

Final Essay: Corporate Social Responsibility

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Abstract

This qualitative research paper explores the significance of Corporate Social Responsibility (CSR) in contemporary business practices. CSR is no longer seen as a voluntary or charitable act, but as an ethical obligation companies must fulfill. The objective of this study is to understand how CSR contributes not only to the well-being of society but also to the long-term success of companies. The paper examines the evolution of CSR, from its roots in charity to its current strategic role, supported by various ethical frameworks such as Normative Stakeholder Theory and the Triple Bottom Line. Key ethical principles, including respect for human dignity and sustainability, are discussed in relation to CSR's impact on stakeholders such as employees, customers, and the environment. Moreover, the paper evaluates the challenges companies face in implementing CSR initiatives, such as balancing profit with ethical obligations and overcoming resource limitations. Finally, the paper concludes by addressing the benefits of CSR, including enhanced reputation, improved employee morale, and potential profitability, while also considering criticisms related to CSR's effectiveness and its potential use as a public relations tool.

Introduction

The main objective of this paper is to investigate the importance and relevance of understanding Corporate Social Responsibility (CSR). In today's globalized world, CSR has become essential for businesses that aim to create long-term value, not only for shareholders but also for broader society. By examining CSR practices, this paper highlights how businesses can contribute to societal well-being while achieving sustainable success.

According to the Cambridge Dictionary, CSR is the concept that a company should be concerned with and involved in helping society and the environment, in addition to considering its own products and profits (Zarins et al., 2024).

This paper argues that companies do indeed have an ethical obligation to behave in socially responsible ways. CSR is not just a voluntary, philanthropic activity but a moral duty that businesses must fulfill in their operations. This obligation stems from ethical principles that stress respect for human dignity, social justice, and sustainability.

The paper is organized as follows: First, it will explore the evolution of CSR from charitable acts to a strategic necessity. Second, it will discuss key ethical frameworks supporting CSR, including the Normative Stakeholder Theory, Triple Bottom Line, and others. Third, it will analyze the ethical obligations companies have towards various stakeholders. Finally, the paper will conclude by addressing the benefits and challenges of CSR implementation, along with some criticisms surrounding the concept.

Corporate Social Responsibility

Definition

An early attempt to define Corporate Social Responsibility (CSR) took place in 1995 by Weinstein. Weinstein's (1995) research findings show that corporate social responsibility (CSR) is a concept with many aspects, focusing on employee well-being, community support, and ethical responsibility. CSR includes actions like helping employees through benefits and training, as well as external activities such as donations and volunteer programs. Before 1995 many organizations did not have formal definitions of CSR, but it is often understood as helping society and solving social problems. Corporate leaders are important in making CSR work, and it

is suggested to involve them in a careful way that does not make them feel pressured. CSR is seen as an ethical duty to support communities and address social needs.

Zarins et al. (2024) used the Cambridge Dictionary to define Corporate Social responsibility (CSR) as the idea that a company should be interested in and willing to help society and the environment, as well as be concerned about the products and profits it makes (p. 83). Moreover, highlights various definitions for various scholars. Therefore, according Zariņš et al. (2024) Corporate social responsibility (CSR) definitions include the following characteristics. It focuses on ethical principles, respect for human rights, social justice, community engagement, and sustainable development. CSR involves giving fair and inclusive services and solving global problems like poverty, lack of access to care, and risks caused by the environment. Both institutions and individuals must act responsibly. CSR combines voluntary ethical actions with strategic goals, helping firms improve their reputation and stay competitive while also benefiting society. It includes active steps to solve social issues and basic compliance with rules, making it important for firms to link socially responsible actions to their mission and daily work.

Evolution from Charity to Strategic Necessity

Over the last seventy years, corporate social responsibility (CSR) has changed from simple charity work to an important part of business strategy. In the 1950s, CSR started as a formal idea, with Howard Bowen explaining that businesses have duties towards society. During the 1960s, social movements and public attention on companies led to more organized efforts in philanthropy. In the 1970s, laws like those from the Environmental Protection Agency made CSR a legal requirement, focusing on civil rights, protecting consumers, and caring for the environment. In the 1980s, although the main focus was economic growth, CSR efforts continued, with companies working more with communities. The 1990s brought globalization,

which made CSR a bigger part of business strategies to deal with worldwide issues. When corporate scandals happened in the 2000s, new laws like the Sarbanes-Oxley Act were made, and CSR became a way for companies to stand out and gain trust. Today, CSR is a key part of how companies operate, helping to improve their image, motivate employees, and reduce risks. It shows how businesses now focus on making money and helping society (Carroll, 2015).

Theoretical Frameworks and Literature Review

Normative Stakeholder Theory claims that managers have duties towards various stakeholders, not only shareholders. It suggests that the interests of stakeholders, such as employees, customers, suppliers, investors, and the local community, are inherently important and should be considered in corporate decisions. The theory encourages firms to balance the interests of all stakeholders, not only focusing on the profit of the company (Garriga et al., 2004).

The Triple Bottom Line theory highlights that businesses should not only focus on profits but also take into account the social and environmental effects of their activities. Sustainable management happens when companies balance economic, social, and environmental duties. Economic CSR refers to efforts that improve the economic well-being of society. Firms can participate in supplying local jobs and providing high-quality products at reasonable prices. Environmental CSR is about minimizing environmental damage through actions like using recycled materials and cutting down waste. Firms adopt practices such as recycling and reducing waste. Social CSR is about promoting equality and human rights, including supporting labor unions or addressing workplace discrimination based on gender, race, or age (Shim et al., 2021).

Instrumental theories see CSR as a strategic tool to achieve economic goals and create wealth, based on the view that the main responsibility of a business is to maximize profit within legal and ethical limits. Theories like “Maximizing Shareholder Value”, “Strategies for

Competitive Advantage”, and “Cause-Related Marketing” have a long history and are widely accepted in business, focusing on wealth creation and profit maximization. Profits can be aligned with stakeholder interests, and philanthropic activities are acceptable if they help to increase profitability. Research shows a positive correlation between CSR and financial performance, though measuring it is difficult (Garriga et al., 2004).

The common Good Approach is based on Aristotelian and Catholic traditions, this approach stresses that firms have a responsibility to contribute to the well-being of society. It suggests that companies should support social welfare by respecting human dignity, generating wealth fairly, and harmonizing society. This theory highlights the role of business as a positive influence in society, linking it with both normative stakeholder theory and triple bottom line theory, but focusing more on the flourishing of society as a whole (Garriga et al., 2004).

Ethical Obligations for Organizations

Ethical Perspectives

Ethical theories play a key role in supporting Corporate Social Responsibility (CSR), as they guide organizations in making decisions that balance profit-making with social good. Several moral philosophies align with CSR, emphasizing the ethical obligation of companies to consider their impact on stakeholders, the environment, and society at large. Below are some key ethical theories that support CSR, these moral philosophies help companies recognize their broader social obligations beyond profit generation. By acting responsibly toward employees, customers, and the environment, businesses can foster ethical relationships, contribute to sustainable development, and build trust and loyalty among stakeholders.

The Ethic of Care: The ethic of care emphasizes the importance of relationships and the responsibility to meet the needs of others (Johnson, 2020). This theory supports CSR by urging

companies to prioritize the needs of their employees, customers, local communities, and the environment. The ethic of care suggests that businesses should not simply focus on maximizing profits, but also care for the well-being of those who are dependent on them. For instance, companies should take responsibility for their employees' welfare, offer fair wages, and create a supportive work environment. They should also be attentive to the needs of local communities, ensuring that their business operations do not harm people or the environment.

Aristotelian Ethics (Virtue Ethics): Virtue ethics emphasizes the development of good character and moral virtues, such as honesty, fairness, and compassion (Johnson, 2020). This theory supports CSR by asserting that companies have a responsibility to act with integrity and contribute to the greater good. A virtuous company would not only be concerned with profitability but also with how its actions affect society.

Deontological Ethics (Do What's Right Despite the Consequences): Deontological ethics, as proposed by Immanuel Kant, emphasizes the importance of following moral duties and principles, regardless of the consequences (Johnson, 2020). This theory supports CSR by suggesting that companies have a moral duty to act ethically in all their business practices. According to deontological ethics, companies are obligated to respect human rights, ensure fairness, and adhere to ethical standards in their dealings. A company that adopts deontological principles would prioritize ethical decision-making in areas such as labor practices, consumer rights, and environmental sustainability, regardless of the potential financial impact.

Utilitarianism: Utilitarianism focuses on maximizing the greatest good for the greatest number of people (Johnson, 2020). This theory supports CSR by encouraging companies to make decisions that benefit society as a whole. For example, a company might invest in sustainable practices that reduce environmental harm, even if this requires higher initial costs

because the long-term benefits to society outweigh the costs like reducing pollution, and preserving resources. Moreover, a company could engage in product development projects that improve the quality of life for consumers, which will benefit both the community and the company through enhanced reputation and customer loyalty.

Stakeholder Analysis:

Organizations have ethical responsibilities to their stakeholders, which include employees, customers, suppliers, investors, the environment, and the broader community (Abdoun, 2011). These responsibilities are based on principles of fairness, transparency, and accountability. Stakeholder theory emphasizes that businesses should not only prioritize the interests of shareholders but also consider the well-being of all those who are affected by the company's actions.

Employees: Companies have an ethical duty to ensure safe working conditions, comply with child labor legislation, and unemployment compensation (Weinstein, 1995), and opportunities for attracting, retaining, and enhancing employee engagement, and motivation (Abdoun, 2011). Employees should be treated with respect, and companies should foster a sense of purpose and fulfillment in their workforce (Teng et al., 2023).

Customers: Companies must improve the satisfaction of their customers. This includes providing accurate information about products or services and ensuring that they meet quality standards. Ethical companies follow green marketing practices and should protect customer data from misuse (Huang et al., 2014).

Suppliers: Companies must collaborate with their suppliers. Working together on sustainable practices can help save costs, manage risks, and improve competitiveness. Good

supplier relationships can also attract investments, bring funding chances, and create positive publicity (Carroll, 2015).

Investors: While companies have to generate profit for their shareholders, this should not come at the expense of ethical principles. Medium to long-term returns hold equal importance to short-term returns, the more they realize that CSR benefits both their image and their livelihood (Forte, 2013).

Environmental: Companies have a responsibility to reduce their environmental impact by minimizing waste, using resources efficiently, and adopting sustainable practices. This ethical obligation stems from the need to preserve the external environment for future generations through pollution prevention, product stewardship, and sustainable development (Garriga et al., 2004).

Community: Companies should contribute positively to the communities where they operate, supporting local initiatives, education, and economic development. Corporate social responsibility (CSR) initiatives that focus on community well-being demonstrate an organization's commitment to ethical practices (Abdoun, 2011).

Ethical Obligations of Companies Global Context:

Universal Rights: CSR based on the UN Global Compact or Global Sullivan Principles focuses on human rights. These frameworks follow universal standards like the Universal Declaration of Human Rights (1948) to guide company behavior worldwide (Garriga et al., 2004).

Sustainable Development: The Brundtland Report (1987) explains that businesses must meet today's needs without hurting future generations. A "triple bottom line" approach combines

economic, social, and environmental goals, with companies adjusting strategies for their regions (Garriga et al., 2004).

The Common Good: Philosophical ideas like Kyosei teach companies to respect dignity, create wealth, and promote peaceful societies. Businesses must work together for a fair and just environment globally, beyond just profit (Garriga et al., 2004).

Companies Benefits of Corporate Social Responsibilities

Enhanced Reputation

Abdoun's (2011) research finds that organizational reputation and publicity have a bigger impact on financial performance than CSR participation. CSR enhances the company's reputation, attracting skilled job seekers, and is used by companies as a defensive strategy. While CSR's direct impact on financial performance is unclear, it is linked to improved reputation and business outcomes. CSR helps companies gain recognition and supports long-term competitive advantage.

Improved Employee Morale:

An organization that fosters fairness enhances employee morale by ensuring that economic success is shared equitably through compensation and benefits programs. Employees are given equal opportunities for recognition, and decisions related to hiring and promotions are made impartially. The workplace is committed to eliminating discrimination, with clear processes for resolving disputes. A fair environment fosters trust and strengthens the bond between employees and their roles within the organization. The Pride and Camaraderie, reflect the positive relationships employees have with their jobs and colleagues, further contributing to overall morale (Abdoun, 2011).

Increased Profitability:

Despite the relationship between CSR and financial performance not always being direct, numerous studies indicate that companies with robust CSR programs generally perform better financially over the long term. CSR can result in cost savings like energy efficiency, enhanced operational practices, and improved stakeholder relationships, all of which can lead to increased profitability (Carroll, 2015).

Society Benefits of CSR to Society:

Corporate Social Responsibility (CSR) brings numerous advantages to society. First, it helps address social and environmental issues by encouraging businesses to engage in practices that benefit the community, such as reducing pollution, supporting education, and promoting health initiatives. CSR fosters positive social change by contributing to local economic development, creating job opportunities, and supporting disadvantaged groups. Additionally, CSR practices can promote ethical behavior, which leads to fairer treatment of workers and consumers (Abdoun, 2011).

Criticisms of Corporate Social Responsibility***Focus on Profit Over Social Good***

Critics, like economist Milton Friedman, argue that businesses should prioritize generating profits and that CSR diverts attention from this goal. They believe managers should not decide how to spend shareholders' money on charitable causes without obtaining their consent (Johnson, 2020).

Ineffective Solutions

Some critics claim that businesses lack the expertise to effectively address social issues and that such problems should be handled by the government rather than corporations (Johnson, 2020).

Questionable Impact on Profits

Not all companies see financial benefits from CSR, leading critics to question whether CSR genuinely contributes to the bottom line. Some companies may only engage in CSR as a public relations tool, without achieving real social impact (Johnson, 2020).

Excessive Corporate Power

Critics are concerned about the growing power of multinational corporations, especially when they use CSR to strengthen their economic and political influence, potentially diminishing the regulatory role of governments (Johnson, 2020).

CSR as Public Relations

CSR can sometimes be used as a “smokescreen” to enhance a company’s image while still engaging in unethical practices behind the scenes (Johnson, 2020).

Challenges in the Implementation of Corporate Social Responsibility

The implementation of Corporate Social Responsibility (CSR) initiatives faces multiple challenges. One of the key obstacles is the lack of resources. CSR efforts often need significant financial and human resources, which may not always be accessible, especially for small and medium-sized businesses. This limitation may reduce the range and effectiveness of CSR programs (Alhato et al., 2024).

Another issue is the difficulty in balancing profit with CSR objectives. Companies usually focus on financial returns, which may clash with the long-term and sometimes uncertain

benefits of CSR. This leads to a short-term perspective, particularly from stakeholders such as investors and shareholders, who demand quick financial results. Consequently, businesses may resist adopting CSR initiatives that appear to have little immediate financial gain, instead concentrating on maximizing short-term shareholder value (Alhato et al., 2024).

Additionally, there is a shortage of expertise in properly implementing CSR initiatives. Many companies struggle to manage the complexities of CSR, which involves various stakeholders with different interests and goals. Managers often encounter resistance to change within the company, especially from employees or shareholders who view CSR as a distraction from the company's profit-oriented objectives. Agency theory also identifies a conflict of interest between company managers and shareholders. Managers may be unwilling to adopt CSR strategies that increase operational costs, as their objectives may differ from those of shareholders. This difference in goals creates an agency problem, where managers prioritize their own interests, such as job security or personal financial gain, over the company's social responsibilities. The agency costs, including the expenses linked to monitoring managerial actions, worsen this issue (Alhato et al., 2024).

Moreover, CSR initiatives often struggle with measuring their success and impact. Without standardized metrics, companies find it challenging to track and report the effectiveness of their CSR efforts, which complicates decision-making and the allocation of resources. Lastly, external pressures from stakeholders, such as governments or local communities, can add extra burdens on companies to adhere to certain CSR standards, especially in regions with less-developed regulatory systems (Alhato et al., 2024).

Positive and Negative CSR Initiatives

Positive Example

Patagonia demonstrates how a company can prioritize corporate social responsibility (CSR) by adopting sustainability in its operations. They focus on using environmentally friendly production methods and encouraging customers to buy only what they truly need. This strategy builds strong customer loyalty as people trust Patagonia's dedication to sustainable development. However, Patagonia's premium pricing model often becomes a barrier for certain customers. For instance, their high-quality, eco-friendly products are significantly more expensive than competitors' products, making them less accessible to individuals with limited income (Mohamed, 2020).

Negative Example

Nike in the past faced significant criticism for poor labor practices in their factories, which stained their reputation and led to widespread customer backlash. To address this, Nike launched CSR initiatives, including joining the Fair Labor Association and making their supply chain practices transparent. They also began publishing annual CSR reports to showcase their improvements (Mohamed, 2020).

Conclusion

In conclusion, it can be restated that companies do have an ethical obligation to behave in socially responsible ways. Corporate Social Responsibility (CSR) is not just a strategic tool but an ethical duty towards various stakeholders, including employees, customers, communities, and the environment. As demonstrated through several ethical theories, such as the Ethic of Care, Virtue Ethics, and Deontological Ethics, businesses are expected to prioritize the well-being of society alongside profit-making.

Key takeaways from the body of this paper show that CSR has evolved over the decades from mere charity work to an essential part of corporate strategy. It now includes active involvement in sustainable practices, human rights, and community support. The Triple Bottom Line theory stresses the importance of balancing economic, social, and environmental duties, while the Normative Stakeholder Theory highlights the necessity of addressing the interests of all stakeholders in decision-making. Moreover, CSR provides various benefits for businesses, such as improved reputation, employee morale, and long-term profitability. However, challenges in CSR implementation, such as lack of resources, conflict with short-term profit goals, and difficulties in measuring impact, must be addressed for it to be truly effective.

In final thoughts, future research should focus on studying how integrating awareness of issues such as pollution, child labor, recycling, and other unethical practices through education will influence consumer behavior towards CSR-oriented companies. Additionally, it would be valuable to explore how CSR firms can invest in creating social awareness around these critical issues. Another area for investigation is the impact of CSR practices on national GDP and government budgets, analyzing how these practices contribute to broader economic growth. Finally, research should examine how governments can support small and medium-sized enterprises (SMEs) in adopting and implementing effective CSR strategies, ensuring that they can compete in an increasingly socially conscious market.

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