

INTEGRATING CORPORATE SOCIAL RESPONSIBILITY PROGRAMS INTO THE ETHICAL DIMENSION OF THE ORGANIZATION

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ABSTRACT

The purpose of this paper is to indicate the need to integrate corporate social responsibility programs into the global ethical vision of organizations. Such an approach requires the definition of the corporation in relation to the moral values it assumes and the ways in which moral values occur within the organization. On this foundation, the authors examined the various implications that moral values have on the initiation and conduct of corporate social responsibility programs.

KEYWORDS: *corporate social responsibility, business ethics, organizational behavior, organizational theory*

Introductory aspects

A first distinction, albeit approximate, of the content of Corporate Social Responsibility (CSR) is needed in order to clarify the concept as it will be used in this paper. As Dahlsrud [6] observes all the definitions include a reference to some of the following five dimensions of CSR: concern for the environment, social dimension of corporate relations, business dimension, and stakeholder dimension. One of the most popular and influential definition of CSR is that of Carroll [3], [4] which consists in a list of the types of corporate responsibilities: economic, legal, ethical and philanthropic responsibilities. Since this approach seems to involve the idea of an hierarchy of these responsibilities, we will use as the working definition of CSR the one proposed by the European Commission: “Corporate social responsibility (CSR) is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” [5, p. 3].

This paper aims to provide a counterpart to the literature on the economic argument for social responsibility (*the business case for CSR*). It is usually considered that social responsibility programs are an item found in conjunction with other economic activities of the enterprise. In a recent research study from the perspective of business advocacy for CSR, Carroll and Shaban [4] describe four economic reasons according to which firms engage in CSR: cost and risk reduction; gaining competitive advantage; developing reputation and legitimacy; seeking win–win outcomes through synergistic value creation.

The authors of this article consider that these issues may motivate the management to engage in CSR programs, but they are not sufficient as descriptive elements of the determinants of the decision to design and implement a CSR program. We try to offer a number of reasons which make it clear that financial incentives are only one side of the determinants that lead to the formulation of CSR policies, stressing that the organization's ethical values (in a sense which we will elucidate later), how these values appear and are formalized, represent a key determinant for the decision to start CSR programs and for a series of decisions related to it, like those decisions regarding the architecture of these programs and their evaluation methods.

The classification of the perspectives on CSR offered by Benabou and Tirole [2] is useful enough to determine the categories of reasons for which the corporations involve in CSR. This classification includes three views:

- 1) 'Win-win' - both corporations, through increased public exposure, and society, through the public nature of CSR, are beneficiaries of social programs;
- 2) Delegated philanthropy -the firm as a channel for the expression of citizen's philanthropic preoccupations, here the corporation serves as a tool for diminishing the informational costs and the costs of transfer;
- 3) Insider-initiated corporate philanthropy

At first glance, only the third perspective on CSR appears to be related to certain ethical criteria to evaluate the corporate action. But it is obvious that all corporate actions are sanctioned and valued in relation to ethics and that all corporate actions are described by economic return efficiency. This last statement may be misleading (how could deontological philanthropy be described by economic efficiency?). As far as the economic and managerial fields of research are looking for the adequacy of means to goals and are not giving any indication of these goals - hence all human actions that are directed towards a goal can be analyzed in economic terms. Moreover, all human activities, corporate or individual, are motivated and judged by the ethical values of policy makers and of society at large, no matter if these are financial activities or if they are completely uninterested in the financial aspect.

Recent studies on the relationship between financial and social performance of enterprises are remarkably equivocal, this type of conclusion is reached by Benabou and Tirole [2], Carroll and Shaban [4], Orlitzky, Schmidt and Rynes [11].

In order to make a descriptive and explanatory assessment, in the first phase, and then to offer some suggestions for integrating CSR into the ethical dimension of the organization, some theoretical clarification is needed on a number of issues such as:

- What is, and especially *who* is the corporation?
- Sources and means of development for the ethical obligations of the corporation;

- Means for the integration of a coherent CSR program from ethical and economical point of view.

1. Who is the corporation?

From Friedman [9] to Freeman [8] the time span is not so large when compared with the conceptual distance. From defining the corporation as ownership and management to including among its members other individuals/groups, until then considered outsiders, we encounter not only a quantitative difference, but also one of vision. Addressing any issues related to CSR one can not escape description of the corporation offered by Freeman as the aggregated relations of groups of people interested in the life of the corporation. Freeman holds a very abstract view of the corporation, for example he asserts the following: "the reasons for paying returns to owners is not that they 'own' the firm, but that their support is necessary for the survival of the firm" [8, p. 44]. Should we infer from here that the company is an abstract set of relationships to which stakeholders are external? Freeman seems to notice the conceptual difficulty he is in and delimits the stakeholders into groups that are vital for the survival of the enterprise (consisting of management, owners, employees, suppliers, customers, and local communities) and groups that include anyone that might affect /could be affected by the developments of the corporation. We believe that this paper should be limited to associating the responsibilities of the corporation with the ones of the vital stakeholders, in the end associating the corporation with these stakeholders.

Among the contemporary authors who believe that the success of the CSR programs depends on the contents of an organizational ontology we count MacLagan [10]. His following statement deserves a great deal of interest: "This [the process of assigning responsibilities] would involve networks of stakeholders, together with morally aware managers in the focal organization, searching for a shared sense of reality while recognizing that others may perceive things differently." [10, p. 377]. In a similar manner Freeman argues that: " 'Stakeholder theory' is thus a genre of stories about how we could live" [8, p. 44]. These normative ideas concerning the contents of the stakeholder theory have an obvious bias, the one that the stakeholders consider by default that the origin of their views and values is chosen in an arbitrary way (*shared sense of reality* or *stories about how we could live*). This bias may in some cases represent a matter of fact, but we think that there are no extremely rare situations in which people think that their values are fundamental and somehow objective. Freeman's entire presentation gives the impression that truth is relative to alternative managerial policies and not vice versa.

The conclusion of this section is that we must perceive the corporation as a finite sum of individuals who are subjects of rights and social, legal and moral obligations.

2. Sources and processes of developing moral values and obligations in the corporation

To discuss the integration of ethical values in the CSR programs we must find the ways in which moral values "enter" or are produced by the organization.

In the first instance, the moral values that stakeholders will promote through the CSR programs are personal values (or in other words - their own moral standards) leading to a sense of moral responsibility. According to their source/origin, these values may be: required by the law, guided by a moral standard culturally determined, revealed through transcendent theism or are transcendental in Kantian sense. These values are studied and analyzed through a range of tools such as: performing stakeholder analysis, Delphi analysis of ethical dilemmas etc.

Secondly, the organization itself does not produce values, but it can create a conglomerate of values and behavioral orientations agreed upon by the relevant stakeholders. These shared values can be perceived either as a result of the contracting process between stakeholders [7] or as a reflection of the needs recognized as an expression of moral considerations [13].

3. Integration of moral values in the CSR programs

Integrating moral beliefs CSR programs, in terms of their contents and the manner of managing them, depends on a number of other CSR-related processes – among which highly relevant for our study are: stakeholder analysis and organizational integration of CSR. These processes are relevant because through them there have already been some tasks concerning the ranking of stakeholder, and thus the ethical values that they promote.

Werthler and Chandler [15] found two solutions for the organizational integration of CSR in the corporate structure: implementing the RSC programs through “top-down support, the RSC Officer as part of the organizational chart-flow.

Integrating the ethical concerns of the organization in achieving the CSR programs is needed mainly as a result of the following reasons:

A. Moral beliefs serve as a control beliefs

Nicholas Wolterstorff [16] argues that certain beliefs serve a criterion by which other beliefs are to be assessed or refuted. The status of these control beliefs may be: one of a preliminary criterion for other beliefs (this is the sense that Wolterstorff assigned to them), one of a foundational belief or one of being consistent with a number of other beliefs. The role of these control beliefs, as it is perceived by the stakeholders, influences the integration of the CSR programs along the following three paths:

- a. Moral beliefs are preconditions of human action - The CSR programs are accepted or rejected according to a predetermined criterion;
- b. Moral beliefs are foundational for other types of beliefs - The CSR programs are the development of the moral principles of the company;

- c. Moral beliefs are a component of the system of beliefs that is held by the organization – CSR programs must be consistent with other elements of business ethics and with the organizational structures concerning operations etc.

B. Values serve as a decision-making criterion in guiding human action

The definition that is given to the concept of value by T. Parsons places values correctly as decision criteria - "An element of a shared symbolic system which serves as a criterion or standard for selection among the alternatives of orientation which are intrinsically open in a situation may be called a value." [12, p. 7].

However, a selection of the values it is required in the organizations and the values thus selected will be formalized through the ethics management program, whose main tasks consists in the selection and prioritization of those values.

C. Moral beliefs increase the level of moral accountability and the predictability of human behavior

The presence itself and the mention of moral standards recognized by formalized documents have a significant impact on the predictability of individual behavior, and on their moral awareness. For example - Dan Ariely [1, pp.195-215], presents a series of experiments from the field of behavioral economics that are conclusive concerning the fact that invoking the presence of moral standards tend to contribute to the dramatic fall of the propensity to have a dishonest behavior.

At the opposite pole lie Maclagan [10] and Webley and Werner [14], their studies show that ethical codes are insufficient to foster moral behavior. In order to address the difficulties of the lax morality generated by the formalization of ethics in organizations Maclagan [10] proposes a shift from the vision of black-box type of organization to a vision based on the individual responsibility for resolving ethical dilemmas. On the other hand, Webley and Werner [14] propose a series of measures to increase effectiveness of the codes of ethics summarized as follows:

- Measures for the design of the business ethics policy: agreeing on core ethical values, a stakeholder-based code, training and awareness raising;
- Measures for promoting an ethical culture: measures regarding management behavior and communication, incorporating ethical considerations into corporate strategy;
- Seeking feed-back and assurance: stakeholder surveys and engagement, symptomatic indicators.

Conclusions

This study questioned the way in which the moral obligations occur in the corporation. On this basis, the link between the organizational ethics and the CSR processes was exposed and illustrated. This paper illustrates also how the ethical dimensions of organizations affects, and is integrated into, CSR programs through

issues such as: the status of ethical values functioning as control beliefs, considering ethical values as a criterion in decision making processes, and ultimately the role of business ethics elements in regulating human behavior.

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