CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE SOCIAL IRRESPONSIBILITY

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Abstract: Expectations for contemporary corporations include not only their conduct in accordance with law and standards but also their social responsibility. However, even incorporation of CSR concept into strategy does not guarantee the absence of socially irresponsible practices. This paper presents a comparison of these two concepts – corporate social responsibility and corporate social irrespinsibility (CSI) – and explains why they are not simply opposing approaches.

Keywords: CSR, CSI, business ethics, organizational behaviors

1. Introduction

Contemporarily a corporation which is said to be the most significant form of social organization is, in many aspects, treated as an artificial person (not only at law as it has its own personality (Krannich, 2005, p. 61-109), but also in management sciences as we analyze its culture (Sun, 2008, p. 137-141), values (Domker, Poff, and Zahir, 2008, p. 527-537), knowledge (Oluikpe, 2012, p. 862-878) or even a morality (Sheppard, 1994, p. 151-164)). Nowadays we are aware of enormous corporations' power as their decisions imply not only their business partners or the local environment, but they also control the global trade (UNCTAD, 2013) and influences changes in global natural environment. Corporations are considered as the most influential institutions[1] and are expected to take more active roles as citizens within society. Without an active approach of business entities, public governments will not be able to fight against significant problems such as poverty, environmental degradation, defending human rights, corruption, and pandemic diseases. That is why in the 20th century a pressing demand concerning the corporations' responsibility not only for their profits (stockholder orientation) but also for their stakeholders' interests (Carroll, 1979,

[1] See for instance 25 large corporations that are more powerful than many countries in (Khana, and Francis, 2016).

p. 497-505) occurred, and it was formulated as the concept of corporate social responsibility (CSR).

2. Corporate social responsibility (CSR)

The Commission of the European Communities defines CSR as "the responsibility of enterprises for their impact on society" (ec.europa.eu). Kotler and Lee in their book titled ‘Corporate Social Responsibility’ define CSR as a responsibility carried out for the sake of social benefit and interest with the help of business resources (Kotler, and Lee, 2006). They also defined it as “a commitment to improve community well-being through discretionary business practices and contributions of corporate resource” (Kotler, and Lee, 2006, p. 3). Moreover, Husted and Allen define CSR governance as a set of organized actions of conveying and organizing resources towards the creation of social services and goods (Husted, and Allen, 2007, p. 594-610). The common modes as described by the authors are of three kinds: Outsourced CSR (through Charity and corporate contributions), Internalized CSR (which are managed in-house) and finally the combination of both (Mezher, Tabbara, and Al-Hosany, 2010, p. 744-760).

Corporate social responsibility assumes that enterprises should search for solutions that are economically valuable, but also ecologically friendly and socially responsible. All company’s achievements as well as its aspirations should and may be measured, audited, compared and evaluated in those three aspects (Lewicka-Strzałecka, 2004).

These three dimensions (economy, ethics, society), named as the triple bottom line (Ellington, 1998; Rok, 2004, p. 11)[2], should be the base for company’s appraisal of its attitude to sustainable development. However, these two notions – CSR and sustainability – should not be used interchangeably. The difference is explained clearly by Cohen (Cohen, 2010) who explains how CSR is “about businesses taking responsibility and being accountable for their impacts on people, communities and the environment. Obeying the law is not enough. CSR goes beyond the requirements of the law. Sustainability, on the other hand, tends to refer to the ability of the business to sustain itself through time, while contributing to the improvement of society and the planet as a whole” (Cohen, 2010, p. 16). Moreover, Taylor et al. (Taylor, Cohen, and Muller-Camen, 2011, p. 1-6) define sustainability as “the ability to meet the needs of the present without compromising the ability of future generations to meet their needs” (Taylor, Cohen, and Muller-Camen, 2011, p. 1-6). CSR includes activities that

[2] The notion was introduced by John Elkingtona in 1998.
Triple bottom line is a company’s development strategy that covers the process of shaping the balance between economic, ecological and social dimension of business activity.

are taken by companies voluntarily and outline four types of appropriate conduct: economic, legal, ethical, and philanthropic (Carroll, 1979).

One of the most frequently cited definitions of CSR is the one of the World Business Council for Sustainable Development (WBCSD). WBCSD defines CSR as "the ethical behaviour of a company toward society ...management acting responsibly in its relationships with other stakeholders who have a legitimate interest in the business" (www.wbcsd.org). The concept is inseparably related to the stakeholder theory (Jamali, 2008, p. 213-231) as an enterprise incessantly interacts with its customers, suppliers or employees, but it is also influenced by shareholders (owners), investors, non-profit organizations, mass media or natural environment (silent stakeholder «Jastrzębska, 2016, p. 80-82»), that act in order to restrain the pathology of free-market economy and prevent from its negative effects. CSR is considered as a mechanism of business self-regulation as it compensates for the inadequacy of market mechanism (Crowther, and Aras, 2008).

Moreover, socially responsible business to some extent takes over the protective role of the state, as it regulates redistribution of goods, which may be even more efficient (as the responsible company knows better its direct environment, recognizes its real needs and best ways of fulfilling them) (Nar, 2014, p. 205-230). Some even think that government regulations may lead to socially irresponsible results in poorer countries (de Soto, 1989; Armstrong, and Green, 2013, p. 1922-1927). CSR is thus treated as a specific tax paid by corporations for its stakeholders, which additionally may positively influence the added value created by those companies, and which should be proportional to its power (Davis, 1960, p. 70-77).

The concept of corporate social responsibility has also its critics such as Milton Friedman (Friedman, 1970), who emphasized that the only socially responsible action of company is the maximization of its profits. He noticed that managers are responsible for the company entrusted to them by owners so their first obligation is to ensure high returns on invested capital. For Friedman the economic outcome is the priority, and the social objectives should be accepted provided that they justify its realization.

Another pitfall indicated by Friedman (Friedman, 1970) was the cost of CSR application. Moreover, in fact decisions are made not by the corporation but by its particular manager, whose knowledge of the appropriate allocation of goods may be limited (on the other hand, the same problem is connected with government regulations and even free-market processes). Some companies provide philanthropy or partnership with non-profit entities as superficial activity often lacking the expertise. There is also a risk of manipulation, if the stakeholders do not really represent the public.

Today corporate social responsibility is also criticized for being a too ambiguous, arbitrary and mystic concept (Clark, and Grantham, 2012, p. 23-41), which results in weak integration of CSR in corporate strategies and culture, as well as in lack of adaptation of measurement tools. Despite the fact that CSR has been a common corporate practice in the west, scholars still fail to define CSR in a straightforward and clear manner. Some people also argue that it has been ever evolving since the 1930s when it was first discussed in 1932 by Dodd. He explained that "corporate managers have responsibilities to the Public as a whole and not just to shareholders" (Dodd, 1932, p. 1145-1163). As Hester (Hester, 1973, p. 25) notes that while "… there has been no general agreement as to the meaning of Corporate Social Responsibility or how it should be implemented …businessmen enthusiastically have adopted the concept". Sethi (Sethi, 1975, p. 58-64) also observed nearly 40 years ago, that the operational definition of CSR is extremely unclear and vague and suggested that it can denote many different things to people. That is why some companies adapt CSR just as a public relations strategy and focus on formulating CSR statements in their codes of ethics, without 'walking the talk'.

However, the supporters of CSR concept do emphasize its long-term perspective and encourage managers to strive to maximize the long-term profitability subject to fair treatment of their stakeholders (Armstrong, and Green, 2013), which may result in internal advantages (related to inter-organizational relations, including relations with employees, such as corporate safety culture (Górny, 2014, p. 43-57), positive employer branding (Aggerholm, Andersen, and Thomsen, 2011, p. 105-123; Kim, Lee, and Kim, 2010, p. 557-569), as well as in the external ones (such as consumers' loyalty (Mandhachitara, and Poolthong, 2011, p. 122-123), better relations with local communities (Tilt, 2016), investors' attention (Hill, Anscough, Shank, and Manullang, 2007, p. 165-174) and the increase in competitiveness (Madueño, Jorge, Conesa, and Martínez-Martínez, 2016, p. 55-72)).

Corporate social responsibility may be perceived as organizational efforts for achieving the balance between economic, environmental and social demands, made without the necessity of ignoring shareholders expectations and with a contribution into the common wealth of the wider community (Gossling, and Vocht, 2007, p. 363-372; Papa, and Salanță, 2014, p. 137-146).

3. Corporate Social Irresponsibility (CSI)

The concept of corporate social responsibility focuses on business contribution to the society and emphasizes the positive dimension of company's activity – namely it indicates "doing good" instead of "avoiding bad" (Lin-Hi, and Müller, 2013, p. 1928-1936). The concept of corporate social irresponsibility (CSI), which has been defined as "a decision to accept an alternative that is thought by the decision makers to be inferior to another alternative when the effects upon all parties are considered" (Armstrong, 1977, p. 185-213), helps to identify the boundaries of corporations' socially responsible behavior.

CSI is "a socially harmful action that a manager would not knowingly undertake acting for his or her own welfare, or that a reasonable person would expect to cause substantive net harm when considering all parties" (Armstrong, and Green, 2013). Irresponsibility is associated with individual motives, organizational settings and public policy issues (Windsor, 2015, p. 79-101) and that is why it refers to individuals (executives and employees) operating within the organization. They may act in an irresponsible way intentionally as well as inadvertently (when the behavior involves an error judgment or action) (Windsor, 2015, p. 79-101).

Companies have often been accused of hypocrisy as they "often go to great lengths to promote their good works. (…) (S)ome firms behave irresponsibly while at the same time acting positively on some dimensions-corporate social irresponsibility (CSI) and responsibility can exist at the same time in the same firm" (Gonzalez-Perez, 2011), although they still exist at the opposite end of a specific continuum (Jones, Bowd, and Tench, 2009, p. 300-310).

While CSR is of a voluntary character, CSI often refers to norms and standards as it is mostly associated with law violation (Windsor, 2015). However, CSI covers also immoral (Greenwood, 2007, p. 315-327) and unsuitable conduct due to the exploitation of negative externalities (Clark, and Grantham, 2012).

Nevertheless, it is obvious that revealing "bad" attracts more public attention than promoting "good" and is much easier to discuss and define. CSI enables corporations to learn by their own mistakes. According to Duane Windsor, "[i]investigation into CSI is more about antecedents and consequences of socially undesirable behaviors and how to discourage such behaviors than about normative or strategic justifications" (Windsor, 2015) but the preventive nature of CSI considerations facilitates the formulation of organization or even sectoral codes of conduct, setting organizational norms and establishing policies. On the other hand, there are some critics who, instead of developing corporate and industrial solutions, advocate expanded government regulation (Windsor, 2015).

When comparing the promotion of socially responsible behaviors and the avoidance of socially irresponsible behaviors of business we may notice that they refer to another time perspective as the positive organizational effects of CSR may be visible in the long run, while disclosure of CSI entails a variety of immediate negative consequences (such as penalty and compensation payments, loss of customers, reputational damage) (Lin-Hi, and Müller, 2013) that directly affect profits. To the contrary of CSI's profit orientation (which is viewed as profit-enhancing), CSR shows a focus on stakeholder's needs (Murphy, and Schlegelmilch, 2013, p. 1807-1813) (which is viewed as profit-reducing). The demand for long-term perspective was also formulated by Armstrong and Green (Armstrong, and Green, 2013), who encourage managers to strive to maximize the long-term profitability subject to fair treatment of their stakeholders.

4. Conclusion

We should remember that "a case against CSI is not automatically a case for CSR" (Windsor, 2015) as these two concepts are of a different character. Corporate social irresponsibility is a specific organizational alert that causes some reactive remedial and preventing actions (a kind of risk management), while corporate social responsibility refers to proactive behaviors (that do not require the identification of boundaries). CSR and CSI may be incorporated in the same corporation, which is of course an example of hypocrisy, but it may be a result of a different perspective. CSR, as a systemic organizational concept, is associated with individual choices to a lesser extent, while CSI depends on short-term individual decisions. That is why these two approaches should be simultaneously applied in corporations' ethical strategies in order to prevent the organization from irresponsible individual decisions and its harmful effects as well as to develop solutions that are positive for the organization itself and for its widely understood environment.

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