

## What Is Social Responsibility?

Social responsibility is an ethical framework in which individuals or corporations are accountable for fulfilling their civic duty and taking actions that will benefit society as a whole.

If a company or person is considering taking actions that could harm the environment or society, then those actions are considered socially irresponsible.

According to this concept, managers must make decisions that not only maximize profits but also protect the interests of the community and society as a whole.

Social responsibility is an ethical framework and suggests that an individual has an obligation to work and cooperate with other individuals and organizations for the benefit of the community that will inherit the world said individual leaves behind. Social responsibility is a duty every individual has to perform so as to maintain a balance between the economy and the ecosystem one lives within.

A trade-off may exist between economic development, in the material sense, and the welfare of the society and environment, although this claim has been challenged by many reports since 1997. Social responsibility means sustaining the equilibrium between the two.

It pertains not only to business organizations but also to everyone whose any action impacts the environment.

### **Social responsibility and ethics**

Ethics refer to a set of moral principles that govern a company's or person's behavior. Companies should incorporate ethics into their daily actions, particularly those decisions that affect other people or the environment. A code of social responsibility and ethical behavior should be applied within an organization as well as during interactions with others outside of the company.

As long as a company upholds strong ethical standards and maintains social responsibility within the company, then the environment and employees are held as equals to the focus on profitability. However, if the company ignores its ethical standards and takes actions that are socially irresponsible, such as disregarding environmental regulations to increase profitability, government interference is often necessary.

The theory of social responsibility is built on a system of ethics, in which decisions and actions must be ethically validated before proceeding. If the action or decision causes harm to society or the environment, then it would be considered to be socially irresponsible.

Moral values that are inherent in society create a distinction between right and wrong. In this way, social fairness is believed (by most) to be in the “right”, but more frequently than not this “fairness” is absent. Every individual has a responsibility to act in manner that is beneficial to society and not solely to the individual.

### **When Do Social Responsibility and Ethics Apply?**

The theory of social responsibility and ethics applies in both individual and group capacities. It should be incorporated into daily actions/decisions, particularly ones that will have an effect on other persons and/or the environment. In the larger, group capacity, a code of social responsibility and ethics is applied within said group as well as during interactions with another group or an individual.

Businesses have developed a system of social responsibility that is tailored to their company environment. If social responsibility is maintained within a company, then the employees and the environment are held equal to the company’s economics. Maintaining social responsibility within a company ensures the integrity of society and the environment are protected.

Often, the ethical implications of a decision/action are overlooked for personal gain and the benefits are usually material. This frequently manifests itself in companies that attempt to cheat environmental regulations. When this happens, government interference is necessary.

Unfortunately, social responsibility and ethics are often not practiced by companies outside, which makes regulation difficult.

### **What Is Corporate Social Responsibility?**

Social responsibility, as it applies to business, is known as corporate social responsibility (CSR), and is becoming a more prominent area of focus within businesses due to shifting social norms. The crux of this theory is to enact policies that promote an ethical balance between the dual mandates of striving for profitability and benefiting society as a whole.

Corporate social responsibility, or "CSR," is the act of fusing environmental and social concerns with a company’s planning and operations. These programs are based on the idea that businesses can reduce their adverse social and environmental impacts on the world.

Corporate social responsibility or CSR has been defined by Lord Holme and Richard Watts in the World Business Council for Sustainable Development's publication "Making Good Business Sense" as "...the continuing commitment by

business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large." CSR is one of the newest management strategies where companies try to create a positive impact on society while doing business. Evidence suggests that CSR taken on voluntarily by companies will be much more effective than CSR mandated by governments.

All companies have a two-point agenda—to improve qualitatively (the management of people and processes) and quantitatively (the impact on society). The second is as important as the first and stake holders of every company are increasingly taking an interest in "the outer circle"-the activities of the company and how these are impacting the environment and society.

### **Examples of social responsibility in corporations**

Here are a few examples of corporate social responsibility initiatives that companies have taken:

- ❖ Charitable giving and volunteer efforts: Companies are giving employees time off for volunteering every year and also donating portions of revenue to a charitable organization.
- ❖ Changes to company policies in an effort to improve or benefit the environment: Companies are holding tree-planting events, minimizing paper waste, switching to energy-saving bulbs, setting up recycling bins and allowing remote work to reduce the negative impact of commuter traffic.
- ❖ Improving labour policies and embracing fair trade: Brands are striving to improve working conditions and the well-being of employees. They are giving parents significant periods of paid leave, unlimited vacation time, more natural lighting, soft seating and plants to boost energy and morale.

### **I. Social Responsibility in Action – Examples**

Here are two examples of how major companies have chosen to implement socially responsible actions in their business operations.

Johnson and Johnson (NYSE: JNJ), the medical device corporation, has pursued social responsibility in a couple of ways. First, they made a firm commitment to move towards obtaining their energy needs from renewable energy sources, such as wind power. Second, they have supported charity projects that provide clean water in areas of the world where it is in short supply.

The Coca-Cola Company (NYSE: KO) has focused on making its large supply chain more environmentally friendly and socially responsible by

gradually transitioning its fleet of delivery trucks to vehicles that use alternative fuels, such as electricity, rather than traditional oil-refined fuels, gasoline, and diesel.

## **II. Social Responsibility – Best Practices for Companies**

As the practice of social responsibility by corporations has become more widespread, some best practices have been recognized.

When a company's socially responsible practices are incorporated or integrated into their core business operations, they tend to be easier to implement, to sustain, and will garner a better public response.

For example, a food company will have more success donating surplus food to local food banks or homeless shelters than to, say, simply make monetary donations to various charities.

Many businesses have done well by adopting socially responsible practices before they have been required by laws or regulations. For example, companies may take substantial steps to clean up wastewater from their production facilities over and above what is required by law. By taking such steps, they may be recognized as industry leaders in practicing social responsibility.

### **Advantages of Social Responsibility for Company**

There are a number of advantages when a company chooses to be socially responsible, such as:

- ❖ Gives a company a competitive edge
- ❖ Attracts strong candidates and increases retention
- ❖ Makes your business attractive to investors
- ❖ Improves business culture
- ❖ Increases customer loyalty and advocacy
- ❖ Improves company reputation
- ❖ Improves profitability and value

#### **1. Gives a company a competitive edge**

Most customers today agree that social responsibility is a top criterion when choosing a company to shop from or do business with. Being a socially responsible company is also a message you can use in your brand position and marketing.

## **2. Attracts strong candidates and increases retention**

The success of your company is strongly impacted by the people who work for you. If you consistently provide a socially responsible culture for your employees, and you have a reputation for doing so, you can attract and retain top talent to your organization.

## **3. Makes your business attractive to investors**

Investors generally believe that a commitment to social change is a great way to position a company for long-term success. While there must be a balancing act between focusing on the profitability of an organization and social initiatives, doing so successfully can create endless opportunities for companies.

## **4. Improves business culture**

Your employees are likely to be more motivated and have a greater commitment to the organization if they see the social initiatives are in place. Providing time for employees to support their own social initiatives can also build pride, loyalty and motivation among members of your team. This, in turn, makes everyone more engaged and productive.

## **5. Increases customer loyalty and advocacy**

Consumers are drawn to companies that have a reputation for being a good corporate citizen. Moreover, customer advocacy is key to attracting new customers. As your loyal customers talk to people they know about your product and share positive reviews, they will drive more business your way.

## **6. Improves company reputation**

If your organization is continually participating in social initiatives, it gives an impression to customers, investors and the world as a whole that your organization is financially viable. This, in turn, can attract new investors and investors alike.

## **7. Improves profitability and value**

In many cases, companies find that when they introduce more energy-efficient methods and begin recycling they actually cut operational costs and benefit the environment. Social responsibility also increases transparency with investment analysts, shareholders and community members, which in turn improves the company's reputation and increases the overall value.

## **Disadvantages of social responsibility**

Social responsibility means that businesses, in addition to maximizing shareholder value, must act in a manner that benefits society. Social responsibility has become increasingly important to investors and consumers who seek investments that are not just profitable but also contribute to the welfare of society and the environment. However, critics argue that the basic nature of business does

not consider society as a stakeholder. While corporate social responsibility is generally advantageous for organizations, there are a few drawbacks. Here are the primary disadvantages to consider:

**1. Costs money to implement**

While large organizations can afford to allocate a budget to corporate social responsibility reporting, this can be financially taxing on smaller organizations. While smaller companies can use social media to share any social responsibility policies or initiatives with customers and community members, monitoring these channels takes time and resources. It may require the company to hire extra employees to manage the process effectively, which can be challenging for small businesses.

**2. Impacts profitability**

A company has a fiduciary duty to its shareholders and costly social responsibility initiatives can impact this directly. This conflict can be challenging for managers, who may feel compelled to choose between socially responsible decisions or initiatives and focusing on the company's profitability.

**3. Green washing**

In some cases, social responsibility initiatives have been used as a ploy to improve a company's image even though no real change has been made. For this reason, it's important to consider what social responsibility initiatives you're going to take and evaluate the impact that they will have on the organization.

The spread of corporate social responsibility is not without critics and detractors. The corporate social responsibility movement draws fire from several different grounds.

The first, is that many companies in focusing on social responsibility, become distracted from their primary focus – generating profits for shareholders. The critics often argue that pursuing socially responsible practices is making the overall economy less efficient.

Other critics fault the genuineness of some corporate social responsibility efforts, writing them off as mere public relations stunts with little positive impact on society. This is a common criticism when companies engage in a “one-off” charitable contribution rather than having integrated socially responsible operations.