important issue in business management since decades. The study proposes a research model from a strategic management perspective. On the foundation of social identity theory and resource-based perspective in developing this argument, the article theorizes CSR as a resource-generating activity by creating support networks, relationships and management

Keywords:

corporate social responsibility; social capital; reputational capital; resource-based view

Introduction

The effectiveness and productivity of an organization had always been of great concern to all business organizations and managers. Many variables in organizational structure and system had been identified to evaluate the efficiency and effectiveness of management systems in organizations. These variables encompass a wider aspect of organizational life, such as tangible infrastructure, budgets and investments, and employee work attitudes. Companies are exploring new areas where they can develop infrastructure and better institutional climate for their employees to sustain their profits in strong competition.

Corporate social responsibility (CSR) has been touted as an effective management tool to strengthen the organizations' performance through a better image in stakeholder's mind and also because of their responsible behavior toward society and environment. Although CSR has been more prevalent in those organizations that are more exposed to environment and are more prone toward creating contamination, the interest in using CSR as a strategy is increasing in every type of business. Since the 1980s, there has been a series of reforms taking shape in the business, resulting from the increased awareness on the importance of quality management and business role toward society.

CSR as an area of practice is moving toward responsible competition, and the movement of CSR has been through many transitions in its concept and application because of the environmental activism and government regulations, whereas the legal requirements by government are becoming more and more stringent for compliance.

In Asia Pacific, most of the companies are focusing on their markets in order to build efficient outcomes. In Pakistan, it is in the recent times that CSR is coming into the mainstream of business applications and in academia. Although corporate philanthropy is yet in initial stages (largely confined to legal compliance), some companies have now started to use their CSR related activities for their corporate branding as well.

In today's highly competitive global business market, the Business in Pakistan is facing acute problems in almost every industry in terms of acquisition of resources and also profitability. This is also destabilizing the economic situation of the country. The present study focuses on an industry and society relationship from a CSR perspective.

Chapter 8

Objectives of CSR

Research objectives

The aim of this research is to examine how CSR can contribute to building organizational-level social capital, which can serve as a useful resource to develop sustained competitive advantage for organizations. In addition, to help CSR managers attain strategic objectives of business, the concept paper attempts to develop a model that could provide managers with a mechanism by which they can integrate their CSR-related activities to gain strategic organizational outcomes.

Significance of the study

Although CSR is a domain widely investigated by many scholars, the strategic use of CSR activities has been much less studied. There are certain evidences on strategic CSR implications but they have not established the mechanism that defines how CSR can bring strategic outcomes for the organization.

Findings of this research would add to the knowledge and understanding of the area of CSR and its linkage to building social capital and reputational capital by organization. Particularly, the study focuses on investigating the strategic role that CSR activities play in yielding better organizational performance/profitability through development of intangible organizational resources (social capital/reputational capital).

This study would contribute to the academic literature of strategic management by explaining how CSR activities can be helpful in developing intangible organizational resources, which subsequently results in better organizational outcomes.

Apart from theoretical and contextual contributions, the study is going to be equally important from an applied perspective. In today's highly dynamic business landscape, where managers are finding it hard to achieve and sustain a competitive advantageous position, the results of the study can certainly work as a major guiding force on their way to success in a world increasingly becoming complex, volatile and competitive with every other day.

Corporate social responsibility

CSR can be defined as situations where the firm goes beyond compliance and engages in actions that appear to further some social good, beyond the interest of the firm and that which is required by law. The term CSR was first coined in the 1950s and it gained peculiar attention in management studies in the 1970s. Predominantly, the activities under the umbrella of CSR fall into three categories: economic growth, ecological balance and social progress.

The accepted influence of CSR involves its impact on organizational FP and social performance. In the case of CSR, the literature indicates two schools of thought that predominantly debate and describe business primary activity as profit maximization or business society interaction for the welfare of society. However, the construct has been related to many aspects of a business, such as stakeholder expectations, increasing social performance/FP and compliance with government regulations. Sharp and Zaidman studied CSR from a strategic perspective and concluded that incorporation of CSR into a firm's strategic management process can yield better outcomes for organizations.

The dominant paradigm about the proponents of CSR earliest starts from the work of Carroll, who has described the range of activities included in CSR from philanthropic activities till larger social benefits. According to Carroll, companies are expected to generate profits, obey the law, operate in line with social norms and do well in society beyond the society's expectations. According to Clarkson and Surocca et al, CSR is about meeting the needs of wider stakeholders in the society. Therefore, CSR discourse is becoming multidimensional, including social needs, stakeholder management and profit maximization, whereas certain researchers, such as Luetkenlorst, identify CSR from compliance and engagement to harm minimization and value creation.

According to Jamali and Mirshak, many businesses in developing countries are taking into account voluntary CSR practices as philanthropy, whereas on the management front the benefits of CSR in human capital issues management and workers’ safety and satisfaction are increasing.

Garrriga and Mele categorized CSR theory into instrumental, political, integrative and value theories, which, from all dimensions, lead to sustained development. The principle of social responsibility is leading companies to a concept of triple bottom line for decisions of social responsibility that include economic, social and climate care. Carroll has also defined the role of CSR as a strategic management issue, according to which CSR might be done to accomplish organizational strategic goals and to achieve long-term profit goals. Novak identifies a firm's extra legal social responsibilities, which would be of direct benefit to the business, such as communication to all stakeholders, establishing a sense of community respect and protecting moral ecology.

Jarzabkowski introduced a model of strategization of CSR that advocates that as CSR is goal-directed it can be strategic in nature, and CSR practices can be widely adopted throughout the organizational community because of the value creation feature of CSR.

In sum, the central thesis of CSR is predominantly oriented toward contribution to FP and also toward normative basis, which incorporates human values. Most of the research has focused on the relationship between CSR and economic performance or FP. This is probably to advocate the need of establishing a strong case of practice for all organizations proving CSR's benefits (as investment incurred may not have an immediate payoff).

Branco and Rodingues have described CSR as an important resource for organizations from a resource-based perspective. According to Barney, organizations can capitalize on their unique resources for sustainability, whereas the resources should meet the criteria of resource-based view (RBV), that is, should be valuable, inimitable, rare and immobile. CSR can help an organization build such unique resources, such as reputation, employee capabilities, and knowledge and network of relationships. Oliver also defined strategic use of CSR from an institutional and resource-based perspective to achieve sustainability in the organizations.

On the basis of previous literature, the research divides CSR into two dimensions: external CSR practices and internal CSR practices.

The most common operationalization of CSR has been done in the work of Carroll, who provides the foundational concepts of CSR. The firm's CSR practices should encompass its economical, legal, ethical and voluntary activities for social responsibility, whereas more and more emphasis is only on the voluntary practices that may include philanthropy, corporate volunteerism and corporate citizenship.

Researchers have also documented an internal dimension of CSR that generally covers the employees' well-being at work, particularly including their health and safety and also development and talent identification. Another addition to the dimensions of CSR is the 2001 Green Paper by Commission of European Communities that identifies the typology of CSR as its internal and external dimensions.

Generally, research in social responsibility has focused on only the external CSR, that is, community development and environmental protection, and literature is lacking in the internal dimension of CSR and the link between these two. This study will focus on both dimensions of CSR to build an integrated model of CSR practices for strategic use of CSR as an important organizational resource.

Carroll described the following dimensions of CSR:

Economic: The first of the dimensions to adopt CSR practices is economic value: entailing a good return on investment for the owners and shareholders, creating jobs and fair pay for workers, and making developments in business.

Legal: The second of the CSR dimensions is legal responsibility: to obey the rules of business and to govern the business according to government legislation.

Ethical: This portrays the dimension of business as being moral and doing just and fair things. Such responsibility is rooted in humanitarian grounds.

Voluntary: This is the dimension where a firm has a wide scope of discretionary behaviors by performing certain activities by which they are actually contributing to the welfare of society.

Further research has elaborated more dimensions of CSR, relating it to strategic HR literature more concerned with the internal employees and direct stakeholders of an organization. The following dimensions of social responsibility have been developed in the HR management (HRM) literature, which is categorized as internal dimensions of CSR.

Nondiscrimination and equal employment opportunity: This dimension is about the organization's principles on treating the employees on an equal and equitable basis by showing equal opportunity to the talent and promoting diversity.

Staff development and training: The organization's agenda for employees' training needs for identifying and developing the talent.

Protection of human rights: To deal with employees on humanitarian grounds and taking care of their health and safety at the work. In addition, providing them with a smooth working environment.

Managing environmental impacts: This aspect is about optimization of resource utilization and reducing environmentally damaging effluent can reduce the environmental impact.

Social capital

The concept refers to features of social organization that create an environment of mutual benefits and coordination. The concept of social capital is broadly defined as an asset that inheres in social relations and networks. From a micro perspective many researchers have studied it at individual level, and from a macro perspective it has been studied at community and organization level. In the recent era, the term 'social capital' is highlighted more at the organizational facet. Leana and Van Buren describe organizational social capital as a resource reflecting the character of social relations within the firm formed by goal orientation and shared trust. Social capital is broadly categorized as structured social capital and relational social capital. Thus, the conceptualization of organizational social capital is like a value enhancing system resource.

Social capital has been identified by many researchers to be related to organizational advantage. Adler and Kwon have identified organizational social capital to be related to organizational performance through building trust. It also has potential benefits for building intellectual capital and innovation in the organization.

The concept has been further operationalized in different ways in social science research. The majority of research in the domain of social capital is at the individual level where the motive of research is to identify individual social capital in the society. Management studies have adopted this conceptualization at the organizational level by recognizing the benefits of networking, social ties and resources that are inherent in those relationships.

As defined by Coleman, social capital is an asset that consists of network of relationships and their inherent resources and other network structures. This leads to ties among the members of a group, and these ties affect the individual's attitude, sense of support and attachment. Networking serves as social support to the people that effects satisfaction and ease at work through social support.

CSR and social capital

Not much work has been done on the relationship between CSR and social capital. However, the prevalent researchers have found CSR to create reliable social networks for organizations and social capacity. Corporate activity that benefits the community can increase the level of social participation and generate positive attitudes in the business, and can be a critical component in economic prosperity and sustainable development. According to Putnam, social capital is accumulated through actual human relationship and interactions that initiate and facilitate strong internetwork ties and norms, which boost cooperation and collective action. Such network of relationship can be developed consciously by the people and also by other social activities. The creation of social capital is embedded into many organizational activities such that it helps knowledge .

Chapter 9

CSR and Reputational Capital

Reputational capital

As defined by the literature, reputational capital signifies the value created by a firm's image in a stakeholder's mind because of their interaction with the organization. Many researchers have related reputational capital to positive outcomes in firms, such as customers' intention to buy a service, attraction for employees and employees' strong identification with the organizations. According to Peloza, CSR can contribute as a reputation building tool for an organization. They define a CSR–CSP relationship to show the value of CSR that provides incremental gains by increasing the organization's goodwill and reputation to turn it into insured corporate image.

Strong corporate reputations help organizations to win the war of talent and foster employee retention. Corporate reputation unites all the stakeholders of the organization, as increased corporate reputation increases customer confidence in services, which effects the buying decisions. According to Schwaiger, companies with strong reputations have better access to capital markets that lowers the capital cost.

Good corporate reputations serve as a guarantee for high-performing workers. Hamori concluded that an organization's reputational capital can be an indicator of its ability to attract talented employees, and also reputable companies can attract investors more easily.

CSR and reputational capital

According to Klein and Dawar, CSR is like an insurance policy against negative events of a firm, and proactive social activities achieve and maintain good reputations. The studies in CSR and reputation relationship have been related to many stakeholders such as bankers and investors, corporate FP, a company's reputation and sense of loyalty among customers and employees.

In an empirical study by Siltaoja, the researcher has concluded that there exists a link between CSR and reputation based on the notion of value priorities. The individual's perception about CSR activities is very important to build reputation generated by such activities for an organization.

Reputations are outcomes of a competitive process in which firms signal their key characteristics to stakeholders to maximize their socioeconomic and moral status. Reputation is additional to the market value of a firm and that can be attributed for an organization to be a responsible citizen. It is generally believed that corporations' social responsibility activities can be used for image enhancement of an organization, which can build more legitimacy in the eyes of its stakeholders.

Corporations' social responsibility toward environmental management, economic growth and philanthropy are categorized as external CSR activities, and help in building reputations and goodwill of organizations.

Proposition 2:

There is a positive relationship between external CSR practices and reputational capital.

Perceived organizational performance

Perceived organizational performance is the performance or achievement assessed by the organizational members to increase people's identification with the company. Perceived organizational performance has been widely measured for assessing a firm's performance in social identification literature, which has its effects on creating a strong network of relationship with organizations. Lim and Seers studied perceived organizational performance owing to the work relationships between people.

Much of the literature for perceived organizational performance has been studied from the HR perspective. Many studies have researched perceived organizational performance in the context of working relationships, working attitudes, work family settlements and employees' perception of organizational human resource and ethical values.

Although perceptual data are more prone to bias, there is a strong precedence that perceptions of organizational performance have been used as a subjective measure of a firm's performance. In addition, perceived organizational performance has moderate to strong associations with objective measures of organizational performance.

CSR and perceived organizational performance

Perceived organizational performance has been studied from a social responsibility perspective. Although much literature exists for the relationship between CSR and a firm's FP, evidence is also found for the relationship between CSR and perceived FP.

CSR activities build reputation in the eyes of stakeholders, which in turn builds perceptions of organizational performance. From a reputation-building perspective, perceived organizational performance complements good reputations that are established among stakeholders and corporate social performance.

Social investments are generally made to build organizational legitimacy and good reputations, which are actually perceived in the minds of stakeholders. In addition, certain responsible behaviors are formed to demonstrate the concern of an organization for its employees' well-being (internal social responsibility). Therefore, it would be useful to study the impact of CSR on perceived organizational performance as well. The philosophy of CSR encourages organizations not only to study economic outcomes, but also the social and environmental consequences that an organization shows to its stakeholders.

Proposition 3a:

There is a positive relationship between a company's internal CSR activities and perceived organizational performance.

Proposition 3b:

There is a positive relationship between a company's external CSR activities and perceived organizational performance.

Corporate FP

Corporate FP has been widely measured for a firm's performance in practice and literature. There has been much debate on the business–society relationship and business responsibility toward the welfare of society at the stake of firm profitability. Many researchers have empirically found that there is a strong positive correlation between firms' FPs because of incorporating CSR into their business activities. CSR is in the form of incremental gains to the organization, and it provides long-term economic development and sustainability in the organization. CSR activities by providing a reputation insurance lead to greater confidence among stakeholders and investors in the firm, increasing the financial development of the company.

CSR and corporate FP

Much of the literature in social responsibility has focused on the link between firms' social responsibility and FP, particularly profitability. This is maybe to bring into perspective a strong case for justifying CSR investments for the business. Orlitzky et al found a statistically strong correlation between a firm's social performance and FP. McWilliams and Seigel found a positive relationship between CSR investments and a firm's profitability. Most of the research that links CSR to profitability has concluded that CSR investments reap better financial returns to organizations, both in marketing measures and in accounting measures.

Proposition 4a:

There is a positive relationship between a company's internal CSR activities and corporate financial performance.

Proposition 4b:

There is a positive relationship between a company's external CSR activities and corporate financial performance.

Reputational capital and firm performance

Reputational capital is an organization's stock of perceptual and social assets – the quality of the relationship it has established with stakeholders and the regard in which the company and brand is held. According to Carmelli and Tishler, perceived organizational reputation is related to organizational performance. And reputation serves as an immune system to the organization, which leads to better organizational performance.

Proposition 5a:

There is a positive relationship between reputational capital and corporate financial performance.

Proposition 5b:

there is a positive relationship between reputational capital and perceived organizational performance.

Social capital and firm performance

Corporate social capital is a phenomenon explained by a network of relationships that facilitates resource building and resource development categorized as an intangible asset. Leana and Van Buren studied the link between social capital and organizational performance and found social capital to be a strong predictor of firm performance. A substantial number of studies have worked upon social capital and firm performance and concluded that networking and its related resources are an important contribution to the economic performance of a firm.

Proposition 6a:

There is a positive relationship between social capital and corporate financial performance.

Proposition 6b:

There is a positive relationship between social capital and perceived organizational performance.

Social capital, reputational capital and organizational performance

Researchers have established a strong emphasis on the value of intangible resources for increased organizational performance. The RBV of organizations attribute that variation in the heterogeneity of organizations resources can expedite the performance of organization. In the recent times of information technology, information creation and knowledge sharing are becoming more powerful tools to run a business. Although we cannot negate the importance of physical facilities, the intangible facilities are coming to the forefront.

Organizational reputation is an important intangible resource for the organization when the competition cannot match the value or prestige associated with a particular organization. Similarly, social capital creates a network of association, trust and reciprocity among the members of an organization, which can create an unbeatable workforce for it to sustain organizational performance.

Under the umbrella of social responsibility activities with internal and external stakeholders, different activities help an organization build certain intangible resources to the organization, such as social and reputational capital. Research identifies a strong link between strategic management of human resources to social capital creation, which is possible through manifestation of a responsible behavior to employees. Similarly, many researchers have concluded that good reputations as a result of an organization's behavior as a responsible citizen are an important intangible resource for an organization, which can increase organizational productivity.

CSR is a Vital Tool to Boost Business and Employee Morale

It’s critical in relation to staff engagement – we’ve seen that at CBRE with our engagement, as measured by an external provider, increasing each year as a direct result of our CSR program. And that’s been reflected at other organisations that have implemented similar initiatives. Biotechnology company Amgen also has two days of paid charity leave and they recently citied that it was one of the features of the company that made their people proud.

Chapter10

Corporate Social Entrepreneur

A corporate social entrepreneur (CSE) is defined as "an employee of the firm who operates in a socially entrepreneurial manner; identifying opportunities for and/ or championing socially responsible activity; in addition to helping the firm achieve its business targets. The CSE operates regardless of an organisational context that is pre-disposed towards corporate social responsibility (CSR). This is because the CSE is driven by their dominant self-transcendent (concerned with the welfare of others) as opposed to their self-enhancement personal values .Consequently, the CSE does not necessarily have a formal socially responsible job role, nor do they necessarily have to be in a senior management position to progress their socially responsible agenda."

Relevance

The notion of the CSE primarily relates to the field of corporate social responsibility. It is thus relevant to both practitioners and scholars of business and management and more specifically to the fields of business ethics; organisational behaviour; entrepreneurship; human resource management and business strategy. Moreover, the concept is inherently linked with the notion of personal values: in itself, a field of study from sociology; anthropology and social psychology. Furthermore, due to the concept's associations with ideas about agency, this also means that this topic connects with moral philosophy. Such complexity reflects the inter-disciplinary nature of the field of corporate social responsibility.

Background

The notion of the CSE first emerged in 2002 from a conceptual working paper which was published in the Hull University Business School Research Memoranda Series. In that paper, it was argued that CSR can also be motivated by an altruistic impulse driven by managers' personal values, in addition to the more obvious economic and macro political drivers for CSR. This reflected the traditional philosophical and business ethics debate regarding moral agency. This paper was followed by a U.K. conference paper which highlighted the importance of managerial discretion in CSR and was published the next year in the Journal of Business Ethics.

In this latter paper, the concept of "entrepreneurial discretion" as an overlooked antecedent of CSR was mooted.

Consequently, the term corporate social entrepreneur was first coined in a paper that was presented at the 17th Annual European Business Ethics Network Conference, in June 2004. Here, the term Corporate Social Entrepreneur was first defined and differentiated from the different types of entrepreneurs: the 'regular' executive entrepreneur; the entrepreneur; the policy entrepreneur and the public or social entrepreneur. (See also Austin et al., 2006a for a description of the similarities and differences between commercial and social entrepreneurship). Initially, the concept was discussed in relation to managers. However, it was soon widened to include employees at any level of the firm, regardless of their formally appointed status. To be a CSE you do not necessarily have to be a manager. Seniority is not necessary, but, of course, it helps.

Hemingway's concept of the CSE emerged as a result of her own personal experience working as a marketing executive in the corporate world and it has also been the subject of some exploratory empirical investigation. It was also inspired by Wood, who had previously referred to "Ethical training, cultural background, preferences…and life experiences…that motivate human behavior"; thereby supporting Trevino's conceptual "Interactionist" model of ethical decision making in organizations. Trevino's model included both individual and situational moderators, to combine with the individual's stage of cognitive moral development, to produce either ethical or unethical behavior. And whilst studies existed regarding the activities of environmental champions at work or other change leaders, none of these studies specifically examined the role of employees' personal values in entrepreneurial discretion with regard to corporate social responsibility (CSR).

Thus, the connection between philosophical ideas of moral character as an influence for corporate social responsibility (CSR) and linked to the psychological notion of prosocial behavior, provides a different focus from the more commonly discussed structural drivers for CSR, i.e., business strategy in the form of public relations activity; encouragement from government or organisational context .

Business ethics perspective

Significantly, whilst the social entrepreneur and corporate social entrepreneur are united in their quest to create social value: a business ethics perspective encourages us to ask the question 'For what end?' Here business ethics is useful, as it uses intellectual frameworks to encourage us to think deeply about means and ends. For example, the idea of the CSE creating social value which benefits both the corporation and society is known as 'enlightened self-interest'. Alternatively, a deontological viewpoint frames acts of socially responsible behaviour as driven by the individual's sense of duty to society, which may be viewed in terms of altruism. Altruism is of course very difficult to support empirically, although there have been many studies of prosocial behaviour and support for the notion of self-transcendent (other-oriented) personal values in social psychology.

Threat or opportunity

All this leads us to the inherent complexity surrounding the subject of CSR, regarding its connection to stakeholder theory and its "essentially contested" nature. So, whilst some studies have shown a positive relationship between CSR and financial performance, others are currently investigating the notion of non-market performance .Consequently, the notion of the Corporate Social Entrepreneur is equally controversial: not solely due to the arguments about the role of business and whether or not CSR helps financial performance; but also because the concept of employee discretion has been identified as a key factor regarding a social orientation at work, or, a moral character (in the ancient philosophical sense). And whilst the possibility of unethical behaviour is also acknowledged as an outcome of discretion and agency: corporate irresponsibility which has been the traditional focus in the study of business ethics, is regarded as insufficient and only the starting point, if the quest is for organisations to develop a socially responsible organisational context. This is of particular relevance in the wake of the global financial crisis caused by financial irregularities and lapses in corporate governance and personal integrity.

Business ethics

Business ethics (also corporate ethics) is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations.

Business ethics has both normative and descriptive dimensions. As a corporate practice and a career specialization, the field is primarily normative. Academics attempting to understand business behavior employ descriptive methods. The range and quantity of business ethical issues reflects the interaction of profit-maximizing behavior with non-economic concerns. Interest in business ethics accelerated dramatically during the 1980s and 1990s, both within major corporations and within academia. For example, today most major corporations promote their commitment to non-economic values under headings such as ethics codes and social responsibility charters. Adam Smith said, "People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices." Governments use laws and regulations to point business behavior in what they perceive to be beneficial directions. Ethics implicitly regulates areas and details of behavior that lie beyond governmental control. The emergence of large corporations with limited relationships and sensitivity to the communities in which they operate accelerated the development of formal ethics regimes.

History

Business norms reflect the norms of each historical period. As time passes norms evolve, causing accepted behaviors to become objectionable. Business ethics and the resulting behavior evolved as well. Business was involved in slavery, colonialism, and the cold war.

The term 'business ethics' came into common use in the United States in the early 1970s. By the mid-1980s, at least 500 courses in business ethics reached 40,000 students, using some twenty textbooks and at least ten casebooks along supported by professional societies, centers and journals of business ethics. The Society for Business Ethics was started in 1980. European business schools adopted business ethics after 1987 commencing with the European Business Ethics Network (EBEN). In 1982 the first single-authored books in the field appeared.

Firms started highlighting their ethical stature in the late 1980s and early 1990s, possibly trying to distance themselves from the business scandals of the day, such as the savings and loan crisis. The idea of business ethics caught the attention of academics, media and business firms by the end of the Cold War. However, legitimate criticism of business practices was attacked for infringing the "freedom" of entrepreneurs and critics were accused of supporting communists. This scuttled the discourse of business ethics both in media and academia.

Overview

Business ethics reflects the philosophy of business, one of whose aims is to determine the fundamental purposes of a company. If a company's purpose is to maximize shareholder returns, then sacrificing profits to other concerns is a violation of its fiduciary responsibility. Corporate entities are legally considered as persons in USA and in most nations. The 'corporate persons' are legally entitled to the rights and liabilities due to citizens as persons.

Economist Milton Friedman writes that corporate executives' "responsibility... generally will be to make as much money as possible while conforming to their basic rules of the society, both those embodied in law and those embodied in ethical custom". Friedman also said, "the only entities who can have responsibilities are individuals ... A business cannot have responsibilities. So the question is, do corporate executives, provided they stay within the law, have responsibilities in their business activities other than to make as much money for their stockholders as possible? And my answer to that is, no, they do not." A multi-country 2011 survey found support for this view among the "informed public" ranging from 30 to 80%. Ronald Duska views Friedman's argument asconsequentialist rather than pragmatic, implying that unrestrained corporate freedom would benefit the most in long term. Similarly author business consultant Peter Drucker observed, "There is neither a separate ethics of business nor is one needed", implying that standards of personal ethics cover all business situations. However, Peter Drucker in another instance observed that the ultimate responsibility of company directors is not to harm—primum non nocere. Another view of business is that it must exhibit corporate social responsibility (CSR): an umbrella term indicating that an ethical business must act as a responsible citizen of the communities in which it operates even at the cost of profits or other goals. In the US and most other nations corporate entities are legally treated as persons in some respects. For example, they can hold title to property, sue and be sued and are subject to taxation, although their free speech rights are limited. This can be interpreted to imply that they have independent ethical responsibilities. Duska argues that stakeholders have the right to expect a business to be ethical; if business has no ethical obligations, other institutions could make the same claim which would be counterproductive to the corporation.

Ethical issues include the rights and duties between a company and its employees, suppliers, customers and neighbors, its fiduciary responsibility to its shareholders. Issues concerning relations between different companies include hostile take-overs and industrial espionage. Related issues include corporate governance;corporate social entrepreneurship; political contributions; legal issues such as the ethical debate over introducing a crime of corporate manslaughter; and the marketing of corporations' ethics policies. According to IBE/ Ipsos MORI research published in late 2012, the three major areas of public concern regarding business ethics in Britain are executive pay, corporate tax avoidance and bribery and corruption.

Functional business areas

Finance

Fundamentally, finance is a social science discipline. The discipline borders behavioral economics, sociology, economics, accounting and management. It concerns technical issues such as the mix of debt and equity, dividend policy, the evaluation of alternative investment projects, options, futures, swaps, and other derivatives, portfolio diversification and many others. It is often mistaken to be a discipline free from ethical burdens. The 2008 financial crisis caused critics to challenge the ethics of the executives in charge of U.S. and European financial institutions and financial regulatory bodies. Finance ethics is overlooked for another reason—issues in finance are often addressed as matters of law rather than ethics.

"In financial analysis, a channel check is third-party research on a company's business based on collecting information from the distribution channels of the company. It may be conducted in order to value the company, to perform due diligence in various contexts, and the like."

Finance paradigm

Aristotle said, "the end and purpose of the polis is the good life" Adam Smith characterized the good life in terms of material goods and intellectual and moral excellences of character. Smith in his The Wealth of Nations commented, "All for our selves, and nothing for other people, seems, in every age of the world, to have been the vile maxim of the masters of mankind."

However, a section of economists influenced by the ideology of neoiberalism, interpreted the objective of economics to be maximization of economic growth through accelerated consumption and production of goods and services. Neoliberal ideology promoted finance from its position as a component of economics to its core Proponents of the ideology hold that unrestricted financial flows, if redeemed from the shackles of "financial repressions", best help impoverished nations to grow. The theory holds that open financial systems accelerate economic growth by encouraging foreign capital inflows, thereby enabling higher levels of savings, investment, employment, productivity and "welfare", along with containing corruption. Neoliberals recommended that governments open their financial systems to the global market with minimal regulation over capital flows. The recommendations however, met with criticisms from various schools of ethical philosophy. Some pragmatic ethicists, found these claims to un falsifiable and a priori, although neither of these makes the recommendations false or unethical per se.

Chapter11

Business Ethics

Business ethics (also corporate ethics) is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations.

Business ethics has both normative and descriptive dimensions. As a corporate practice and a career specialization, the field is primarily normative. Academics attempting to understand business behavior employ descriptive methods. The range and quantity of business ethical issues reflects the interaction of profit-maximizing behavior with non-economic concerns. Interest in business ethics accelerated dramatically during the 1980s and 1990s, both within major corporations and within academia. For example, today most major corporations promote their commitment to non-economic values under headings such as ethics codes and social responsibility charters. Adam Smith said, "People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.” Governments use laws and regulations to point business behavior in what they perceive to be beneficial directions. Ethics implicitly regulates areas and details of behavior that lie beyond governmental control. The emergence of large corporations with limited relationships and sensitivity to the communities in which they operate accelerated the development of formal ethics regimes.

History

Business norms reflect the norms of each historical period. As time passes norms evolve, causing accepted behaviors to become objectionable. Business ethics and the resulting behavior evolved as well. Business was involved in slavery, colonialism, and the cold war.

The term 'business ethics' came into common use in the United States in the early 1970s. By the mid-1980s, at least 500 courses in business ethics reached 40,000 students, using some twenty textbooks and at least ten casebooks along supported by professional societies, centers and journals of business ethics. The Society for Business Ethics was started in 1980. European business schools adopted business ethics after 1987 commencing with the European Business Ethics Network (EBEN). In 1982 the first single-authored books in the field appeared.

Firms started highlighting their ethical stature in the late 1980s and early 1990s, possibly trying to distance themselves from the business scandals of the day, such as the savings and loan crisis. The idea of business ethics caught the attention of academics, media and business firms by the end of the Cold War. However, legitimate criticism of business practices was attacked for infringing the "freedom" of entrepreneurs and critics were accused of supporting communists. This scuttled the discourse of business ethics both in media and academia.

Overview

Business ethics reflects the philosophy of business, one of whose aims is to determine the fundamental purposes of a company. If a company's purpose is to maximize shareholder returns, then sacrificing profits to other concerns is a violation of its fiduciary responsibility. Corporate entities are legally considered as persons in USA and in most nations. The 'corporate persons' are legally entitled to the rights and liabilities due to citizens as persons.

Economist Milton Friedman writes that corporate executives' "responsibility... generally will be to make as much money as possible while conforming to their basic rules of the society, both those embodied in law and those embodied in ethical custom". Friedman also said, "the only entities who can have responsibilities are individuals ... A business cannot have responsibilities. So the question is, do corporate executives, provided they stay within the law, have responsibilities in their business activities other than to make as much money for their stockholders as possible? And my answer to that is, no, they do not." A multi-country 2011 survey found support for this view among the "informed public" ranging from 30 to 80%. Ronald Duska views Friedman's argument asconsequentialist rather than pragmatic, implying that unrestrained corporate freedom would benefit the most in long term. Similarly author business consultant Peter Drucker observed, "There is neither a separate ethics of business nor is one needed", implying that standards of personal ethics cover all business situations. However, Peter Drucker in another instance observed that the ultimate responsibility of company directors is not to harm—primum non nocere. Another view of business is that it must exhibitcorporate social responsibility (CSR): an umbrella term indicating that an ethical business must act as a responsible citizen of the communities in which it operates even at the cost of profits or other goals. In the US and most other nations corporate entities are legally treated as persons in some respects. For example, they can hold title to property, sue and be sued and are subject to taxation, although their free speech rights are limited. This can be interpreted to imply that they have independent ethical responsibilities. Duska argues that stakeholders have the right to expect a business to be ethical; if business has no ethical obligations, other institutions could make the same claim which would be counterproductive to the corporation.

Ethical issues include the rights and duties between a company and its employees, suppliers, customers and neighbors, its fiduciary responsibility to its shareholders. Issues concerning relations between different companies include hostile take-over's and industrial espionage. Related issues include corporate governance;corporate social entrepreneurship; political contributions; legal issues such as the ethical debate over introducing a crime of corporate manslaughter; and the marketing of corporations' ethics policies.According to IBE/ Ipsos MORI research published in late 2012, the three major areas of public concern regarding business ethics in Britain are executive pay, corporate tax avoidance and bribery and corruption.

Functional business areas

Finance

Fundamentally, finance is a social science discipline. The discipline borders behavioral economics, sociology, economics, accounting and management. It concerns technical issues such as the mix of debt and equity, dividend policy, the evaluation of alternative investment projects, options, futures, swaps, and other derivatives, portfolio diversification and many others. It is often mistaken to be a discipline free from ethical burdens. The 2008 financial crisis caused critics to challenge the ethics of the executives in charge of U.S. and European financial institutions and financial regulatory bodies. Finance ethics is overlooked for another reason—issues in finance are often addressed as matters of law rather than ethics.

See Also:

"In financial analysis, a channel check is third-party research on a company's business based on collecting information from the distribution channels of the company. It may be conducted in order to value the company, to perform due diligence in various contexts, and the like."

Finance paradigm

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Neoliberal recommendations to developing countries to unconditionally open up their economies to transnational finance corporations was fiercely contested by some ethicists. The claim that deregulation and the opening up of economies would reduce corruption was also contested.

Dobson observes, "a rational agent is simply one who pursues personal material advantage ad infinitum. In essence, to be rational in finance is to be individualistic, materialistic, and competitive. Business is a game played by individuals, as with all games the object is to win, and winning is measured in terms solely of material wealth. Within the discipline this rationality concept is never questioned, and has indeed become the theory-of-the-firm's sine qua non".Financial ethics is in this view a mathematical function of shareholder wealth. Such simplifying assumptions were once necessary for the construction of mathematically robust models. However signalling theory and agency theory extended the paradigm to greater realism.

Other issues

Fairness in trading practices, trading conditions, financial contracting, sales practices, consultancy services, tax payments, internal audit, external audit and executive compensation also fall under the umbrella of finance and accounting. Particular corporate ethical/legal abuses include: creative accounting, earnings management, misleading financial analysis, insider trading, securities fraud,bribery/kickbacks and facilitation payments. Outside of corporations, bucket shops and forex scams are criminal manipulations of financial markets. Cases include accounting scandals, Enron, WorldCom and Satyam.

Human resource management

Human resource management occupies the sphere of activity of recruitment selection, orientation, performance appraisal, training and development, industrial relations and health and safety issues. Business Ethicists differ in their orientation towards labour ethics. Some assess human resource policies according to whether they support an egalitarian workplace and the dignity of labor.

Issues including employment itself, privacy, compensation in accord with comparable worth, collective bargaining (and/or its opposite) can be seen either as inalienable rights or as negotiable. Discrimination by age (preferring the young or the old),gender/sexual harassment, race, religion, disability, weight and attractiveness. A common approach to remedying discrimination is affirmative action.

Potential employees have ethical obligations to employers, involving intellectual property protection and whistle-blowing.

Employers must consider workplace safety, which may involve modifying the workplace, or providing appropriate training or hazard disclosure.

Larger economic issues such as immigration, trade policy, globalization and trade unionism affect workplaces and have an ethical dimension, but are often beyond the purview of individual companies.

Trade unions

Unions for example, may push employers to establish due process for workers, but may also cost jobs by demanding unsustainable compensation and work rules.

Unionized workplaces may confront union busting and strike breaking and face the ethical implications of work rules that advantage some workers over others

Management strategy

Among the many people management strategies that companies employ are a "soft" approach that regards employees as a source of creative energy and participants in workplace decision making, a "hard" version explicitly focused on control and Theory Z that emphasizes philosophy, culture and consensus. None ensure ethical behavior. Some studies claim that sustainable success requires a humanely treated and satisfied workforce.

Sales and marketing

Main article: Marketing ethics

Marketing came of age only as late as 1990s. Marketing ethics was approached from ethical perspectives of virtue or virtue ethics,deontology, consequentialism, pragmatism and relativism.

Ethics roaches like malcolm leslie!! Marketing deals http://en.wikipedia.org/w/index.php?title=Business_ethics&action=edit&section=10s with the principles, values and/or ideals by which marketers (and marketing institutions) ought to act. Marketing ethics is also contested terrain, beyond the previously described issue of potential conflicts between profitability and other concerns. Ethical marketing issues include marketing redundant or dangerous products/services transparency about environmental risks, transparency about product ingredients such as genetically modified organisms which may cause possible health risks, financial risks, security risks, etc., respect for consumer privacy and autonomy, advertising truthfulness and fairness in pricing & distribution.

Marketing ethics, regardless of the product offered or the market targeted, sets the guidelines for which good marketing is practiced. To market ethically and effectively one should be reminded that all marketing decisions and efforts are necessary to meet and suit the needs of customers, suppliers, and business partners. The mindset of many companies is that they are concerned for the population and the environment in which they do business. They feel that they have a social responsibility to people, places and things in their sphere of influence.

Chapter12

Corporate Governance

Corporate governance refers to the system by which corporations are directed and controlled. The governance structure specifies the distribution of rights and responsibilities among different participants in the corporation (such as the board of directors, managers, shareholders, creditors, auditors, regulators, and other stakeholders) and specifies the rules and procedures for making decisions in corporate affairs. Governance provides the structure through which corporations set and pursue their objectives, while reflecting the context of the social, regulatory and market environment. Governance is a mechanism for monitoring the actions, policies and decisions of corporations. Governance involves the alignment of interests among the stakeholders.

There has been renewed interest in the corporate governance practices of modern corporations, particularly in relation to accountability, since the high-profile collapses of a number of large corporations during 2001–2002, most of which involved accounting fraud. Corporate scandals of various forms have maintained public and political interest in the regulation of corporate governance. In the U.S., these include Enron Corporation and MCI Inc. (formerly WorldCom). Their demise is associated with the U.S. federal government passing the Sarbanes-Oxley Act in 2002, intending to restore public confidence in corporate governance. Comparable failures in Australia (HIH, One.Tel) are associated with the eventual passage of the CLERP 9 reforms. Similar corporate failures in other countries stimulated increased regulatory interest (e.g., Parmalat in Italy).

Other definitions

Corporate governance has also been defined as "a system of law and sound approaches by which corporations are directed and controlled focusing on the internal and external corporate structures with the intention of monitoring the actions of management and directors and thereby mitigating agency risks which may stem from the misdeeds of corporate officers."

In contemporary business corporations, the main external stakeholder groups are shareholders, debt holders, trade creditors, suppliers, customers and communities affected by the corporation's activities. Internal stakeholders are the board of directors, executives, and other employees.

Much of the contemporary interest in corporate governance is concerned with mitigation of the conflicts of interests between stakeholders. Ways of mitigating or preventing these conflicts of interests include the processes, customs, policies, laws, and institutions which have an impact on the way a company is controlled. An important theme of governance is the nature and extent of corporate accountability.

A related but separate thread of discussions focuses on the impact of a corporate governance system on economic efficiency, with a strong emphasis on shareholders' welfare. In large firms where there is a separation of ownership and management and no controlling shareholder, the principal–agent issue arises between upper-management (the "agent") which may have very different interests, and by definition considerably more information, than shareholders (the "principals"). The danger arises that rather than overseeing management on behalf of shareholders, the board of directors may become insulated from shareholders and beholden to management. This aspect is particularly present in contemporary public debates and developments in regulatory policy Economic analysis has resulted in a literature on the subject. One source defines corporate governance as "the set of conditions that shapes the ex post bargaining over the quasi-rents generated by a firm." The firm itself is modelled as a governance structure acting through the mechanisms of contract. Here corporate governance may include its relation to corporate finance.

Principles of corporate governance

Contemporary discussions of corporate governance tend to refer to principles raised in three documents released since 1990: The Cadbury Report (UK, 1992), the Principles of Corporate Governance (OECD, 1998 and 2004), the Sarbanes-Oxley Act of 2002 (US, 2002). The Cadbury and OECD reports present general principles around which businesses are expected to operate to assure proper governance. The Sarbanes-Oxley Act, informally referred to as Sarbox or Sox, is an attempt by the federal government in the United States to legislate several of the principles recommended in the Cadbury and OECD reports.

- Rights and equitable treatment of shareholders: Organizations should respect the rights of shareholders and help shareholders to exercise those rights. They Can help shareholders exercise their rights by openly and effectively communicating information and by encouraging shareholders to participate in general meetings.

- Interests of other stakeholders: Organizations should recognize that they have legal, contractual, social, and market driven obligations to non-shareholder stakeholders, including employees, investors, creditors, suppliers, local communities, customers, and policy makers.

- Role and responsibilities of the board: The board needs sufficient relevant skills and understanding to review and challenge management performance. It also needs adequate size and appropriate levels of independence and commitment.

- Integrity and ethical behavior: Integrity should be a fundamental requirement in choosing corporate officers and board members. Organizations should develop a code of conduct for their directors and executives that promotes ethical and responsible decision making.

- Disclosure and transparency: Organizations should clarify and make publicly known the roles and responsibilities of board and management to provide stakeholders with a level of accountability. They should also implement procedures to independently verify and safeguard the integrity of the company's financial reporting. Disclosure of material matters concerning the organization should be timely and balanced to ensure that all investors have access to clear, factual information.

Corporate governance models around the world

There are many different models of corporate governance around the world. These differ according to the variety of capitalism in which they are embedded. The Anglo-American "model" tends to emphasize the interests of shareholders. The coordinated or Multi stakeholder Model associated with Continental Europe and Japan also recognizes the interests of workers, managers, suppliers, customers, and the community. A related distinction is between market-orientated and network-orientated models of corporate governance.

Continental Europe

Some continental European countries, including Germany and the Netherlands, require a two-tiered Board of Directors as a means of improving corporate governance.[26] In the two-tiered board, the Executive Board, made up of company executives, generally runs day-to-day operations while the supervisory board, made up entirely of non-executive directors who represent shareholders and employees, hires and fires the members of the executive board, determines their compensation, and reviews major business decisions.

India

India's SEBI Committee on Corporate Governance defines corporate governance as the "acceptance by management of the inalienable rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders. It is about commitment to values, about ethical business conduct and about making a distinction between personal & corporate funds in the management of a company." It has been suggested that the Indian approach is drawn from the Gandhian principle of trusteeship and the Directive Principles of the Indian Constitution, but this conceptualization of corporate objectives is also prevalent in Anglo-American and most other jurisdictions.

United States, United Kingdom

The so-called "Anglo-American model" of corporate governance emphasizes the interests of shareholders. It relies on a single-tiered Board of Directors that is normally dominated by non-executive directors elected by shareholders. Because of this, it is also known as "the unitary system".Within this system, many boards include some executives from the company (who are ex officio members of the board). Non-executive directors are expected to outnumber executive directors and hold key posts, including audit and compensation committees. The United States and the United Kingdom differ in one critical respect with regard to corporate governance: In the United Kingdom, the CEO generally does not also serve as Chairman of the Board, whereas in the US having the dual role is the norm, despite major misgivings regarding the impact on corporate governance.

In the United States, corporations are directly governed by state laws, while the exchange (offering and trading) of securities in corporations (including shares) is governed by federal legislation. Many US states have adopted the Model Business Corporation Act, but the dominant state law for publicly traded corporations is Delaware, which continues to be the place of incorporation for the majority of publicly traded corporations. Individual rules for corporations are based upon the corporate charter and, less authoritatively, the corporate bylaws. Shareholders cannot initiate changes in the corporate charter although they can initiate changes to the corporate bylaws.

Legal environment – General

Corporations are created as legal persons by the laws and regulations of a particular jurisdiction. These may vary in many respects between countries, but a corporation's legal person status is fundamental to all jurisdictions and is conferred by statute. This allows the entity to hold property in its own right without reference to any particular real person. It also results in the perpetual existence that characterizes the modern corporation. The statutory granting of corporate existence may arise from general purpose legislation (which is the general case) or from a statute to create a specific corporation, which was the only method prior to the 19th century.

In addition to the statutory laws of the relevant jurisdiction, corporations are subject to common law in some countries, and various laws and regulations affecting business practices. In most jurisdictions, corporations also have a constitution that provides individual rules that govern the corporation and authorize or constrain its decision-makers. This constitution is identified by a variety of terms; in English-speaking jurisdictions, it is usually known as the Corporate Charter or the [Memorandum] and Articles of Association. The capacity of shareholders to modify the constitution of their corporation can vary substantially.

The U.S. passed the Foreign Corrupt Practices Act (FCPA) in 1977, with subsequent modifications. This law made it illegal to bribe government officials and required corporations to maintain adequate accounting controls. It is enforced by the U.S. Department of Justice and the Securities and Exchange Commission (SEC). Substantial civil and criminal penalties have been levied on corporations and executives convicted of bribery.

The UK passed the Bribery Act in 2010. This law made it illegal to bribe either government or private citizens or make facilitating payments (i.e., payment to a government official to perform their routine duties more quickly). It also required corporations to establish controls to prevent bribery.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 was enacted in the wake of a series of high profile corporate scandals. It established a series of requirements that affect corporate governance in the U.S. and influenced similar laws in many other countries. The law required, along with many other elements, that:

- The Public Company Accounting Oversight Board (PCAOB) is established to regulate the auditing profession, which had been self-regulated prior to the law. Auditors are responsible for reviewing the financial statements of corporations and issuing an opinion as to their reliability.

- The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) attest to the financial statements. Prior to the law, CEO's had claimed in court they hadn't reviewed the information as part of their defense.

- Board audit committees have members that are independent and disclose whether or not at least one is a financial expert, or reasons why no such expert is on the audit committee.

- External audit firms cannot provide certain types of consulting services and must rotate their lead partner every 5 years. Further, an audit firm cannot audit a company if those in specified senior management roles worked for the auditor in the past year. Prior to the law, there was the real or perceived conflict of interest between providing an independent opinion on the accuracy and reliability of financial statements when the same firm was also providing lucrative consulting services.

Codes and guidelines

Corporate governance principles and codes have been developed in different countries and issued from stock exchanges, corporations, institutional investors, or associations (institutes) of directors and managers with the support of governments and international organizations. As a rule, compliance with these governance recommendations is not mandated by law, although the codes linked to stock exchange listing requirements may have a coercive effect.

OECD principles

One of the most influential guidelines has been the OECD Principles of Corporate Governance—published in 1999 and revised in 2004. The OECD guidelines are often referenced by countries developing local codes or guidelines. Building on the work of the OECD, other international organizations, private sector associations and more than 20 national corporate governance codes formed the United Nations Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) to produce their Guidance on Good Practices in Corporate Governance Disclosure. This internationally agreed benchmark consists of more than fifty distinct disclosure items across five broad categories

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