Assignment

Business Law and Corporate Social Responsibility
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A S S I G N M E N T   O N

CSR Basics

(The Basic Ideas of Corporate Social Responsibility)

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Preface

This is a study on today's one of the most common corporate buzz words, CSR. I worked on this issue to reveal the very basics of that issue along with some interesting relevant points. This includes the history, CSR as a debating issue, practice of CSR in our country along with the relevant recommendation from an eminent scholar. The Definition section includes seven different definitions given from different views by various personnel and organizations. The Origin part describes, in which situation, when and how CSR came to the regular practice list of organizations.

Due to word limitations of this report (as it has been said, ranged within 2,000 – 4,000 words) I have to confine this within a certain extent. But still I believe, this report will provide an initial and brief guideline about Corporate Social Responsibility, which we shortly call CSR. I was much caring during the report preparation time, but if still there is any mistake please pardon.

I wish this report will serve the purpose to understand the core concepts of the today's essential corporate practice, CSR.

S. M. Benzir Ahmed

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Acronyms

CSR = Corporate Social Responsibility
SRB = Sustainable Responsible Business
KPMG = Klynveld Peat Marwick Goerdeler
CPD = Centre for Policy Dialogue
CR = Corporate Responsibility
NGO = Non-Government Organization
BEI = Bangladesh Enterprise Institute
UCEP = Underprivileged Children's Educational Programs
BASF = Badische Anilin- und Soda-Fabrik (Baden Aniline and Soda Factory)
SME = Small and Medium Enterprise

Acknowledgement

I thank Almighty Allah first, as without His grace preparing this report would never be possible. And then I thank to my honorable faculty and course instructor Mr. R.K. Sen who teaches us Business Law and CSR. He has assigned the task upon me. Although it was a big task, I thank to my teacher as this task of making the report gave me opportunity to learn some new things on CSR besides traditional and core ideas about CSR that I had earlier.

Summary

This report titled "CSR Basics" covers the elementary concepts of Corporate Social Responsibility. It begins from 'Definition' and ends till 'Recommendation' through some of its real life applications. The definition part is enriched with seven different definition which will make the readers' concept clearer than before on this topic. There is a visual display of the definition as well to make it better understand. The 'Origin' part is basically the history part where actually the reason and situation of its beginning time has been described rather using lots of dates and years there. Besides 'Policies', 'Benefits' and 'Challenges', there is an interesting part titled 'Controversies'. It contains three points-counterpoints to show the arguments and counter-arguments on CSR.

Globally, the bank sector has came up with some significant CSR ideas; that has been discussed under a fresh topic. There is a detail of CSR practices in Bangladesh after the previous topic which finally ended with nineteen relevant expert Recommendations ('Recommendations' is another topic after bank related paragraph). At the end, the conclusion part concluded with a nice comment of an industry expert. It reveals the real face of corporate role players.

Introduction

Corporate Social Responsibility (CSR), also known as Corporate Responsibility, Corporate Citizenship, Responsible Business, Corporate Responsibility, or Social Action Program, Sustainable Responsible Business (SRB), or Corporate Social Performance. It is a form of corporate self-regulation integrated into a business model.

There is an illusion/myth that Corporate Social Responsibility (CSR) is just another name for 'Philanthropy'. But, CSR is not just philanthropy. It's more than that. A corporate citizen's job will not end by just donating some money and cleaning our hands that any rich person with compassion can do. The major responsibility includes giving a helping hand to the under privileged and disadvantaged in all possible ways. Corporate Social Responsibility is a concept whereby companies integrate social and environmental concerns into their business operations and in their interaction with their stakeholders (employees, customers, shareholders, investors, local communities, government), on a voluntary basis. CSR demands that businesses manage the economic, social and environmental impacts of their operations to maximize the benefits and minimize the downsides. Key CSR issues include governance, environmental management, stakeholder engagement, labor standards, employee and community relations, social equity, responsible sourcing and human rights. It has become a multi-billion dollar public relations specialty in the business world

Definitions

Corporate Social Responsibility (CSR) is becoming an increasingly important initiative of businesses both nationally and internationally. There exists no universally accepted definition of CSR.

As per WikiPedia, "Ideally, CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure its support to law, ethical standards, and international norms. Consequently, business would embrace responsibility for the impact of its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, CSR-focused businesses would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. Essentially, CSR is the deliberate inclusion of public interest into corporate decision-making, and the honoring of a triple bottom line: People, Planet, Profit."
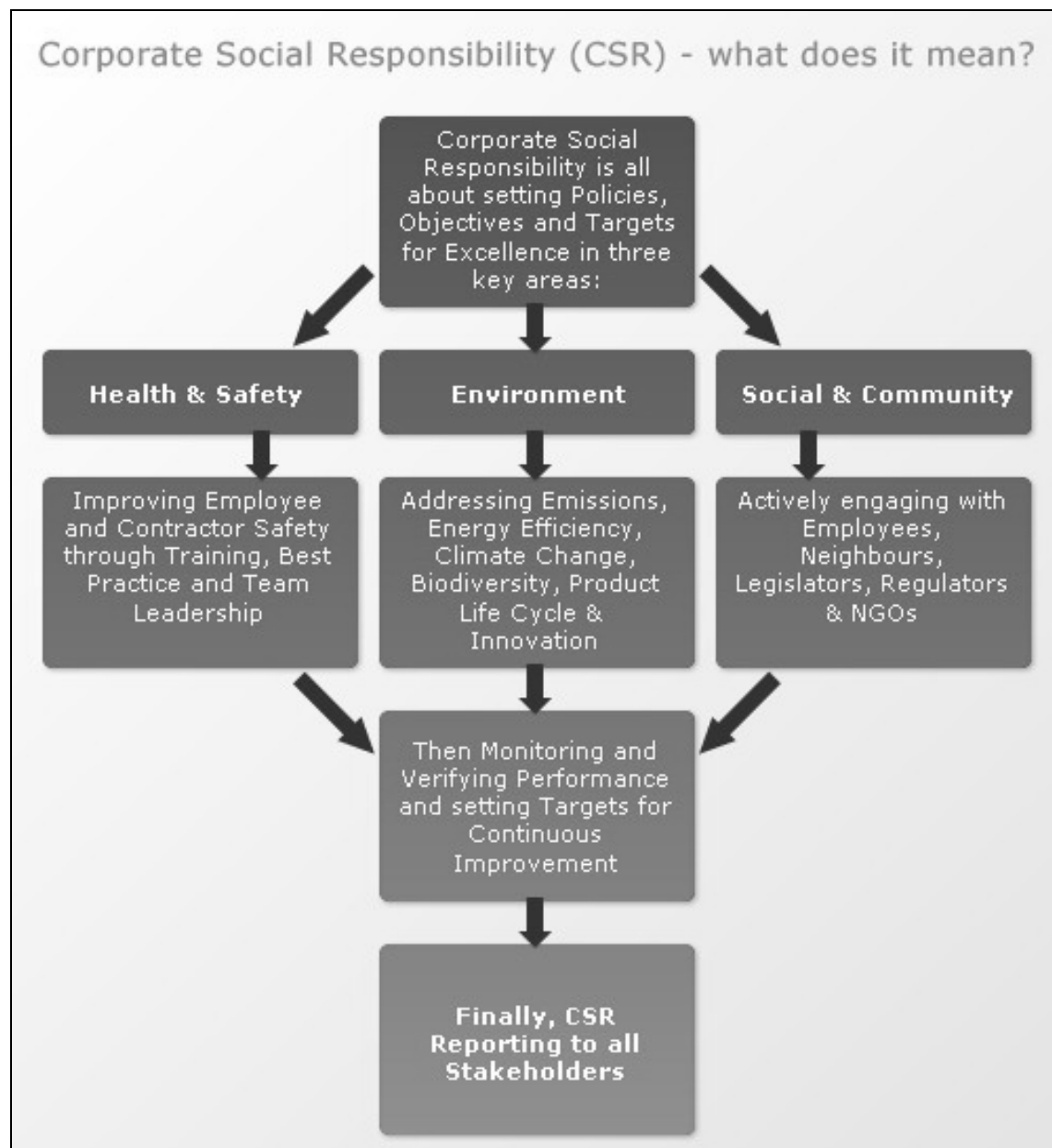
The definition of CSR by the World Business Council for Sustainable Development offers an acceptable definition. They state that "corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large (CSR: Meeting Changing Expectations, 1999, Page 6)."

Lotus Holdings defines CSR as, "The integration of the interests of the stakeholders – all those affected by a company's conduct – into the company's business policies and actions, with a focus on the social, environmental, and financial success of a company, the so-called triple bottom-line with the goal being to positively impact society while achieving business success."

The reference site 'Source Watch' defines, "Corporate social responsibility (CSR) is commonly described by its promoters as aligning a company's activities with the social, economic and environmental expectations of its 'stakeholders'."

Business Blogger Sunil B. says, "CSR is about authority and accountability, duty and delivery, risk and reputation, transparency and trust, obligation and opportunity, but ultimately it's about Sustainability. It's about how the world works… for the better."

According to the CSR specialized firm 'CSR Network', "Corporate social responsibility (CSR) is about how businesses align their values and behavior with the expectations and needs of stakeholders - not just customers and investors, but also employees, suppliers, communities, regulators, special interest groups and society as a whole. CSR describes a company's commitment to be accountable to its stakeholders."

Corporate Social Responsibility (CSR) - what does it mean?

Corporate Social Responsibility is all about setting Policies, Objectives and Targets for Excellence in three key areas:

Health & Safety → Improving Employee and Contractor Safety through Training, Best Practice and Team Leadership

Environment → Addressing Emissions, Energy Efficiency, Climate Change, Biodiversity, Product Life Cycle & Innovation

Social & Community → Actively engaging with Employees, Neighbours, Legislators, Regulators & NGOs

Then Monitoring and Verifying Performance and setting Targets for Continuous Improvement

Finally, CSR Reporting to all Stakeholders

[Diagram] This diagram explains the components of CSR and how they come together in CSR reporting

According to consultancy firm STENUM GmbH, "Corporate Social Responsibility (CSR) pertains to a company's societal responsibility. The CSR concept takes the idea of sustainability and combines its three pillars – economy, ecology and society – with concrete corporate action. CSR is a central economic factor and a sustainable competition factor,

which dictates the future viability of a company. Corporate Social Responsibility encompasses all activities of the company in the fields of social, ethical and ecological responsibility, with which sustainable development will be implemented in the daily life of the business."

Origin

The nature and scope of corporate social responsibility has changed over time. The concept of CSR is a relatively new one—the phrase has only been in wide use since the 1960s. But, while the economic, legal, ethical, and discretionary expectations placed on organizations may differ, it is probably accurate to say that all societies at all points in time have had some degree of expectation that organizations would act responsibly, by some definition.

In the eighteenth century the great economist and philosopher Adam Smith expressed the traditional or classical economic model of business. In essence, this model suggested that the needs and desires of society could best be met by the unfettered interaction of individuals and organizations in the marketplace. By acting in a self-interested manner, individuals would produce and deliver the goods and services that would earn them a profit, but also meet the needs of others. The viewpoint expressed by Adam Smith over 200 years ago still forms the basis for free-market economies in the twenty-first century. However, even Smith recognized that the free market did not always perform perfectly and he stated that marketplace participants must act honestly and justly toward each other if the ideals of the free market are to be achieved.

In the century after Adam Smith, the Industrial Revolution contributed to radical change, especially in Europe and the United States. Many of the principles espoused by Smith were borne out as the introduction of new technologies allowed for more efficient production of goods and services. Millions of people obtained jobs that paid more than they had ever made before and the standard of living greatly improved. Large organizations developed and acquired great power, and their founders and owners became some of the richest and most powerful men in the world. In the late nineteenth century many of these individuals believed in and practiced a philosophy that came to be called "Social Darwinism," which, in simple form, is the idea that the principles of natural selection and survival of the fittest are applicable to business and social policy. This type of philosophy justified cutthroat, even brutal, competitive strategies and did not allow for much concern about the impact of the successful corporation on employees, the community, or the larger society. Thus, although many of the great tycoons of the late nineteenth century were among the greatest philanthropists of all time, their giving was done as individuals, not as representatives of their companies. Indeed, at the same time that many of them were giving away millions of dollars of their own money, the companies that made them rich were practicing business methods that, by today's standards at least, were exploitative of workers.

Around the beginning of the twentieth century a backlash against the large corporations began to gain momentum. Big business was criticized as being too powerful and for practicing antisocial and anticompetitive practices. Laws and regulations, such as the Sherman Antitrust Act, were enacted to rein in the large corporations and to protect employees, consumers, and society at large. An associated movement, sometimes called the "social gospel," advocated greater attention to the working class and the poor. The labor movement also called for greater social responsiveness on the part of business. Between 1900 and 1960 the business world gradually began to accept additional responsibilities other than making a profit and obeying the law.

In the 1960s and 1970s the civil rights movement, consumerism, and environmentalism affected society's expectations of business. Based on the general idea that those with great power have great responsibility, many called for the business world to be more proactive in (1) ceasing to cause societal problems and (2) starting to participate in solving societal problems. Many legal mandates were placed on business related to equal employment opportunity, product safety, worker safety, and the environment. Furthermore, society began to expect business to voluntarily participate in solving societal problems whether they had caused the problems or not. This was based on the view that corporations should go beyond their economic and legal responsibilities and accept responsibilities related to the betterment of society. This view of corporate social responsibility is the prevailing view in much of the world today.

Policies

According to As You Sow Foundation common CSR policies include:

- § Adoption of internal controls reform in the wake of Enron and other accounting scandals;
- § Commitment to diversity in hiring employees and barring discrimination;
- § Management teams that view employees as assets rather than costs;
- § High performance workplaces that integrate the views of line employees into decision-making processes;
- § Adoption of operating policies that exceed compliance with social and environmental laws;
- § Advanced resource productivity, focused on the use of natural resources in a more productive, efficient and profitable fashion (such as recycled content and product recycling);
- § Taking responsibility for conditions under which goods are produced directly or by contract employees domestically or abroad.

Benefits

"Some see this work as charity, philanthropy, or an allocation of resources that could better be donated by shareowners themselves," writes Debra Dunn, Hewlett Packard Senior Vice President for Global Citizenship in the company's 2005 report. "But to us, it is a vital investment in our future, essential to our top-line and bottom-line business success." KPMG's International Survey of Corporate (Social) Responsibility Reporting 2005, which surveyed more than 1,600 companies worldwide, presents the following top ten motivators of CSR:

- § Economic considerations
- § Ethical considerations
- § Innovation and learning
- § Employee motivation
- § Risk management or risk reduction
- § Access to capital or increased shareholder value
- § Reputation or brand
- § Market position or share
- § Strengthened supplier relationships
- § Cost savings

There are other benefits too:

§ A good reputation makes it easier to recruit employees.
§ Employees may stay longer, reducing the costs and disruption of recruitment and retraining.
§ CSR helps ensure you comply with regulatory requirements.
§ Activities such as involvement with the local community are ideal opportunities to generate positive press coverage.
§ Good relationships with local authorities make doing business easier.
§ Understanding the wider impact of your business can help you develop new products and services.
§ CSR can make you more competitive and reduces the risk of sudden damage to your reputation (and sales). Investors recognize this and are more willing to finance you.

Controversies

The "economic" argument against CSR is perhaps most closely associated with the American economist Milton Friedman, who has argued that the primary responsibility of business is to make a profit for its owners, although while complying with the law. According to this view, the self-interested actions of millions of participants in free markets will, from an effective perspective, lead to positive outcomes for society. If the operation of the free market cannot solve a social problem, it becomes the responsibility of government, not business, to address the issue. Here the major arguments for and against corporate social responsibility are shown below.

Issue 1

For: The rise of the modern corporation created and continues to create many social problems. Therefore, the corporate world should assume responsibility for addressing these problems.
Against: Taking on social and moral issues is not economically feasible. Corporations should focus on earning a profit for their shareholders and leave social issues to others.

Issue 2

For: In the long run, it is in corporations' best interest to assume social responsibilities. It will increase the chances that they will have a future and reduce the chances of increased governmental regulation.
Against: Assuming social responsibilities places those corporations doing so at a competitive disadvantage relative to those who do not.

Issue 3

For: Large corporations have huge reserves of human and financial capital. They should devote at least some of their resources to addressing social issues.
Against: Those who are most capable should address social issues. Those in the corporate world are not equipped to deal with social problems.

Challenges

Though acclaimed internationally, the concept of CSR is marred by several significant challenges such as:

- § Lack of corporate strategic philosophy and vision
- § Lack of understanding about Community Engagement Frameworks
- § Not enough sharing of best practices
- § Insufficient database of good NGO partners
- § Branding issues

Recent Applications in Banking Sector

In 2004 and 2005, several banking sector companies to adopted rigorous CSR policies to limit lending related to destructive projects. In response to pressure from environmental activists and shareholders, Bank of America, Citigroup, and JP Morgan Chase agreed to not finance projects in endangered or high conservation value forests or where illegal logging is occurring. Goldman Sachs was the first global investment bank to adopt a comprehensive environmental policy, acknowledging the scientific consensus on climate change and calling for urgent action by public policy makers and federal regulators to reduce greenhouse gas emissions.

CSR Practices In Bangladesh

As of 2002, TERI-Europe contracted Centre for Policy Dialogue (CPD) to conduct an initial survey of the state of Corporate Responsibility (CR) in Bangladesh. The survey covered experiences and perceptions of workers, company executives and public representatives. Some of the conclusions of the survey were that the companies appear stronger on policy rather than on practice, around 2/3rd of the companies have policies on sustainable development, the aspects requiring attention are corporate governance, AIDS, human rights and international labor standards. Some of the conclusions of the report were that external forces are the main drivers for CR in Bangladesh, need for educating business leaders in CR as sustainable and profitable business models, CR for the environment is of low concern and there is scope for partnership between the corporate sector and civil society.

A study of CSR in Bangladesh provides a bird's eye view of how CSR engagements are being structured and whether CSR initiatives are home grown within companies or being partnered with other specialized entities, private consulting companies, NGOs, research organizations or the government. While exploring the market conditions of corporations from various sectors in the field of corporate responsibility, the possibility of partnership brokering and partnerships in place were also explored among the corporations in Bangladesh. Partnerships are a way forward for increasingly complex global interactions and for taking ideas forward and being implemented as a methodology in the Western world.

Fourteen companies from various sectors were directly approached and questions on Community relations, Strategic Partnership Perspectives, Stakeholder Engagement, etc were asked. For the purpose confidentiality the names of the visited companies are not given in this article. The August 2007 issue of The Executive Times also provided solid secondary information on CSR activities performed by some companies (16 companies) that was published on corporate outlook of corporate heads or concerned departmental heads.

The primary and secondary information were indicative that some companies equated CSR with Corporate Giving or Philanthropy. These entities were not considering at sustaining an enterprise by giving responsibly; they were focusing on giving to the community without thinking ahead of sustaining the community efforts. This was the fundamental shift in reasoning between the local professionals and testimonials read at corporate websites and literature of global corporations overseas. On the Bangladeshi part, the concept of CSR was not particularly framed in the context of seeing to it that the money being given as corporate donations had been part of strategic road map of the organization. CSR was done by certain companies in Bangladesh with a particular cause in mind and its interaction with the brand of that company (an example of cause related branding). Additionally, the executives of these organizations purported to make themselves believe that they are responsible corporate citizens for their contribution to the welfare of society without truly understanding the percentage of their contribution to the welfare of society. Only a handful of these companies were truly engaged in CSR and partnerships for sustainability. At KDS accessories, they had noted of taking a comprehensive plan to design their CSR initiative in the coming year. At the same token, BRAC Bank and Marico Bangladesh Ltd. seemed to show tokenism in their CSR activities. The comments made by these companies point to the fact that they are either not aware of CSR or that CSR is a concept not akin to them or they lightly subscribe to the overarching goals of CSR and its social ramifications. Some companies like Rahimafrooz talked about working with Bangladesh Enterprise Institute (BEI) to sponsor some costs of their CSR center. Through this project Rahimafrooz has attempted to sustain the benefits of CSR. Similarly, Prime Bank and South East Bank discussed of being active in corporate philanthropy and had contributed to activities that are part and parcel of CSR. Chevron had also practiced the idea of sustaining CSR by funding the expansion project of Bibiyana Clinic and had setup two Smiling Sun Clinics, ensuring that the clinic's sustainability. Similarly DHL Express, Bangladesh was working to support UCEP, which is a large NGO (Non-Government Organization) in Bangladesh working for the welfare of children. Expeditors had programs of corporate giving and they also work through the Rotary Club for various awareness programs. The companies that had no information volunteered on CSR were Asian Paints, BASF, Commercial Bank, PRAN-RFL Group, GETCO, TNT Express-Bangladesh in this published report in The Executive Times.

The information on CSR and partnership assessment in place in Bangladesh were collected. from secondary source. The following companies were reviewed:

1. Asian Paints 2. Rahimafrooz 3. BASF 4. GETCO Trading Ltd. 5. Prime Bank 6. Cairn 7. Commercial Bank 8. Chevron 9. BRAC Bank 10. DHL Express, Bangladesh 11. South East Bank 12. Expeditors 13. KDS Accessories 14. TNT Express- Bangladesh 15. PRAN-RFL Group 16 Marico Bangladesh Ltd.

Recommendations

In an article published in an online research journal 'BD Researchers', titled "Corporate Social Responsibility (CSR) - Global and Bangladeshi Perspectives", Mr. Ziaur Rahman stated following 19 ideas to incorporate in order for CSR to gain momentum in Bangladesh.

1. CSR, corporate giving, philanthropy, community giving, etc. must be clearly defined and invite corporations to build more innovative CSR practice within their organizations.
2. CSR has strategic and financial value have to be properly communicated by value-mapping the benefits of CSR. The economic impact of CSR has to be clearly defined with solid case studies.
3. CSR education has to be ongoing to keep aware corporate Bangladesh.

4. A strategic interplay between CSR and publicity is apparent and in circulation globally, but turning CSR into strategic advantage is not noticed (apart from a few companies) in Bangladesh. Companies may design their CSR partnership opportunities keeping these views in place.

5. CSR case studies may be developed by companies for wider dissemination. A set of case studies may be commissioned on CSR to champion the initiative of building CSR mindset among the corporates.

6. CSR has a tertiary level focus in Bangladesh and, therefore, more advocacy campaigns may be rolled-out citing real stories of CSR impacting the bottom-line profitability of a company, globally or locally.

7. Corporations may retain CSR/partnership learning aide as they had nebulous idea of how CSR practices can offer value to both society and the organization.

8. Build CSR practices in the SME sector

9. Corporations need to actively develop CSR departments so as to support CSR partnerships. Some pressure may be accorded by the government, NGOs, trade bodies, trade facilitative organizations and research bodies to bring in some fundamental changes in the way the corporations of Bangladesh run.

10. Legal enforceability may also push the companies to follow good-business practice; from an ethical point of view, the companies that are highly profitable in Bangladesh or producing products/service that are risky like tobacco must be sanctioned to have a decent budget for CSR partnership implementations.

11. Tax rebate for donation/investment in CSR partnership may be introduced by the government

12. Corporations themselves may organize CSR/partnership trainings and invite key personnel to participate, giving a full breadth of sharing CSR concepts and CSR engagements for adoption and implementation

13. Corporates may support in solving some persistent social issues that may ultimately buy-in the commitment to champion other partnership projects.

14. Corporations may introduce CSR newsletters to potential clients, slowly building their interests.

15. CSR education at the college and university level may be introduced so that future employees of the corporate understand the benefits of CSR and may work as a catalyst for the top management to introduce CSR programs.

16. Promote CSR through local trade bodies and people's organization.

17. CSR ideas and partnering trainings need to be organized either at the NGO, Government or the private level so as to build the knowledge base to promote effective CSR and partnerships.

18. Myth that corporate giving is CSR has to be broken through information sharing.

19. Build countrywide CSR awareness and send signal to the corporate sector that CSR offers social and commercial benefit to the companies implementing CSR programs.

Conclusion

Finally, some suggest that businesses should assume social responsibilities because they are among the few private entities that have the resources to do so. The corporate world has some of the brightest minds in the world, and it possesses tremendous financial resources. (Wal-Mart, for example, has annual revenues that exceed the annual GNP of some countries). Thus, businesses should utilize some of their human and financial capital in order to "make the world a better place." Let's end with a quote Niall Fitzerald, Former CEO, Unilever: "Corporate social responsibility is a hard-edged business decision. Not because it is a nice thing to do or because people are forcing us to do it… because it is good for our business".

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Key Words for Searching in Google

CSR, Corporate Social Responsibility, definition of CSR by Lotus Holding, history of "corporate social responsibility", CSR in Bangladesh

Word Counts Including Headings of Main Report

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