



Review

The ABC of Corporate Social Responsibility

Francisco Gerardo Barroso-Tanoira^{1*}, Raúl Alberto Santos-Valencia², Jorge Iván Ávila-Ortega³

¹Professor and researcher at the Anáhuac Mayab University, Business Division, Mérida, Yucatán. México
Address: Carretera Mérida-Progreso km 15.5 int km 2 carretera Chablekal. Mérida Yucatán México, 97310.

^{2,3}Professors and researchers at the Instituto Tecnológico Superior de Calkiní en el Estado de Campeche (ITESCAM).
Address: Ah Canul Av by Federal Roadway. Calkiní, Campeche, 24900.

*Corresponding Author. E-mail: francisco.barroso@anahuac.mx

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Abstract

Corporate social responsibility (CSR) is considered recently as important in business enterprises because of the need for contributing to society and taking care of the environment without sacrificing profits. However, there is confusion in CSR definition and scope, so this paper aims to present and discuss its concepts, its meaning and determine if it supports sustainable development. As an essay, this article discussed and analyzed different authors' contributions. The conclusions emphasize the active and voluntary character of CSR and its importance to sustainable development. However, sales do not increase necessarily because of CSR, but absenteeism and staff turnover are reduced, as well as increase in productivity. CSR is neither a marketing strategy, nor a way for just improving business image, but a duty for all organizations to survive, develop and last.

Keywords. Corporate Social Responsibility, Social Development, Work Productivity, Business Management, Sustainable Development.

INTRODUCTION

To be sustainable, enterprises must be responsible of their relations with workers, suppliers, customers, shareholders and the Government, as well as contribute to preserve the environment (Kaku, 2005). Besides, everyday there are more business owners, directors and managers convinced that their actions have strong impact in the society, so it is important to do something in order to build a better world. Finally, the main objective is not maximizing the shareholders' profits, especially if they are the result of poor working conditions, polluting the environment or lack of ethics with those involved in the enterprise (Rochlin, 2005), without losing the opportunity for achieving competitive advantages.

The objectives of this essay are:

- (1) To present the basic concepts of CSR (which we call the ABC of CSR).
- (2) Discuss the meaning of being socially responsible.
- (3) Determine if CSR supports sustainability of enterprises.

This study is important because there are some misunderstandings about the meaning of CSR, which is sometimes considered as a marketing strategy or just a way to

persuade customers to buy, pretending to be trustable companies, while others think it is important for sustainability. Although this document refers to business enterprises, the analysis and conclusions could be applied in other institutions such as universities (University Social Responsibility-USR) or the Government (Governmental Social Responsibility-GSR), for example, with the corresponding changes due to the nature of such the organizations.

LITERATURE REVIEW

Corporate Social Responsibility (CSR)

Being socially responsible does not mean just obeying the law. For Rochlin (2005) it is going beyond, investing more in human capital, the environment and in the relations with all those involved in the enterprise, named stakeholders. It is a mistake to believe that what is legal is fair. About this, (Porter and Kramer, 2006) indicate that CSR have failed because of two basic reasons:

- (1) It is usually understood that business is against society,

when in fact both depend on each other.

- (2) The common belief that CSR is generic, when actually it must be according to the enterprise's individual strategies. For Bowen (1953), the avoidance of social responsibility leads to the erosion of social power.

Robins (2008) indicates that the definition of CSR has not yet received adequate attention. Then, how could it be defined? According to the Green Book of the European Union (Porto and Castromán, 2006), it is the active and voluntary contribution of enterprises for social, economic and environmental improvement, which means that all practices, strategies and management systems must pursue a new balance among the economic, social and environmental dimensions. (Sierra and Londoño, 2008), affirm that those enterprises, which traditionally considered only the balance statement as an orientation, have to include now in their balance a social and environmental report due to its CSR practices.

According to Medina (2006) and Somoggi (2005), CSR must be included in the enterprise vision and mission. For (Porter and Kramer, 2006), more than a cost or a charitable deed, CSR could be an important source of innovation and competitive advantage. In addition, Ramos (2006) mentions the importance of enhancing the creation of wealth in a fair and efficient way, respecting the dignity and rights of all individuals, which means avoiding corruption in the corporate government and in all operations in the organization, so there must be the corresponding penalties in case they are necessary. In this document, CSR will be defined as the active and voluntary commitment of an organization for aligning its social, economic and environmental behavior for achieving its goals towards sustainability.

The Mexican Center for Philanthropy (CEMEFI for the initials in Spanish), a private organ founded in 1988 which certifies enterprises in social responsibility, indicates that a socially responsible organization is that with a conscious and congruent commitment to integrally perform its activities, internally and externally, bearing in mind the expectations of all its participants in the economic, social and environmental behavior, showing respect for ethical values, people and communities (Porto and Castromán, 2006). Those enterprises which try to accomplish this, but lack the appropriate frame, could think this commitment is just appearance or a mask for persuading society that they are socially responsible (Briseño et al. 2011).

Dimensions of CSR

To be socially responsible in the complete meaning of the concept, enterprises must perform according to four dimensions suggested by CEMEFI (Porto and Castromán, 2006; Barroso, 2008). These dimensions include, in an explicit way, the expected behaviors enterprises must have according to the CSR concept, with the possibility to be measured with appropriate indicators from the enterprise, environment, ethics and

community perspective.

- 1) **Contributing to improve employees' quality of work life (QWL).** Enterprises generate jobs and pay salaries, which must be fair and on time, contributing to make QWL better. It is also necessary to enhance a good work environment and implement effective training programs, supervision, communication and decent treatment. It includes teaching workers about self-esteem, personal finance, teamwork, addiction prevention and creativity enhancing, which have a positive effect in organizations.
- 2) **Taking care and preserving the environment.** It is to take care of the natural environment, but also fostering in workers and their families the motivation for preserving it. Beyond recycling different materials, it is to see in every worker an agent of change and an educator for preserving nature. Other specialized organs could help in achieving this.
- 3) **Operate with an ethics code.** This will lead to quality relations with suppliers, customers and the Government. According to Medina (2006), the enterprise image grows and there could be more confidence for customers to buy there.
- 4) **Linking with the community from the enterprise mission** through merchandise and other services produced. It is desirable for companies to implement actions for the development of society and cooperate for solving social needs beyond philanthropy.

For Robins (2008), CSR should be popularized, but not imposed. The issue here is that, if it is imposed, it will not be social responsibility. CSR has to be active and voluntary (Porto and Castromán, 2006), which means that donations to help organizations, scholarships for children and young people, or technical assistance for humanitarian help, must be connected to the enterprise's mission. It is not only to give...it is necessary to work actively. So, to be socially responsible in the complete concept of CSR it is necessary to accomplish the four dimensions of CEMEFI (Barroso, 2008). If an enterprise practices just some of them but not all, it will be doing social commitment actions, but it cannot be said it is socially responsible in the complete meaning of that word. So, if companies do not perceive CSR as an essential factor, it will be seen as just a marketing strategy or even worse...a mix of romanticism with evasion-accomplishment and philanthropy, which could be abandoned (Sánchez et al. 2007).

What to do to be Socially Responsible?

For Bowen (1953), businessmen must pursue those policies to make decisions or follow desirable action lines according to the objectives and values of society. This means all enterprises could and must practice CSR, no matter the size, location, sector or activity. To align strategies and daily operations,

socially responsible enterprises needs commitment of all stakeholders and see them as social allies who contribute to promote learning and innovation. That is why in CSR leadership is important for integrating everybody's efforts through effective management and challenge orientation. Confidence is the key for CSR (Briseño et al. 2011).

The efforts of CSR must not be limited to administrative areas. Employees participate actively, do key activities such as voluntary work and have a close contact with customers. Besides, voluntary work makes employees more aware of environmental and social problems, increases self-esteem and cooperation among them. When an enterprise practices CSR it develops a competitive advantage (López, 2013).

CEMEFI (Porto and Castromán, 2006) suggests "ten commandments" for achieving a socially responsible behavior, which comes from the four dimensions of that organization:

- 1) Enhance an interior culture of CSR, pursuing goals and business success without sacrificing society welfare.
- 2) Identify social needs in the environment in which the enterprise operates and try to impulse its development and improve quality of life for local population.
- 3) Make the enterprise values public and operate with an ethics code.
- 4) Enhance participative leadership, solidarity, service and respect for human life.
- 5) Promote human and professional development of all communities (employees, families, shareholders and suppliers).
- 6) Identify and support social projects as part of the organizational strategy.
- 7) Respect ecological environment in every single process of operation and commercialization.
- 8) Invest time, talent and resources in the development of the communities in which the enterprise operates.
- 9) Set up links with social civil organizations and the government for solving social problems detected.
- 10) Involve staff, shareholders and suppliers in the programs for investment and social development.

The focus in common benefits must make enterprises create welfare in a fair and efficient way, respecting dignity and human rights (Kaku, 2005). If the objective is just to run a business for making profits or getting more market share, the result will be a general economic, environmental and social ruin. On the other hand, if enterprises work together they could feed the poor, make peace in devastated war areas and renew the material world. Enterprises must be the foundations of peace and prosperity in the world, not just competitors.

CSR is not something to achieve...it's a way of life based on values, so it's a philosophy (Barroso, 2008). But it starts individually and then spreads up collectively because one cannot give others what he/she doesn't have. So, for being socially responsible everybody must start with himself/herself

(Somoggi, 2005).

Detractors to CSR

Of course CSR is not free from criticisms. There are some detractors who say that it is just a marketing strategy used by several enterprises for increasing sales, or for justifying a good purpose with a negative implication for people, like those cigarette companies who buys tobacco from poor peasants saying that this is a way for reducing unemployment and promoting their development, just for opposing to attacks about how harmful smoking is (Barroso, 2008). On the other hand, some economists have mentioned that if enterprises sacrifice their profits for being socially responsible, they will be less attractive for future investors, dying in the long run. For Milton Friedman, quoted by Medina (2006), CSR is increasing profits as much as possible respecting the game rules and avoiding fake and fraud. So, the enterprise is socially responsible if it makes profits, which is the purpose of their owners and shareholders. However, this is just a legal vision because enterprises must create and deliver benefits to all involved, improving quality of life and preserving the environment. It's not just generating profits...it's achieving satisfaction and wealth in a win-win relation. The main function of an enterprise is creating value and generating benefits for its owners and shareholders, but also to contribute to society and the environment. Making profits must not be seen as an objective, but as a result of doing things right.

CSR as A Win-Win Relation

Aktouf, quoted by Barroso (2008), suggests there are two kinds of focus referring to the way in which an enterprise behaves: "Maximum profit", in which little is invested in the staff, there are no new products or services, environment care is not enhanced, and there are no actions for improving the community because for achieving maximum profit, cost must be minimum. It is a win-lose relation in which the worker becomes a kind of enemy because training, fair pay and improving QWL cost money and reduce the expected profit. Those under this focus do not see it has a negative circle in which, for keeping costs at a minimum, there is a loss in competitiveness and a lack of vision. However, on the other hand, there is an "Optimal profit" in which everybody wins, society improves and the enterprise achieves sustainable development.

CSR and Sustainable Development

CSR is not philanthropy. Philanthropy has its value because it helps people in need, but the commitment is just voluntary, not necessarily active because it is not connected to the enterprise mission, so it does not enhance sustainability. On the other hand, there is a high risk for enterprises to quit helping if they do not receive any benefit. That's why there is a new face for CSR, which is helping people in need to help themselves. If enterprises have a benefit while they help, they will be more

motivated to keep on participating in social responsibility projects.

It is possible for an enterprise to have profits while it implements CSR projects. Prahalad (2004) suggests that enterprises must focus in what he calls “Base of the Pyramid” (BOP), which consists of about four billion people who live with less than two dollars a day, including talented people waiting for an opportunity for changing their situation. For (Mutis and Ricart, 2008), the key is practicing CSR based in associations, innovations and mutual profits, in which enterprises could cooperate in reducing poverty and generating capabilities for new business models for mutual development. This changes the traditional paradigm of reducing poverty through donations and solutions designed on top of the pyramid for trying to solve the problems at the bottom. The real challenge for enterprises is creating links with the government and communities for enhancing business relations respecting human dignity. This is possible because there are cases which suggest that there are three categories of strategies for developing profitable business integrating people from communities to productive chains (Ramos et al. 2007).

- **Supplier development.**

Enterprises which lead the productive chain provide technical or financial assistance to micro and small businesses formed by poor people. There are cases like Palo de Azucar (Brazil), Atuto (Honduras) and Starbucks (Costa Rica).

- **Distributor development.**

The leading enterprise set up micro and small businesses for distribution of products and services, usually managed by former employees, with technical and financial assistance. Success cases are Bon Appetit (El Salvador) and Union Fenosa (Colombia).

- **Market development.**

The leading enterprise supports elaboration of products which are better adapted to local micro and small business needs and gives them technical and financial assistance, even though they are not aligned to the value chain of the leading enterprise. Success cases are Amanco (Honduras), Prodem (Bolivia) and Bon Group (Dominican Republic).

The idea, according to (Mutis and Ricart, 2008), is not making consumers become employees. It is to help them help themselves. The challenge for a socially responsible enterprise, according to Servitje (2010), is creating business activities to improve their workers’ QWL, satisfy their stakeholders, help community development and preserve the environment, as well as avoid any kind of protectionism. And according to Barroso (2010), being socially responsible does not mean increasing sales because they depend on many factors; some of them are beyond the enterprise control.

Customers do not necessarily purchase a product just because the store is socially responsible. They purchase something

because they need it, and if the store or business unit practices CSR, they could prefer buying there, but it is not necessarily a cause-effect relation. However, being socially responsible improves workers’ motivation and their productivity because there is a positive and significant correlation among those variables (Barroso, 2010). Then, CSR does not improve profits directly, but it could help the enterprise be more productive, which means that being socially responsible does not automatically lead to more profits, but not practicing it, can cause a quick business ruin. Development without the human being leads to human beings without development.

The only behavior for an enterprise is to be socially responsible on its way to sustainability, which means that CSR is not a tool for increasing profits, but a moral and ethical commitment of enterprises. This is also supported by Bowen (1953), considered the father of CSR, who said it expresses a fundamental morality in the way enterprises behave towards society.

Conclusion

To be socially responsible in the complete meaning of the concept, an enterprise must operate within four dimensions suggested by CEMEFI (Porto and Castroman, 2006), this is, improving the QWL of employees, preserving the natural environment, being ethical with customers and all other stakeholders and contributing to the improvement of the community in which the business unit operates. Practicing only some of them is just doing social commitment actions, but to be socially responsible, the four must be practiced. Those actions must be connected to the enterprise’s mission to be sustainable, otherwise, if those actions are for donation, it would be just philanthropy. CSR must be seen as helping those in need to help themselves through the enterprise efforts connected to the mission. Then, CSR also has a strong educational meaning.

CSR must not be seen as a marketing strategy for increasing sales, or just a mask pretending to be seen as a good enterprise. Those who have tried to cheat their customers giving a socially responsible image as just a marketing trick have been wiped out from their markets. Customers do not forgive when they are cheated, especially with an image which does not correspond to reality. However, CSR enhances productivity increase and confidence from employees and stakeholders, helping others through the design of business models to reduce poverty from the enterprise’s mission. So, CSR is a win-win relation towards sustainable development. This is the ABC of CSR.

In a world in which there are still some business owners with the idea that profits must be big and quick, that the most important is selling at any cost, that workers are replaceable and natural resources are forever, we could tell them they need a moment of reflection to align their social, environmental and economic practices searching for sustainability. To adapt to

changes, they need to be socially responsible if they want to survive, develop and last. So, the only way for an enterprise is to be socially responsible, or it will be eventually pushed out of its market.

Conflict of interest

Authors have none to declare

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