Understanding the Conflicting Domains of CSR in the Business World: An Ethical Perspective

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Abstract

Corporate Social Responsibility (CSR) arguments typically revolve around two main perspectives.

Thinkers of the one perspective argue that individuals or organizations should prioritize engaging in CSR primarily because it is their moral duty to promote and enhance the well-being of humanity and the environment. especially when they have resources to assist both people and the government; thinkers with opposing perspectives argue that individuals or organizations may choose not to engage in CSR initiatives, asserting that the primary goal of any business organization is to maximize profits and divert resources towards other objectives undermines investor interests. These conflicting viewpoints create a seemingly irreconcilable divide, potentially fueled by ambiguities surrounding the definitions and perceptions of CSR. Corporate Social Responsibility is often understood as the voluntary adoption of responsibilities that extend beyond mere economic and legal obligation. Still, the examples of CSR appear to be diverse and multifaceted. At times, it involves utilizing corporate resources to address social issues; at other times, it focuses on charitable contributions. Furthermore, CSR can include efforts focused on promoting employee well-being and enhancing the quality of life within the workplace. Conversely, people's perception of CSR tends to be dual in nature: it is seen both as a moral obligation and as a strategic business move. Business professionals working in the corporate world and elsewhere perceive CSR as a moral endeavor to help a lot of people and the environment. Still, it is also perceived to function simultaneously as a business strategy to promote the organization's economic interests.

In this paper, we argue that it is essential to better understand the distinct domains of CSR's definition and perception, both separately and in relation to each other. Misunderstandings or confusion between these two aspects could pose significant risks to the ethical application of CSR practices in both the business world and society.

Keywords

Corporate Social Responsibility (CSR), Definitions of CSR, Perceptions about CSR, CSR in Marketing strategy, and Moral endeavor.

1. Introduction

Corporate Social Responsibility (CSR) is often confused by its definitions. It is confusing that, As Kitchin correctly pointed out, At one moment, it seems to involve the engagement of non-governmental organizations (NGOs), then it shifts to charitable donations, and shortly after, it appears to focus on the ethical treatment of employees. One minute, NGOs seem to be in control, and the next, accountants are involved in selling 'reputation assurance.' (Kitchin, 2003, p. 312). It is also considered a complex concept that is hard to define. (Viererbl & Koch, 2022, p. 5) Although the role and responsibilities of business organizations in society have been a topic of discussion for centuries, we are not discussing whether corporations have responsibilities. Or what kind of responsibilities businesses have? Primarily because whenever the debate on CSR arises, it is generally assumed that most people support CSR as an essential initiative for social benefits. However, we will strictly focus on the definitions of CSR mainly because businesses nowadays are actively participating in CSR activities; yet, the practices that are going on under the name of CSR either misrepresent the very idea of CSR, or there is an ambiguity in understanding what CSR is.

In this paper, we will briefly discuss different definitions of CSR and analyze the various practices that have been going on under the name of CSR. However, there are numerous definitions of CSR. However, we will concentrate on those definitions of CSR that have, as per the market need, evolved over a period and understand how CSR initially began as a ‘business morality’ and later developed into a ‘marketing strategy.’ We will also analyze the perceptions associated with CSR and address an important question, i.e., is CSR a business strategy or a moral endeavor? At the conclusion of this paper, we will make the case that it is imperative to develop a thorough grasp of the opposing fields of definitions and perceptions of corporate social responsibility (CSR), both independently and in connection to one another, as any misunderstanding of these two facets of CSR may endanger the morally sound application of CSR in the corporate sector and in society at large.

2. Definitions of CSR

It is not easy to define CSR as most definitions provide specific interpretations or perspectives of the concept tailored to particular operational contexts and circumstances. There are many ongoing debates surrounding CSR, including the challenge of defining it. (McWilliams et al., 2006, p. 8) A significant milestone marking the beginning of the modern CSR era is the 1953 publication of Howard R. Bowen’s book ‘Social Responsibilities of the Businessman.’ In this book, Bowen used the term (SRB) instead of CSR, i.e., Social Responsibilities of the Businessman. He asserts that a businessperson’s responsibility is to adopt policies, make decisions, and take actions that align with the goals and values of society. This perspective does not imply that business professionals must relinquish their right to critique societal norms or advocate for their improvement. On the contrary, given their substantial power and influence, they might even have an obligation to do so. However, it is understood that, as contributors to society, they should respect its accepted values and avoid prioritizing their personal values over those of society. (Bowen, Howard R. (Howard Rothmann), 1953, p. 6) He further defined social responsibility as ‘Public Responsibility,’ ‘Social Obligation,’ and ‘business morality.’ This perspective demonstrates that CSR or SRB has been grounded in social values since its inception. For profit-making, one must not override societal values or prioritize personal values over those upheld by society.

In his article ‘The Growing Concern over Business Responsibility’ (1960), William Fredrick defined the Social Responsibility of Businessmen as ‘businessmen should oversee the operation of an economic system that fulfills the public's expectations. This implies that the economy’s resources should be used in a way that production and distribution contribute to improving overall socio-economic welfare. Ultimately, social responsibility entails adopting a public stance regarding society's economic and human resources and committing to ensuring that these resources are employed to serve broader societal goals rather than merely advancing the limited interests of individuals or private entities. (Frederick, 1997, p. 7) In the 1950s, three fundamental ideas about CSR began to take shape: the manager's role as a public trustee, the balancing of competing demands for corporate resources, and corporate philanthropy, which involves businesses supporting worthy causes. Over time, CSR has progressed from basic charitable activities to structured practices and strategic approaches.

However, in his most influential article, The Social Responsibility of Business is to Increase its Profits1970, Milton Friedman argued, to claim that a corporate executive has a "social responsibility" as a businessman implies acting in a manner that might not align with the interests of their employers—if the term is taken seriously and not as mere rhetoric. In Capitalism and Freedom, he describes this notion as a "fundamentally subversive doctrine" within a free society. He argues that in such a society, the sole social responsibility of a business is to utilize its resources and engage in activities that maximize profits, provided it adheres to the established rules of the game—operating through fair and transparent competition, without deception or fraud. (Friedman, 2007, p. 6)

Abagail McWilliams and Donald Siegel, in their article, Corporate Social Responsibility: A Theory of the Firm Perspective. (2001) defined CSR as, 'With so many conflicting goals and objectives, the definition of CSR is unclear. They define CSR as initiatives that aim to promote social welfare beyond the firm's interests and legal obligations. This definition emphasizes that, in their view, CSR entails actions that surpass mere compliance with the law. (McWilliams, 2016, p. 117)

Matten and Moon, in their article Implicit and Explicit CSR: A Conceptual Framework for a Comparative Understanding' (2017), defined CSR as 'the idea that it reflects the social imperatives and the social consequences of business success. CSR, along with its related concepts, encompasses well-defined and transparent policies and practices adopted by corporations to demonstrate their commitment to broader societal welfare. However, the specific form and focus of this responsibility are ultimately determined by the corporation itself. (Matten & Moon, 2017, p. 405). They added that CSR is a multifaceted concept that intersects with areas such as business ethics, corporate philanthropy, corporate citizenship, sustainability, and environmental responsibility. It is a dynamic and evolving idea shaped by the specific social, political, economic, and institutional context in which it operates. (Aminu et al., 2016, p. 2)

Lantos defines CSR as involving an obligation rooted in the implicit "social contract" between businesses and society, requiring firms to address society's long-term needs and desires while maximizing positive outcomes and minimizing the negative impacts of their actions on the community. (Geoffrey P. Lantos 2001, p.16)

Interestingly, one of the most well-known efforts to define CSR is based on ground breaking research by Archies. B. Carroll, famously illustrated in his iconic ‘conceptual pyramids.’ Archie B. Carroll, in his article, A three-dimensional Conceptual Model of Corporate Performance (1979), defined CSR as The social responsibility of business that encompasses economic, legal, ethical, and voluntary initiatives designed to meet the expectations of stakeholders. (Carroll, 1979, p. 3) Caroll postulated that CSR was a pyramid of company responsibilities based on economic, legal, social, and ethical responsibilities; at the base of the pyramid, we have financial responsibility, which has to do with providing goods and services like what you need, not necessarily what you can afford in society. The justification is that companies need to be commercially viable to meet the profit entitlement of shareholders, pay wages said out high in other countries, and provide goods at a reasonable price for consumers. Liability is concerned with the legal duty of companies to adhere to business laws and regulations to safeguard society from tarnishing accusations about corporate malfeasance and ethical misjudgment. Furthermore, the moral obligation ranks higher than economic and legal obligation as it is based on organizations should not be forced but instead obliged in most instances to maintain an interest in their stakeholders and take care. Hence, they do not harm society through their business activities. Therefore, a responsible philanthropic, corporate action would refer to corporate contributions that involve improving the life conditions of employees or any segment of the local or global society at work accompanied by the idea that one serves others.

Alexander Dahlsrud’s article, How Corporate Social Responsibility is Defined: An Analysis of 37 Definitions, 2008, argued that there is less confusion in defining CSR and more in how CSR is understood and implemented within specific social and contextual settings. He states, ‘The CSR definitions describe a phenomenon, but fail to present any guidance on managing the challenges within this phenomenon. Thus, the challenge for businesses lies not in defining CSR, but in understanding how CSR is shaped within a particular context and how to incorporate it into the development of business strategies.' (Dahlsrud, 2008, p. 6)

Considering all these definitions, over periods, definitions of CSR have evolved; however, what is unclear is the practices that are going on under the name of CSR. In the following sections, we will discuss a few practices that are going on under the name of CSR as a marketing strategy. If CSR is genuinely a social and moral endeavor, why has it become a marketing tool? If it is genuinely intended for the betterment of society, then why is CSR being used to fulfill an end, i.e., profit?

Susan Njeri Wamitu, in his article, Corporate Social Responsibility: Intentions and Practice (2014), argued that 'The modern-day business has almost capitalized on CSR, to create awareness that it exists, advertised its goods and services, and demonstrated how philanthropic it is. CSR is more of an advertising sideshow where the media plays an important role in ensuring that all and sundry notice that "we give back to society." (Wamitu, 2014, p. 116). He also contended that "The largest corporate giving programs are primarily driven by strategic or commercial interests, with the main motivations being the desire to gain a larger market share, enhance public image, and boost employee motivation and competition within the labor market. Therefore, over the years, a corporation's brand and public image have increasingly become CSR's focal point, providing support to look good and drive-up sales. (Ibid,2014, p. 116)

He provided certain opinions that should be considered while initiating CSR activities. He said CSR implementation should not affect those with a relationship with the organization. These include Employees, Shareholders, Customers, and the Government. Employees are one of the key stakeholders in an organization, and one who is easily forgotten is the employee in terms of salaries and wages, bonuses, incentives, etc., to save enough money for CSR. (Ibid, 2014, p. 123) Shareholders are often left without their due share from organizations, as these companies justify their low dividends by highlighting their extensive CSR activities. While organizations prominently display their charitable efforts through CSR, shareholders receive minimal dividends. Companies also owe customers quality goods and services, safety, and value for their money. Some organizations compromise on quality to save for CSR. It is expected to observe that the money used in CSR activities is still received from the same customer who enjoys it. (Ibid, 124). Ferrel asserts that fundamentally CSR is a self-serving agenda for some organizations and a mere gimmick for others. Organizations demonstrate social responsibility to the government by fulfilling their commitments related to taxes, licensing, registration, and conducting legal business honestly, among other obligations.

Arli et al.'s (2019) study involving participants from the USA and Australia reveals that corporate hypocrisy and consumer skepticism have a significant impact on the perception of CSR and the company's reputation. (Arli et al., 2019, p. 706) They further stated that "CSR activities that are divided into visible (e.g., directed at customers) and credible (e.g.,directed at the community) orientations may have negative consequences, fostering a perception that the organization's CSR motives are self-serving" (Ibid, 2019, p. 708). The general concern is that companies engage in CSR solely for their own benefit, using it merely as a business strategy. (Ibid, 2019, p. 708)

The overarching cry is that companies only act in CSR for their self-interest and can do nothing else but use CSR as a business strategy. The question arises: Is CSR a business strategy or an ethical or moral endeavor?

3. Perception of CSR: CSR as a Business Strategy or Moral Endeavor?

While some authors advocate for firms to engage in social responsibility without seeking rewards, others argue that it is unethical to undertake actions without benefiting from them. These view points often stem from agency theory, which asserts that managers, as agents of stockholders, should prioritize maximizing financial gains to serve their principals. In his article, The Boundaries of Strategic Corporate Social Responsibility (2001), Lantos discussed three categories of CSR: ethical, altruistic, and strategic. Ethical CSR (preventing social harm) is mandatory; for publicly-held businesses, Altruistic CSR (engaging in charitable activities at the potential expense of shareholders) is not legitimate, and companies should restrict their philanthropy to strategic CSR (initiatives that benefit both society and business). He concluded that strategic CSR is good for business and society. (Geoffrey P. Lantos 2001, p 2)

According to Lantos, CSR should concentrate on two key aspects. They were first, preventing harm and injuries that may arise from business operations—and second, achieving strategic business objectives.

CSR has also been characterized as a mechanism for enhancing corporate reputation and brand image. When Carroll talks about the philanthropic responsibilities of companies, he specifically mentions that philanthropic responsibility is more discretionary or voluntary for businesses. However, in today's world, companies with the same charitable responsibilities are using it as a tool of business strategy to gain maximum profit.

Geoffrey Lantos suggested three CSR types: ethical, altruistic, and strategic. He contends that ethical CSR is a moral obligation that transcends beyond a business's financial and legal obligations to include its moral obligation to prevent harm or social injury, even if there is no apparent benefit to the business. (Lantos, 2002, p. 206) Consequently, corporations should bear a moral obligation towards individuals or groups who may experience actual or potential harm as a result of their actions. He equates Ethical CSR with Carroll's Philanthropic CSR. (Ibid, 2002, p. 206) Carroll also talks about ethical CSR. Let us first understand Carroll's ethical and Philanthropic CSR. Archie B. Carroll, in his article, 'Carroll's Pyramid of CSR: Taking another Look' (2016), discusses Economic, legal, ethical, and Philanthropic CSR in detail. He argues that Ethical CSR means organizations should adopt activities, norms, standards, and practices that, while not legally mandated, are still expected. A key aspect of this ethical expectation is that businesses should adhere to the "spirit" of the law, not merely follow its literal requirements. (Carroll, 2016, p. 3) One expectation is that businesses should operate fairly and impartially, even in the absence of specific legal requirements or mandates. Ethical responsibilities, therefore, involve activities, standards, policies, and practices that society expects or prohibits, even if they are not formalized in law. These expectations seek to hold businesses accountable and responsive to a broad spectrum of norms, values, principles, and standards, ensuring they respect what consumers, employees, owners, and the community regard as consistent with safeguarding stakeholder's moral rights. Philanthropic responsibilities encompasses all forms of charitable contributions made by businesses. It includes voluntary or discretionary activities that, while not a literal responsibility, are generally expected by the public today. The scope and nature of these philanthropic efforts are at the discretion of the business, driven by a desire to engage in social activities that are not mandated by law or typically required from an ethical standpoint.

According to Henery Mintzberg, in its purest sense, social responsibility is advocated for its inherent value, as it represents the noble way for corporations to conduct themselves. (Mintzberg, 1983, p. 3) The firm anticipates no return from its CSR activities, choosing to be socially responsible simply because it is the noble way for corporations to act. Mintzberg contended that CSR could only endure and should be practised in its purest and most genuine form—as an ethical stance without expecting returns. For him, CSR involves firms taking actions beyond self-interest and greed to benefit society. Geoff Moore further suggested that using CSR to enhance profitability effectively harnesses virtue in service of greed. According to Moore, ‘the best way of assuring that firms behave in socially responsible ways is by not exploiting, owning, or dehumanizing us or appealing to our baser instincts while meeting the economic ends they are there to serve. (Moore, 2003, p. 43) He posited that there exists a conflict between social and economic pursuits, and by embracing social responsibility, firms aim to mitigate this conflict. Moore advocates for the establishment of a genuinely socially responsible company. He refers to this as 'the virtuous firm,' which prioritizes external rewards like profits only to the extent necessary to foster and uphold excellence in business practices. Moore argued that for CSR to be appropriately integrated into business operations, it should not be used to prioritize increased profitability, as doing so would be unethical.

Campbell Jones further argued that Campbell Jones also contended that business ethics would inevitably disrupt the seamless functioning of business. (Derrida, 2017, p. 234) Furthermore, ‘Ethics is valuable to the business in terms of minimizing risk, or at least of the public perception of risk (Ibid, 2017, p. 234). He explains Derrida's "philosophy of giving into business ethics," stating "For a gift to be a gift, there must be no reciprocity, return, exchange, counter gift, or debt". The same philosophy applies to CSR as well; for him, if being socially responsible entails "giving back" to society, once a firm quantifies the returns or strategises the ethics behind its actions, it ceases to embody the essence of true giving. As a business entity, if I contribute to society in any form, I should not expect a return (in business terminology, return is equated with profit). Any business organization must contribute to the betterment of society without any expectations. Therefore, according to Jones' arguments, firms must view CSR as an ethical position rather than to gain strategic advantage to be considered socially responsible.

4. Conclusion

After all this, what can we conclude? If there is one thing that can be said with certainty, it is that the language and politics of CSR is a messy business.

Meanings are constantly contested while certain corporations and civil society organizations cynically try to appropriate the language of responsibility. Some see CSR as a natural evolution of enlightened business morality, while others see it as a cynical abandonment of ethical pretensions. Some regard CSR as a tool for business against politics, while others see it as a tool for business by and for politics. But, as this history has hopefully shown, there is no simple answer: the politics of CSR are indeed as messy and as important as the politics of business itself.

Whatever the definition, the assumptions behind CSR were that businesses did not have unilateral control over society and that firms had responsibilities towards their communities beyond the profit strivings seen as the only legitimate reason for their existence. The trajectory of CSR today often blurs the distinction between social responsibility and strategic marketing. Some critics have argued that many CSR campaigns are driven more by burning corporate reputations and increasing profit margins than realising social welfare. This calls into question the ethics of the actions undertaken under the banner of CSR. Furthermore, the debate around CSR as a 'business strategy' versus CSR as a 'moral endeavour' adds another layer of complexity. Though some scholars and practitioners treat it as a strategic tool that can help firms gain a competitive advantage and manage the squeeze of different stakeholders, others argue that CSR should be practiced based on ethical imperatives and social obligations. The polarization of how CSR should be understood and practiced (especially in different contexts) should raise a red flag. Businesses must approach CSR with a critical balance between ethics and strategy, filtering instrumental interests and seeking business interventions that fulfil society's expectations.

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