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Three Dimensional Aspects of Corporate Social Responsibility

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Abstract: Corporate Social Responsibility is not just for specialist or large-scale companies, all business leaders and managers of tomorrow must understand why they are engaged in CSR. A good number of articles, books, periodicals, workshop papers are studied before preparing this paper. At the beginning of the study the meaning and definitional side has been covered. An extensive literature review is done on CSR in Bangladesh and other countries. Then the dimensions of CSR like economic, social and environmental are tried to explain. At the end some issues relevant to CSR in Bangladesh and some recommendations and CSR measuring techniques are given.

Keywords: Corporate social responsibility, economic aspect, social aspect, environmental aspect and sustainable development

1. Introduction

Why do businesses exist? Primarily the answer may be to earn profit. But if we go deeper and try to get real reasons, we certainly come to the conclusion that in a company a group of people get together so that they are able to accomplish something collectively that they could not get separately and they contribute to the society. Corporate social responsibly is the continuing commitment by business to behave according to business ethics and contribute to economic development while improving the quality of the life of the workforce and their families as well as the local community and society at large. And also corporate social responsibility has generated a great deal of debate in business as well as in corporate circles in recent times. This debate centered around two major issues. The primary issue is concerned with the extent to which corporations should be involved in social responsibility. The secondary issue is whether corporate social responsibility is a developed country trend and if corporations operating in developing countries have any

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or different types of obligations to CSR. Many experts differ in their views of the nature and extent of corporate social responsibility. Some perceive corporate social responsibility in a narrow sense and thereby view CSR in terms of supply of goods and services to society at a profit within a regulatory framework (Friedman, 1970). Therefore corporate social responsibility is not a threat to achievement of economic goals of a corporation; rather CSR is an opportunity and can be the basis of economic development of firms in terms of competitive advantage in global market.

Businesses can not exist unless customers exist. Businesses run as long as the customers are satisfied. Gaining satisfaction of the customers in the long run does not end in ensuring quality products and services itself. Today’s society expects more from a business. Since businesses can earn profit only if society consumes its products, society expects that a part of the profit should be spent for the betterment of the society at large. A business of today must run its activities in a socially acceptable way if it desires to sustain in the long run. Businesses should operate without jeopardizing the fate of the future generation. And for that, business needs to think for the society, environment, and stakeholders of it. Long run relationship with the stakeholders can ensure long run sustainability of a business. This is the reason why corporate social responsibility currently has gained so much importance.

The meaning of CSR is analyzing the interdependent relationships that exist between corporations and economic systems and the societies and also discussing the level of any obligations of a business has to its immediate society; a way of proposing policy ideas on how those obligations can be met as well as a tool by which the benefits to a business for meeting those obligations can be identified.

The main objectives of this study are having an idea about corporate social responsibility under the competitive world. Focusing on the diverse dimensions of CSR is also our motto. What is the position of Bangladeshi companies regarding corporate social responsibility is our another objective.

The entirety of CSR can be discerned from the three words contained within its title phrase: ‘corporate,’ ‘social,’ and ‘responsibility.’ Therefore, in broad terms, CSR covers the responsibilities corporations (or other for-profit organizations) have to the societies within which they are based and operate.

More specifically, CSR involves a business identifying its stakeholder groups and incorporating their needs and values within the strategic and day-to-day decision-making process.

Therefore, a business’ ‘Society’ within which it operates, which defines the number of stakeholders to which the organization has a ‘responsibility,’ may be broad or narrow depending on the industry in which the firm operates and its perspective.
Bangladesh, being a country of scare resources, has not been active in promoting CSR initiatives either individually or part of a global framework or through citizens groups. Some efforts dot the Bangladeshi landscape that have connotation and association with CSR; however, the tie ins of these initiatives are loose and disconnected to CSR as they are mainly driven by citizens action committees and the corporate sector is not active in these formations and awareness generation programs.

2. CSR Literature: A Review

CSR is defined in many ways and no universally accepted definition is in place, however, the scope of CSR in corporate board rooms to be management ranks have pervaded and continue to gain momentum. Hill (2006) Explained that CSR is a set of practices that form a part of good management or business practices much of it is about transparency and disclosure. Many organizations find that in actuality they already do much of what is considered “CSR” but often do not have formalized systems to report on those activities. Further CSR should not be viewed as an add – on activity as it is a concept of good practice that cuts across an organization (e.g. in HR, Purchasing, Customer Services etc.).

Hussain and Hussain (2005) provided a constructive picture between consumer’s perception and organization’s spending pattern on different CSR activities. They also figured out whether consumers expect to incorporate only brand name, or only company name or both brand and company name while organizing CSR activities.

Carroll (1991) viewed the 1980s as a shift to more empirical research applying his proposed four- dimensional pyramid model responsibility. He suggested that CSR includes four kinds of responsibilities or dimensions: economic, legal, ethical and philanthropic. In 1979 he offered a conceptual model that comprehensively describes essential aspects of corporate social performance. He addressed three aspects of the model major questions of concern to academics and managers alike: (1) what is included in corporate social responsibility? (2) What are the social issues the organization must address? and (3) What is the organization's philosophy or mode of social responsiveness? Mohr, Webb and Harris (2001) viewed corporate social responsibility as a company’s commitment to minimizing eliminating any harmful effects on society and maximizing its long term beneficial impact.

Chowdhury (2004) believes that, as a part of corporate governance. Corporate governance and monitoring is an important control device. The independent roles of non-executive directors in a society are dependent on economic, socio – political and cultural factors of that society. Asia particularly china, Japan, India, Bangladesh, Malaysia and Indonesia is characterized by collectivism and paternalism where there is high loyalty to senior people and juniors and subordinates obey seniors’ wishes and desires.
Mahoney and Thorne (2005) examined the association between long-term compensation and corporate social responsibility (CSR) for 90 publicly traded Canadian firms. Social responsibility is considered to include concerns for social factors and the environment. They found a significant relationship between the long-term compensation and total CSR weakness as well as the product/environmental weakness dimension of CSR. In addition, they found a marginally significant relationship between long-term compensation and total corporate responsibility. Their findings were that executives’ long-term compensation is associated with a firm’s environmental action, and that firms that utilize long-term compensation are more likely to mitigate product/environment weaknesses than those that do not. In 2006 they also examined the association between executive compensation and corporate social responsibility (CSR) for 77 Canadian firms using three key components of executives’ compensation structure: salary, bonus, and stock options. They measured three different aspects of CSR, which include Total CSR as well as CSR Strengths and CSR Weaknesses. CSR Strengths and CSR Weaknesses capture the positive and negative aspects of CSR, respectively. They found significant positive relationships between: (1) Salary and CSR Weaknesses, (2) Bonus and CSR Strengths, (3) Stock Options and Total CSR; and (4) Stock Options and CSR Strengths. They suggested the importance of the structure of executive compensation in encouraging socially responsible actions, particularly for larger Canadian firms.

Zahra and LaTour (1987) identified three major themes in research on corporate social responsibility (CSR) of particular interest; however, is the potential link between CSR and organizational effectiveness (OE). Data collected from 410 college graduate and undergraduate students were used to examine that relationship. Using factor analysis, eight dimensions of CSR and three components of OE were extracted. They performed Canonical analysis. The result supports the proposition that specific CSR practices affect select OE outcomes.

McGuire, Sundgren and Schneeweis (1988) Using Fortune magazine's ratings of corporate reputations analyzed the relationships between perceptions of firms' corporate social responsibility and measures of their financial performance. They found a firm's prior performance, assessed by both stock-market returns and accounting-based measures, was more closely related to corporate social responsibility than was subsequent performance. Measures of risk were more closely associated with social responsibility than previous studies had suggested.

Wartick and Cochran (1985) traced the evolution of the corporate social performance model by focusing on three challenges to the concept of corporate social responsibility: economic responsibility, public responsibility, and social responsiveness. They also examined social issues management as a dimension of corporate social performance.
Their research concluded that the corporate social performance model is valuable for business and society study and that it provides the beginnings of a paradigm for the field.

There are many sound reasons both for and against business's assumption of social responsibilities. Because of the increasing amount of rhetoric which exists on this subject, it is appropriate to examine these reasons thoughtfully when making choices in this area. (Davis, 1973). Considering the information from 75 sample companies listed in Dhaka Stock Exchange, Hossain, Salat, and Al-Amin (2005) concluded that though some of the companies had been reporting on some corporate social responsibility issues in spite of having no mandatory requirements, the disclosure was not adequate. Among the 75 sample companies, 26 (34.66%) companies did not disclose any information on the CSR activities. They considered eleven issues on CSR disclosed by the companies. So the percentage of the companies disclosing at least one CSR issue in the total sample was 65.33%. This result has significance in case of voluntary disclosure by the Bangladeshi companies.

**Figure: Significance of Corporate Social Responsibility**

![Flowchart showing the significance of corporate social responsibility](image_url)
3. Methodology

The prepared paper is a descriptive study in nature. The secondary data and information have been analyzed for preparing the paper extensively. The secondary information have been collected from different scholars’ and researchers’ published books, articles published in different journals, periodicals, conference paper, working paper and web site. Moreover, the academic knowledge and experience of the authors’ of this paper have been used to prepare the three dimensional aspects of corporate social responsibility.

Three Dimensional Aspects of CSR

The purpose of corporate social responsibility (CSR) is to make corporate business activity and corporate culture sustainable in three aspects:

- Economic aspects.
- Social aspects.
- Environmental and Ecological aspects.

Economic aspects of CSR

The economic aspects of CSR consist of understanding the economic impacts of the company’s operations. Economic issues have long been overlooked in the discussion on corporate social responsibility. For many years, the aspect has been widely assumed to be well managed. However, it is actually the least understood by many of those shaping the corporate and public policy agendas, and underrepresented the corporate responsibility agenda.

The economic aspects of CSR is often mistakenly considered to be synonymous with financial issues, which is why it has been assumed easier to implement than the other two pillars of the temple. However, the economic responsibility is not simply a matter of companies being financially accountable, recording employment figures and debts in their latest corporate responsibility report. The economic dimension of the sustainability agenda should rather consider the direct and indirect economic impacts that the organization’s operations have on the surrounding community and on the company’s stakeholders. That is what makes up corporate economic responsibility.

a) The Multiplier Effect

The economic performance of a company has direct and indirect impacts on all of its stakeholders – including its employees, local governments, non-profit organizations, customers, suppliers, and the communities in which the companies operates. For
example: a good economic performance makes it possible to develop operations for the long term and to invest in development and the well-being of employees. The employees of the company get good salaries, from which they purchase goods and services as well as pay taxes. These activities fuel the local service industry, government programs and the community activities. This multiplier effect becomes all the more important if the company is one of the largest employers in the communities.

b) Contribution through taxes

Companies are major contributors to the well-being of the area surrounding their operations, for example through the local tax base. Therefore, the question arises: is it responsible for a business to see corporate taxes purely as to cost be avoided, rather than part of their social contract with society? Taxes have a significant impact on the creation and distribution of wealth: tax avoidance, though perfectly legal, deprives the community in the area of the company’s operation of well-being.

c) Avoiding Actions that Damage Trust

A company’s license to operate depends upon the trust and support of the local communities where it operates. The shift in power from the public to the private sector emphasizes the importance of this trust – and the obligations and responsibilities that come with it. Some company activities are potentially very destructive to the trust earned from the community or otherwise cannot be regarded as economically responsible. These should be avoided or at least carefully considered. Example of such harmful company behavior include: bribery and corruption, tax avoidance: and concentration of rewards and incentives of the company’s performance to few individuals only instead of fairer distribution among the personnel. The company should also stop to consider the economic effects of changes in locations and/or operations to the community.

Social Aspects of CSR

Social responsibility is the newest of the three dimensions of corporate social responsibility and it is getting more attention than it has previously had. Many organizations are becoming increasingly active in addressing social concerns social responsibility means being accountable for the social effects the company has on people - even indirectly. This includes the people within the company, in the supply chain of the company, in the community the company is in and as customers of the company which means the whole lot of stakeholder. It refers to the management’s obligation to make choices and take actions that will contribute to the well fare and interests of society as well as those of the organization. The following aspects have been found to be key the social aspects of CSR for an organization:
a) Responsibility towards Customers

The idea of treating customers with respect and attention is not new to business: often being responsible to customers has a direct positive effect on the company’s profits. There are, however, broader social responsibilities including providing good value for money. These responsibilities may include such issues as the safety and durability of products or services; standard or after sales service; prompt and courteous attention to queries and complaints; adequate supply of products or services; fair standards of advertising and trading; and full and unambiguous information to potential customers.

b) Responsibility towards Employees

Businesses are major contributors to the employment generation of the community. However, social responsibility to employees extends beyond terms and conditions of the formal contract of employment. Companies need to come up with wider expectations that today’s employees have for the quality of their working life. Such expectations include taking care of the personnel’s welfare and safety at work and upholding their skills and motivation for the work. Beyond these expectations, a socially responsible company secures a just treatment and equal opportunities for all its employees, regardless of gender, age, race, or religion.

c) Responsibility towards the Community

Companies depend on the health, stability, and prosperity of the communities in which they operate. Often majority of the company’s employees and customers come from the surroundings area – especially so for SME’s. The reputation of a company at its location, its image as an employer and producer, but also as an actor in the local scene, certainly influences its competitiveness. Many companies become involved in community causes, for example by providing additional vocational training places, recruiting socially excluded people, sponsoring local sports and cultural events, and through partnerships with communities or donations to charitable activities.

Environmental and Ecological aspects of CSR

Environmental concern and sustainable development is a key pillar of the corporate social responsibility. Environmental and ecological issues have been an important topic of discussion for the past thirty years in the business world – the longest time of the three dimensions corporate social responsibility. The knowledge and issues within the dimensions have progressed across a landscape of changing business realities. Environmental aspects put in place in the 1970s with the first real understanding of the environmental impacts of business. Now, in the 21st century, we are faced with new challenges.
a) Environmental Impact

Corporate activity may have many types of effects on the environment. Usually environmental impact refers to the negative effects occurring in the surrounding natural environment due to business operations. Such impacts may include: overuse of natural, non-renewable resources of energy, pollution wastage, degeneration of biodiversity, climate change, deforestation etc. Since many business-related environmental problems transcend national boundaries, most companies are thus actors in global environment. To obey CSR in case of environmental aspects corporations can take the following steps:

**Measuring Environmental Impact:** Environmental impacts can be measured in several ways through environmentally extended input-output tables, material input per service unit (MIPS) calculations, ecological footprint and life cycle assessment, to name a few. Ecological footprint measures the amount of nature’s resources consumed in a given year, and compares it to the resources available in the world. Life cycle assessment (LCA or eco-balance) is used to assess the environmental performance of a product from raw materials in the beginning of the production process all the way to disposal at the end of use. The MIPS value is calculated by dividing the amount of material the product or service causes to move – e.g. the amount of earth moved in mining, not just the metal used – during its entire life span by the amount of benefits and value its brings.

**Environmental Management:** To truly commit to its environmental responsibilities a company should change its traditional modes operation towards a more environmentally oriented one. The environmentally more responsible perspective could include such issues as an emphasis on increased resource productivity, cleaner production and active dialogue with the company’s stakeholders. Many businesses have found that establishing an environmental management system is the best basis for good environmental performance. Quality, health and safety issues can also be integrated into the same management system.

b) The Win-Win of Environmental Responsibility

Several individual companies have found that improving environmental performance may also have beneficial effects on the company itself. Using less material and streamlining processes to create less waste may lower the costs of operation significantly. Moreover, the close review of operations, which is needed to improve the environmental performance, may reveal other improvement points, such as risk and material loss. A responsible public image may also attract more customers. These kinds of improvements as well as the investments behind them are often referred to as win-win – good for both the environment and profitability of the company. The principle of win-win situations has
been established for a number of years and most recently recognized in the commission’s 6th Environmental Action program. The program explains how the European Union and member State governments can fulfill their role in helping business to identify market opportunities and undertake win-win investments, the action program also set out a number of other measures aimed at business: establishment of a compliance assistance program to help business understand the environmental requirements of the European Community; development of national, but harmonized, company environmental performance reward schemes that identify and reward good performers and encourage voluntary commitments and agreements.

CSR in Bangladesh

CSR initiative in Bangladesh is a welcome introduction, especially where issues of rights and ethical behavior becoming integral to the lifeblood of an organization. With global complexity, equity, accountability and transparency are shaping the organizational dimensions, business paradigms and competitiveness. It has now become a rational position to introduce CSR frameworks within management practices and business decisions.

Conceptualization, analysis and implementation of a CSR framework from a Bangladeshi perspective have the potential to improve the standing of local corporations/organizations vis-à-vis local stakeholders, while also improving the image of Bangladesh globally. It is a common understanding that when employees discharge their responsibilities in a fair and transparent manner while attempting to create harmonious working environments for their staff, productivity and efficiency automatically shoots up the entire premise of CSR and its introduction in the business world stems from its common understanding and links profitability and growth with it.

Bangladesh, being a country of scarce resources, has not been active in promoting CSR initiatives are loose and disconnected to CSR as they are mainly driven by citizen action committees and the corporate sectors is not active in these formations and awareness generation programs. CSR is a novel and effective idea globally and is forming some interest in Bangladesh. The scope of CSR at industry or academic level is extensive and worth exploring for the welfare of Bangladesh. The corporations in Bangladesh are focused on marketing their own brands and images by creating competitive positioning; driving towards increasing revenue (Hussain and Hussain, 2005). The marketing strategy at play may have sizeable impact on various stakeholders, including customers. The issues of governance and responsibility from a broad perspective channel the efforts of corporate decisions. Some of the Bangladeshi companies are disclosing the issues related to CSR in their annual reports, a clear picture of these issues can not be identified from those efforts and are not consistent (Hossain, Salat and Al-Amin, 2005).
More than 80 percent of the companies claimed that they adhere to a fair remuneration policy notwithstanding a miserable finding of the study was around or less than 40 percent of the companies have well articulated policy as regards workers’ right and safety, equal rights of the workers, prevention of AIDS. However, none of the companies was found to assign a board director for monitoring and addressing issues related to the rights of the company workers. 66.7 percent of the companies have adopted corporate governance and 43.3 percent have compliance policy with national or international benchmarks. A considerable percentage of the respondents informed that they do not fully understand the concept of corporate governance.

It was also pointed out that the level of interaction among the stakeholders is very low which has been proven by the widespread reluctance of the companies in terms of taking the opinion of the stakeholders into consideration in formulating their corporate goals and strategies. Committed persons are available only on the issue of sustainable development and human rights, though they are extremely limited in number. On the issue of sustainable development and human rights, the corresponding percentages are 11.1 percent and 4.4 percent (Raihan, 2003).

**Glimpses of CSR practice in Bangladesh:** British American Tobacco in Bangladesh began its afforestation programme in 1980 to compensate for wood burning in tobacco curing. The company’s solution was to plant fast-growing trees on canal banks, road sides and railway embankments. To date, 710 kilometres of canal banks, 115 kilometres of roadsides, and 52 kilometres of railway embankments have been planted.

Since its early days, Nestlé, world’s largest food company has been committed to environmentally sound business practices and continues to make substantial environmental investments. The Nestlé Policy on the Environment underlines this commitment. Nestlé Bangladesh Ltd. started “Pure Drinking Water Supply Project” in some areas namely Mirzapur, Sherpur and Gazipur and they also invested huge amount in an Incinarator( Garbage treatment plant) in their Gazipur plant to minimize the effect of waste in the surroundings.

Grameen Phone Sponsors different sports events and also participate in social activities. They extended their help for cyclone affected victims, arranged free eye camps in different parts of the country and they also provided employment opportunities for acid victims.

Unilever Bangladesh's social initiative to encourage women's economic empowerment through information and resources in the areas of Career, Education and Enterprise, has created waves across the country. Under another scholarship scheme, 200 women who
have passed their HSC each received a Taka 25,000 scholarship to support her tertiary level education. They also organized a talent hunt program namely “Closeup 1” to net the hidden talent.

Dutch-Bangla Bank Ltd. has donated more than nine crore taka for research work of Dhaka University. Besides, it provides significant amount as scholarship for deserving students.

4. Conclusion and Recommendations

CSR is an important business strategy because, wherever possible, consumers want to buy products from companies they trust; suppliers want to form business partnerships with companies they can rely on; employees want to work for companies they respect; and NGOs, increasingly want to work together with companies seeking feasible solutions and innovations in areas of common concern. Satisfying each of these stakeholders groups allows companies to maximize their commitment to another important stakeholders group – their investors, who benefits most when the needs of these other stakeholder groups are being met. The winning companies of this century will be those who prove with their actions that they can be profitable and increase social value. Companies that done well on those issues, increasingly shareowners, customers, partners and employees are going to vote with their feet to that company. Corporations should consider three dimensions of CSR for running successfully in this competitive world. CSR as a strategy is becoming increasingly important for businesses today because of three identifiable trends:

- Changing social expectations
- Increasing affluence
- Globalization

There is an implicit contract between big business and society or indeed between whole economic sectors and society. Bangladesh is a fledgling democracy needing much advancement in its application and intellectual domains CSR is not a product but service that affects the society at large. Ineffective operations of CSR ha created an unbalanced society, ultimately contributing to a top heavy and non-sustainable business model. The gap between rich and poor has risen due to hegemonic control of the profit making institution called corporations; the corporations of Bangladesh are purely under the guidance of the rich whose motive are self-gratification and advancement. This equation stays valid to a point and then naturally loses coherence and justification because any relationship to sustain some element of parent-child attributes must be present. A rapacious corporation will ultimately tumble as it will become disenfranchised from the
public its shareholders and will cease to find profit; their market size will shrink as the purchasing power of public will be depleted due to excessive profiteering and not giving back to the community. In the short run, this predicament is not tenable but given for the profit driven psychology, a disaster can be awaiting in the medium to long run. Sustainable and responsible organizations can only avert such fiascos and CSR is the guiding principle ensuring corporate success in Bangladesh and elsewhere. Bringing CSR practices in Bangladesh sets a definitive milestone in the total development of corporate Bangladesh. The goal is to maximize true value and benefit for an organization, while protecting the huge investment corporations make today in their brands. CSR asks to companies to ensure their business operations are clean and equitable, and contribute positively to the society in which they are based. Key steps on the road to integrating CSR within all aspects of operations include:

- Ensure the commitment of top management, and particularly the CEO, is communicated throughout the organization.
- Appoint a CSR position at the strategic decision-making level to manage the development of policy and its implementation.
- Develop relationships with all stakeholder group and interest.
- Incorporate a social or CSR audit within the company’s annual report.
- Ensure the compensation system within the organization reinforces the CSR policies that have been created, rather than merely the bottom line.

5. References


