Review: Quiz #2 – The Social Context of Business

Lecture 6

Corporate Social Responsibility (CSR**):** The degree of moral obligation that may be ascribed to corporations beyond the simple obedience to the laws of the state.

- **Formal definition:** The way a corporation achieves a balance among its economic, social and environmental responsibilities in its operations so as to address shareholder and other stakeholder expectations.

CSR as portrayed by industry Canada

- Corporate Social Responsibility is a concept with a growing currency within Canada and around the globe.
- CSR is a concept that frequently overlaps with similar approaches such as:
  - Corporate sustainability
  - Corporate sustainable development
  - Corporate responsibility
  - Corporate citizenship
- Many people see CSR as the private sectors way of integrating the economic, social, and environmental imperatives of their activities.
- CSR frequently involves creating innovative and proactive solutions to societal and environmental challenges, as well as collaborating with internal and external stakeholders to improve CSR performance.

Key Elements of CSR

- Corporations have responsibilities beyond the production of goods and services.
- These responsibilities involve helping to solve social problems.
- Corporations have a broader constituency than just stakeholders.
- Corporations have impacts beyond simple marketplace transactions.
- Corporations serve a wider range of human values than just economic values.

Case for Involvement

- Business must satisfy society's needs.
- CSR prevents public criticism and government regulation.
- Business and society are interdependent.
- CSR is good for the bottom line.
- Investors and consumers support CSR.
- Business should take long-term CSR approach.
- Social actions improve public image and goodwill.

Counterarguments

- Profit maximization is the primary purpose of business.
- Business is responsible to shareholders.
- Social policy is role of government.
- Business lacks training in social issues.

- No reliable guidance for business in CSR matters.
- Business cannot be held accountable unlike social institutions.

Social Responsibility Theories

1. Amoral values
   - Traditional view of business as merely profit-making entity
2. Personal view
   - Corporations are like people and can therefore be held accountable for their actions.
3. Social view
   - Corporations are social institutions with social responsibilities.

Carrol's four-part definition: Understanding the four components

Responsibility	**Societal Expectation**	**Examples**
Economic	**Required**	**Maximize sales, minimize costs, increase profits**
Legal	**Required**	**Obey laws and regulations.**
Ethical	**Expected**	**Do what is right, fair and just.**
Discretionary (Philanthropic)	**Desired/ Expected**	**Be a good corporate citizen.**

Contemporary CSR concepts

- Corporate sustainability
- Reputational management
- Social impact management
- Triple E bottom line

<u>Corporate Sustainability:</u>

- Compliance-driven CS: follows regulations
- Profit-driven CS: focus on bottom line
- Caring CS: go beyond legal compliance
- Synergistic CS: well balanced solutions

- Holistic CS: fully integrated CS

Reputation Management

- Reputation management is an effort to enhance a corporation's image.
- Previous focus on media and public relations as well as crisis management.
- Reputations take a long time to be established, but can easily be destroyed.

Social Impact Management

- Field of inquiry at the intersection of business needs and wider societal concerns that reflects and respects the complex interdependency between the two.
- Evaluates 3 aspects of business:
    - Purpose of business
    - Social context of business
    - Metrics: how performance is measured

Triple E bottom line

- Evaluates a corporation's performance according to a summary of the *economic*, *social*, (ethical) and *environmental* value the corporation adds or destroys.
- Now forms the basis for corporate reporting of economic, ethical, and environmental responsibilities.

Corporate Citizenship Concepts

- CSR – emphasizes obligation and accountability.
- CS responsiveness – emphasizes action and responsibilities.
- CS performance – emphasizes outcome and results.

Good Corporate Citizenship – Benefits

- Reputation management
- Risk profile and risk management
- Employee recruitment, motivation, and retention
- Investor relations and access to capital
- Learning and innovation

New Approaches to Corporate Citizenship

- Limited
    - Focus on corporate giving
- Equivalent
    - Emphasis on sustainability
- Extended
    - Defined as a set of individual, social, civil, and political rights

Responses to CSR

- Voluntarism
- Corporate giving
- Corporate sponsorship
- Social enterprise

Corporate Philanthropy – Definition

- The effort of business to contribute to society socially, manifested by donations of money or goods and services in kind, voluntarism (where corporate employees work for social causes), and sponsorship of events that contribute to society.

Arguments for Corporate Philanthropy

- Means to express CSR
- Promotes image of good citizenship
- Business benefits from volunteer sector
- Benefits from corporate community investment program

Arguments against Corporate Philanthropy

- Funds given belong to shareholders
- Social welfare is the job of government
- Corporation might become accountable for actions of charity

Trends and concerns in corporate giving

- *Cause-related marketing*: The purchase of a particular product results in a donation being made by a corporation to a non-profit organization's program.
- Charitable foundations - see pg. 163
- *Strategic giving*: An attempt to rationalize the shareholder interests with corporate philanthropy whereby the corporation benefits directly from the funds given.

Other Concepts: Corporate Voluntarism

- Forms of support
    - Providing facilities, allowing time off, assisting with personal expenses incurred while undertaking voluntary activities, special recognition to employees
- Corporate policies regarding voluntarism
    - Encouraging; enabling; and promoting

Other Concepts: Corporate Sponsorship

- A partnership, which has been established for mutual benefit between a business sponsor and an event or a non-profit.
- Examples: sports, cultural, and educational events, literacy, race relations, drug abuse, environmental issues, etc.

Other Concepts: Social Venture Philanthropy

- The investment of human and financial resources by corporations in non-profit community development agencies to generate a social return instead of only a financial one.
- Also known as social venturing, the new philanthropy, and high-engagement philanthropy.

Social Enterprise

- A model of business operation where some or all profits are deliberately used to further social aims.
- Two types:

- (1) non-profit enterprises that contribute all profits to social initiatives (e.g., Value Village thrift stores);
- (2) for-profit enterprises that divide profits between social initiatives and shareholders (e.g., The Body Shop)

Social Entrepreneurship

- An innovative, visionary leader of a non-profit with real-world problem-solving creativity and a high awareness of ethical considerations.
- Also referred to as philanthrocapitalism

Key chapters in textbook: 7.1, 7.2, 7.3, 7.4, 7.5, 7.6, 8.3, 8.4, 8.5

Lecture 8 – Government's Influence and Civil Society's Influence

Government's Influence on Business

- Regulation
- Non-regulatory forms of influence
- Industrial policy
- Regulation: The imposition of constraints, backed by the authority of government, that are intended to modify economic behaviour in the private sector significantly (Economic Council of Canada)
- Types of regulation:
  - Economic (To correct market imperfections)
  - Social (To correct the adverse effects of business on people)
  - Political (To garner votes)
- Economic Regulation
  - The National Monopoly: Exists when one firm can supply the entire market demand at a lower cost than two or more firms.
    - Government would regulate such a market to ensure that output was not deliberately restricted to bolster prices.
  - Externalities:
    - By-products of activities that affect the well-being of society not included in the market price
      - Examples – natural resource depletion and pollution
      - Government must regulate to ensure companies are responsible for their externalities
  - Public Goods:
    - Goods that generate social benefit that everyone can enjoy and that no one can be deprived of
    - Examples – clean air, national defense
    - Government provides these services to all Canadians (funded through tax dollars)
- Regulation: Moral Hazard:
  - A party insulated from risk may behave differently than if exposed to the full risk
- Social Regulation:

- Focuses on firm's impacts on people as employees, consumers, and citizens
- Addressing business practices in all industries
- Examples – Employment Equity Regulations, Occupation Health and Safety Regulation

- Political Reasons:
  - For votes but also:
    - To appear as a leader in a matter of public policy (Kyoto)
    - In response to pressure from interest groups
    - In response to pressure from the media

Regulation

- Government seeks to:
  - Protect and advance the public interest
  - Promote a fair and competitive market economy
  - Make decisions based on hard evidence and the best available knowledge
  - Create regulation that is accessible, understandable and responsive
  - Advance the efficiency and effectiveness of regulation
  - Require timeliness, policy coherence, and minimal duplication

Government Ownership

Other Corporate Interests	**Description**	**Number**
Mixed Enterprises	Corporate entities with share ownership split between the Government of Canada and private sector	0
Joint Enterprises	Corporate entities with share ownership split between the Government of Canada and another level of government *e.g., The Lower Churchill Development Corporation Limited*	2
International Organizations	Corporate entities created pursuant to international agreements in which the Government of Canada either owns shares or has the right to appoint members to the governing body *e.g., International Monetary Fund*	18
Shared Governance Corporations	Corporate entities without share capital in which the Government of Canada has the right to appoint members to the governing body *e.g., The Canadian Wheat Board*	149
Corporations under the terms of the *Bankruptcy and Insolvency Act*	These corporations are partially own by the Government of Canada following receipt by a bankruptcy trustee	45

Government Subsidies

- Either the direct transfer of cash to a recipient or the indirect transfer of benefits
- Either increase the supply of a product or the demand for the product or service – the resulting market prices affect competition

Other forms of Government Influences on business

- Tax Policy:
  - Encourage investment in some activities, but not others
  - Deductibility of business operating expenses
  - Capital cost allowance policy
  - Tax credit policy
- Government Procurement:
  - Government is a major purchaser of goods of services
  - Changes in procurement policy can significantly affect business
- International Trade:
  - Negotiation of international tariff laws
  - Non-tariff barrier elimination
  - Strong proponent for Canadian business abroad

Industrial Strategy

- Any attempt by government to apply a coherent and consistent set of policies that are designed to improve the performance of the economy
  - Framework policies
  - Concentration-based strategies
  - Intervention

Government's Influence on Civil Society

- Direct Funding
- Tax policy
- Contracts
- Knowledge transfer
- Alternative service delivery mechanisms

Civil Society's 3 Main Objectives:

- To inspire
- To perform
- To persuade

Drivers of the Importance of Civil Society

- Increasingly culturally diverse Canadian population introducing new demands that fall outside the purview of government or business (to improve)
- Information Communications Technology enables civil society to being instantaneous attention to its causes and issues (to inspire; to inform)
- Stakeholders expect business and government to engage with civil society (to improve)

- Complexity of civil society issues (to improve; to inspire; to inform)

Civil Society's Supportive Influence

- Neutral broker between government and business
- Supplier of knowledge and skills (knowledge transfer)
- Source of workers
- Intimate knowledge of community (closer to stakeholders)
- Citizen engagement venue
- Social capital provider
- Building image and buffering media
- Alternative service delivery methods and new models of community engagement
- Cause-related marketing venue
- Awareness building
- Public policy test environment
- Distributor of information
- Point of entry for citizens to engage in policy debates
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