My perception of Corporate Social Responsibility (CSR)

By Mrisha Sharma

Howard Bowen, also known as the "father of CSR," was an American economist who published a book in 1953 called "Social Responsibilities of the Businessman," establishing a link between corporations and their responsibilities towards the welfare of society. The book states that businesses need to adhere to ethical practices and address the concerns of society and stakeholders. Bowen, a realistic proponent, stated that integrating morals in business practices had "become not only acceptable in leading business circles but even fashionable."

In 1971, the Committee for Economic Development established the idea of the "social contract," which was the true beginning of CSR in the US. The concept mentions that corporations are run by the people and for the people, implying that every company has a moral obligation to serve society and not just merely work toward their sales. Today, it is known as "license to operate".

Johnson & Johnson and The Hershey Company were one of the pioneers in adopting CSR. Robert Wood Johnson, founder of Johnson &Johnson, established their credo as early as 1943, announcing that the interest of society and customers will be put ahead of their own profits. Milton Hershey, the founder of The Hershey Company, created a legacy by building an entire town dedicated to the community that included all the facilities, amenities, and cultural centers.

Getting involved in social and political issues by any company or business is a huge responsibility. The company should not use or exploit any issue, social or political, casually or for their vested interest. Having said that, I agree that famed corporate companies should actively engage in addressing social causes because the public has tremendous trust in such companies, and they look upon them with a lot of love and faith.

This is the power that a common man gives to these established companies; therefore, issues addressed or supported by these corporate companies can find an impactful voice that can be heard far and wide, leading to faster solutions. This symbiotic relationship can turn tables in the flick of a second. Engaging in social and political issues is becoming increasingly crucial and it is in best practice to have values associated with an organization.

A recent survey by Sprout Social, a software company specializing in business growth, found that 70% of Americans want brands to actively take a stand on social issues. Richmond Edelman, CEO of Edelman, says, "The increased perception of business as ethical brings with it higher than ever expectations of CEOs to be a leading voice on societal issues.".

As we live in an increasingly polarized world, it has taken a toll on the corporate world to continue or begin standing up for pressing issues of society. The Trust Barometer Global Report 2023 by Edelmen states four reasons for polarization:

1. People around the globe have become extremely anxious about their economic stability and think that their families' economic status will decline in the next five years.

2. The public increasingly relies on businesses to support ethical practices and be the change they want to see. This means there is little or no confidence in the government as they lack the necessary practices and principles to serve society. Corporations now bear the pressure to serve society and fill this gap.

3. The socio-economic hierarchy has created a divide globally, evident through a significant shift in trust issues. People today have greater trust and faith in corporate companies and NGOs than in the government, especially in countries like Thailand, the United States, and Saudi Arabia.

4. The media has lost the public's trust, making it harder to solve problems. The shared media, once a reputable platform, has become a problem as people only listen to what they believe.

Though CSR is seven decades old when introduced by Bowen, it holds more meaning in the present times than at its inception. Fast forward to 2023, we find the business communities adopting CSR with extreme sincerity to establish their place in today's competitive era. The stakeholders demand a balanced plan. The government has also laid down stringent rules for businesses to get approval.

The Corporate Political Responsibility Taskforce at the University of Michigan's Erb Institute has introduced the "Erb Principles for Corporate Political Responsibility," a set of guidelines for ethical corporate engagement in political activities. In a recent interview with Forbes, Elizabeth Doty, Taskforce Director at The Erb Institute, suggests that companies should consider the four

points, namely "legitimacy, accountability, responsibility, and transparency," before engaging in an issue. This means having a good reason for getting involved, ensuring that actions match values, fulfilling promises made to everyone involved, and ensuring that what you do helps keep our society and markets stable. Transparency in communication about your actions helps people build trust and ensures you're doing the right thing. This way, you can be responsible and trustworthy in your political actions.

The other considerations that would prove relevant are taking into account a broader range of stakeholders such as investors, suppliers, local communities, and other governing bodies. Their reactions would be governed by the impact they have as a result of the companies' policies. The sales, profitability, and financial performance in general are influenced by the decisions and stance of the company. It is a good idea to research and learn from the mistakes of competitors handling a similar situation. One of the major decisions to make is that of long-term or short-term involvement. It is often seen that companies that follow the trend only for a short period receive more backlash than companies that are consistently working for a cause. A long-term commitment builds the trust and reputation of the company.

Collaboration between businesses and government is crucial for achieving the best outcomes. Instead of working separately, they can achieve more by working together. By coming to agreements and working jointly on policies and standards, they can lead us towards a fairer, safer, and more prosperous society. Additionally, businesses can help restore economic optimism, which is both a cause and an effect of polarization. They can do this by paying fair

wages, providing training opportunities, and supporting local communities, thereby bridging the gaps that divide society.

Though it is challenging to bring together everything, the advent of AI Platforms and their integration at different levels in a business is proving to make the process more efficient, fast, and with minimal errors. Companies such as Patagonia, The Body Shop, Unilever, and Infosys stand out as inspirational models for others to follow by incorporating CSR in the most effective manner.

To sum up, I would say that adopting and integrating CSR is the future of a robust business that is ethical, sustainable, and future–ready. They have greater credibility in the market and the faith of their stakeholders. CSR catalyzes a company's growth by focusing on sustainability, safety, and quality, ultimately leading to a better understanding between the company and its workforce, customers, and investors. It also fetches higher profits, satisfied stakeholders, and lays a solid foundation of trust, integrity, and respect for the company.

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