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Module: Introduction to Business Management

Level: Second year LMD

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**Lecture 10 : Recent trends in Management
(Corporate Social Responsibility)**

Objectives :

- 1- Understand the Concept of CSR
- 2- Explore the Relationship Between CSR and Corporate Governance
- 3- Identify the Types of CSR
- 4- Examine the Areas of Social Responsibility
- 5- Evaluate Arguments for and Against CSR.

Structure :

- 1- Introduction
- 2- Concept of Corporate Social Responsibility
- 3- Types of Corporate Social Responsibility
- 4- Areas of Social Responsibility
- 5- Arguments for and against Social Responsibility
- 6- Conclusion
- 7- Glossary

1- Introduction :

Corporate Social Responsibility (CSR) has become an essential aspect of modern business practices, reflecting the growing expectation for organizations to contribute positively to society beyond their economic objectives.

This lecture examines the concept of CSR by first exploring the ethical foundation of social responsibility, which emphasizes the obligation of individuals and organizations to act in ways that benefit society at large.

It highlights the importance of balancing economic growth with environmental sustainability and social equity.

Subsequently, the lecture delves into the specific principles of CSR, its relationship with corporate governance, and the various dimensions of responsibility that businesses are expected to address.

Finally, it presents arguments supporting and opposing the adoption of CSR to provide a nuanced understanding of its implications for both businesses and society.

2- Concept of Corporate Social Responsibility :

2-1- Social responsibility : is an ethical ideology or theory that an entity, be it an organization or individual, has an obligation to act to benefit society at large.

This means that individuals and organizations must consider the broader impact of their actions, going beyond personal or organizational interests to address societal needs. It emphasizes fostering social equity, protecting the environment, and promoting ethical practices to ensure sustainability and long-term well-being.

For individuals, this could involve community service or eco-friendly habits, while organizations might focus on fair labor practices, environmental conservation, or community support initiatives. The overarching goal is to create a harmonious balance between societal progress, economic growth, and environmental sustainability.

Social responsibility is a duty every individual or organization has to perform so as to maintain a balance between the economy and the ecosystem.

This balance requires careful consideration of the finite nature of resources and the interconnectedness of economic activities with environmental health. By adhering to this duty, individuals and organizations contribute to a sustainable future, ensuring that both present and future generations can thrive in a balanced and equitable society.

2-2-Corporate social responsibility (CSR) is: An obligation, beyond that required by the law and economics, for a firm to pursue long term goals that are good for society.

This includes voluntarily taking steps to address social and environmental challenges while fostering ethical practices that align with societal values. CSR initiatives often reflect a company's commitment to sustainability, such as reducing waste, supporting community welfare, or ensuring ethical supply chains. By embracing CSR, firms not only

meet stakeholder expectations but also enhance their reputation, build trust, and contribute to creating a sustainable and equitable society while maintaining long-term profitability.

2-3- Relation between CSR and Corporate Governance

Corporate governance and corporate social responsibility are actually quite different business concepts.

Despite the difference between corporate governance and corporate social responsibility, corporate social responsibility holds a prominent place for many corporations under the umbrella of good corporate governance. In other words CSR and corporate governance are two sides of the same coin.

Corporate Governance and CSR results into better image of an organisation and directly affects the performance of an organisation.

Good governance certainly helps companies withstand the ups and downs of the marketplace. CSR disclosure makes public the responsiveness of companies to socio-environmental issues as well as the behavior of managers facing real situations for example the benefits to employees the concern for people.

3- Types of Corporate Social Responsibility :

3-1- Environmental Responsibility : People expect businesses to exhibit environmentally responsible behavior, Specific environmental issues that affect businesses include global warming, sustainable resources and pollution.

3-2- Human Rights Responsibility : The ethical issue for corporations is ensuring that human rights are respected throughout all levels of the supply chain. Major companies have received criticism for their use of sweat shops and for sourcing resources that are harvested by unfairly treated workers.

3-3- Financial Responsibility : Financial responsibility is an important issue in corporate social

responsibility. Employees are expected to act as whistle blowers in such situations, and white collar crime is seeing high-profile prosecutions.

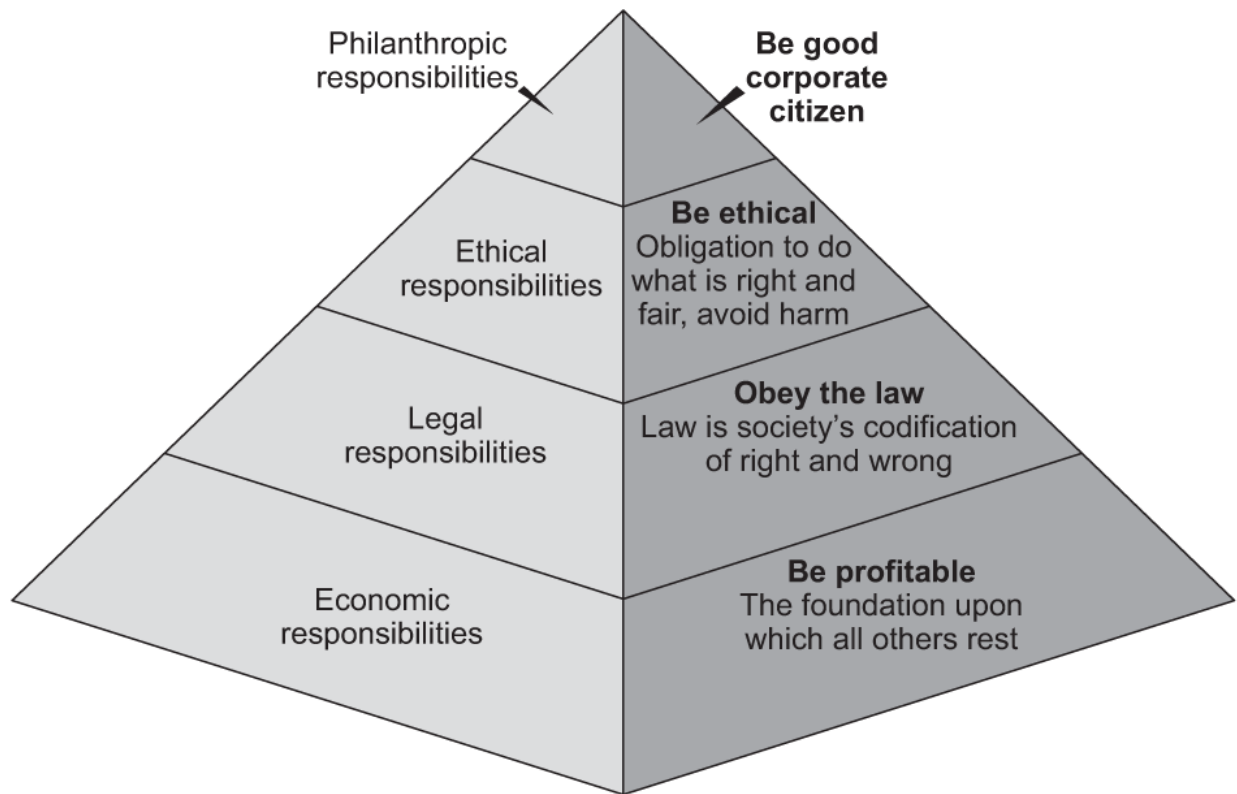
3-4- Political Responsibility : Trading with repressive regimes is a difficult issue in corporate social responsibility. Some businesses argue that working with these regimes will help to advance them and bring rights to the countries. responsibility.

3-5- Carroll's Pyramid CSR model

This is one of the leading CSR model. It is formally known as the model of Carroll's four-part pyramid.

The major focus of the model is to embrace the complete spectrum of expectations that society has from a business, defining them and dividing them into different categories.

There are four kinds of social responsibilities that cohesively constitute the concept of CSR. This involves economic, legal, ethical and philanthropic. The pyramid is used to show the different responsibilities of a business in the order of decreasing importance.



4- Areas of Social Responsibility :

4-1- Pollution Control : Installing pollution controlling devices and other related actions might cost the business considerably in terms of money and effort.

4-2-Health and Hygiene: A manufacturing company or a factory throws up lot of wastes and chemicals which prove to be health hazards. Although normally business takes all preliminary precautions to keep away from inhabited areas and to safeguard the health and hygiene of workers it usually tries to shirk its responsibility towards the people residing in the vicinity often business or factory premises.

4-3-Training and Self-help : Big business provides big opportunities for both direct and indirect employment. Self-employed persons outside the premises of a factory can contribute to the growth of business if they are well aware of the product and its raw materials needed by the manufacturing company.

4-4-Philanthropic Activities : The performance of some charitable trusts promoted by big business houses is far from satisfactory and even smacks of favoritism and partisan ends. Genuine philanthropic activity must benefit the people in their day to day life.

5- Arguments for and against Social Responsibility :

5-1- The major arguments for the assumption of social responsibilities by business :

- a) **Public expectations:** Public opinion in support of business pursuing social as well as economic goals is now well solidified.
- b) **Long run profits:** Socially responsible businesses tend to have more and secure long run profits. This is the normal result of the better community relations and improved business image that responsible.
- c) **Ethical obligation:** A business firm can and should have a conscience.
- d) **Public image:** Firms seek to enhance their public image to gain more customers, better employees, access to money markets, and other benefits.
- e) **Better environment:** Involvement by business can solve difficult social problems, thus creating a better quality of life and a more desirable community in which to attract and hold skilled employees.
- f) **Discouragement of further government regulation:** Government regulation adds economic costs and restricts management's decision flexibility. By becoming socially responsible, business can expect less government regulation.
- g) **Balance of responsibility and power:** Business has a large amount of power in society. An equally large amount of responsibility is required to balance it. When power is significantly greater than responsibility, the imbalance encourages irresponsible behavior that works against the public good.
- h) **Stockholder interests:** Social responsibility will improve the price of a business's stock in the long run. The stock market will view the socially responsible company as less risky and open to public attack.
- i) **Possession of resources:** Business has the financial resources, technical experts, and managerial talent to provide support to public and charitable projects that need assistance.
- j) **Superiority of prevention over cures:** Social problems must be dealt with at sometime. Business should act on them before they become serious and costly to correct and take management's energy away from accomplishing its goal of production goods and services.

*"Milton Friedman", One of the most famous economists argued against the notion of CSR.

He said corporations don't have social responsibilities. Three main arguments:

1. Only human beings have a moral responsibility for their actions
2. It is managers' responsibility to act solely in the interests of shareholders
3. Social issues and problems are the proper province of the state rather than corporate managers

5-2- The Major Arguments against the assumption of Social Responsibility by Business

- a) **Violation of profit maximization:** This is the essence of the classical viewpoint. Business is most socially responsible when it attends strictly to its economic interests and leaves other activities to other institutions.

- b) **Dilution of purpose:** The pursuit of social goals dilutes business's primary purpose: economic productivity. Society may suffer as both economic and social goals are poorly accomplished.
- c) **Costs:** Many socially responsible activities do not pay their own way. Someone has to pay these costs. Business must absorb these costs or pass them on to consumers in higher prices.
- d) **Too much power:** Business is already one of the most powerful institutions in our society. If it pursued social goals, it would have even more power and already Society has given business enough power.
- e) **Lack of skills:** The outlook and abilities of business leaders are oriented primarily toward economics. Business people are poorly qualified to cope with social issues.
- f) **Lack of accountability:** Political representatives pursue social goals and are held accountable for their actions. Such is not the case with business leaders. There are no direct lines of social accountability from the business sector to the public.
- g) **Lack of broad public support:** There is no broad mandate from society for business to become involved in social issues.

Conclusion

In conclusion, Corporate Social Responsibility is a multidimensional concept that underscores the role of businesses in addressing societal challenges while maintaining profitability.

By fulfilling their responsibilities toward the environment, human rights, and ethical governance, organizations contribute to sustainable development and foster trust among stakeholders.

Although some criticisms of CSR focus on its costs, potential dilution of business objectives, or lack of accountability, its benefits in terms of public trust, long-term profitability, and societal impact cannot be overlooked.

Understanding CSR and its associated responsibilities enables a deeper appreciation of its role in shaping ethical, sustainable, and socially conscious business practices.

SUMMARY

1- Concept of Corporate Social Responsibility (CSR):

- Social responsibility is an ethical ideology where individuals and organizations act to benefit society.
- It emphasizes fostering social equity, protecting the environment, and promoting ethical practices for long-term sustainability.
- CSR goes beyond legal and economic obligations to pursue societal good.

2- Relationship Between CSR and Corporate Governance:

- CSR and corporate governance are distinct but interconnected, contributing to better organizational performance and image.
- Good governance enhances CSR efforts, ensuring transparency, accountability, and ethical behavior.

3- Types of Corporate Social Responsibility:

- **Environmental Responsibility:** Addressing issues like pollution and sustainable resource use.
- **Human Rights Responsibility:** Ensuring fair labor practices and respecting human rights.
- **Financial Responsibility:** Combating financial misconduct and promoting ethical financial practices.
- **Political Responsibility:** Navigating relationships with repressive regimes ethically.
- **Carroll's Pyramid CSR Model:** Outlines economic, legal, ethical, and philanthropic responsibilities.

4- Areas of Social Responsibility:

- **Pollution Control:** Investing in measures to minimize environmental impact.
- **Health and Hygiene:** Safeguarding worker and community health near business operations.
- **Training and Self-help:** Promoting employment and awareness to support local economies.
- **Philanthropic Activities:** Engaging in genuine charitable efforts to benefit communities.

5- Arguments for Social Responsibility:

- Improves public image, long-term profitability, and stakeholder trust.
- Contributes to societal betterment and prevents government overregulation.
- Leverages business resources to address social challenges.

6- Arguments Against Social Responsibility:

- Potential violation of profit maximization and dilution of business purpose.

- High costs and lack of skills or accountability in addressing social issues.
- Risks increasing corporate power and lacking public support.

GLOSSARY

English	Arabic
corporate social responsibility	المسؤولية الاجتماعية للشركات
Social equity	العدالة الاجتماعية
Sustainability	الاستدامة
The overarching goal	الهدف الشامل
The interconnectedness	الترايط
To pursue	السعي إلى
Welfare	الرفاهية
Supply chains	سلاسل الإمداد
whistle blowers	المبلغون عن المخالفات
white collar crime	جرائم ذوي الياقات البيضاء (الجرائم الاقتصادية)
Spectrum	الطيف
Pollution control	التحكم في التلوث
Health and hygiene	الصحة والنظافة
Training and self-help	التدريب والمساعدة الذاتية
Philanthropic activities	النشاطات الخيرية
Superiority of prevention over cures	أولوية الوقاية على العلاج
Dilution of purpose	تمبيع الهدف