The Benefits of Corporate Social Responsibility

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Definition of CSR and Support of Business

The term Corporate Social Responsibility or "CSR" describes the relationship between corporations and the societies in which they interact, focusing on the responsibilities that are inherent on both sides of these ties (Chandler, 2020). The need for CSR is pervasive because the for-profit firm is the cornerstone of an advanced society, and matters because it encompasses all aspects of business (Chandler, 2020). Stakeholders are a fundamental part of CSR, and its effectiveness, which requires both internal and external stakeholders to have an active role. The goal is to avoid the harm that accompanies the worst corporate transgressions and build success that can be sustained over generations (Chandler, 2020). In short, this ensures economic security, environmental protections, and benefits for the local community in which the corporation is located. In addition, CSR provides trust for shareholders and investors, by providing transparency and assurance that responsible business practices are executed by the board of directors and management. The ideal vehicle for the integration of CSR and strategy (strategic CSR) is a multi-stakeholder perspective that enables firms to respond to the varied interests of all the individuals and groups that have a stake in the firm's pursuit of profit (Chandler, 2020). This paper will provide both research-based information and real-world examples of key companies and industries that are actively practicing CSR for the benefit of global society, the environment, and economic viability within the 21st century, also known as the "Triple Bottom Line".

Comparison of CSR and Philanthropy

Corporate Social Responsibility is not to be confused with business philanthropy, but the two can become intertwined. When strategically executed, CSR is the value creation across functional areas that benefit all stakeholders, both internal and external. Philanthropy involves monetary or resource donations from a corporation to a needy cause, with the understanding that the cause may not directly benefit the corporation other than tax deductions. However, when CSR is executed strategically, the actions of the corporation may in fact be intertwined with a cause – such as initiatives for recycling product containers by the corporation to integrate back as material in their manufacturing production for a future discount. This reduces environmental impact, provides a circular material process for the company, and motivates the consumer to participate. Loyalty programs can reward consumers points through purchases to create a business loop for social impact. A real-world example of this is TOMS, which has defined their corporate impact in three distinct areas: *Purpose, Planet,* and *People*. Specifically, within the *Planet* focus, TOMS has identified six key environmental commitments, representing long-term improvements to their products and services through 2025 (TOMS, 2022). Customers can join TOMS Rewards to earn points from each purchase of sustainably-made products which can be redeemed for discounts, free products, or convert into donations toward grassroots causes.

Key CSR Stakeholders and Driving Forces

A stakeholder is any group or individual who has a stake, but also who has the capacity and intent to act to promote their interests (Chandler, 2020). The key stakeholders of CSR are internal and external, but are more categorized into groups to understand their interests and driving forces– organizational (employees, management), economic (customers, investors), and societal (government, community). Stakeholders also fit within several categories. While corporations are often criticized for their actions, it is the result of employees' decisions through their reactions to forces and motivations as part of their positions within society. Per Chandler, the five driving forces of CSR are affluence, sustainability, globalization, communication, and brands. Each of these forces ebb and flow, depending upon current events, local culture, and society influences, but all are important to the successful execution of CSR. A recent study of different CSR forces and related outcomes focused on the concept of Working Time Reduction (WTR), which is a policy that could improve quality of life for workers while reducing environmental impacts (Persson et al., 2022). The most impact from WTR is the ability to improve the quality of life for both high and low-income earners, showing gains in time, energy, health, and strengthening social ties (Persson et al., 2022). However, there are negative aspects such as work intensification for high-income earners, and concerns over sufficient paychecks and retirement savings for low-income earners. From a corporate standpoint, it is important to understand what factors motivate the workforce as internal stakeholders to ensure the company is aligned with creating a long-term positive culture to retain and attract talent to perform.

Stakeholder Responsibility

For the corporation, the internal organizational stakeholders have a responsibility as executives, directors, and employees to responsibly perform daily operations, but also understand how to prioritize external (economic and societal) stakeholder concerns. Just like the driving forces, these concerns evolve over time based on cultural issues that emerge. However, the external stakeholders have a responsibility to act in accordance with their beliefs, and hold organizations accountable for the type of behavior they expect to see within society. Chandler defines this as "Corporate

Stakeholder Responsibility”, which is a responsibility among all of a firm’s stakeholders to hold the firm accountable for its actions by rewarding behavior that meets expectations and punishing behavior that does not. As an example, environmental plastic pollution has become a priority of major global entities including the UN, the World Economic Forum (WEF), the World Health Organization (WHO), and the European Union (EU) (Rosenboom et al., 2022). Plastics have drastically improved and created innovations in our quality of life such as food safety and healthcare. However, the plastics industry has traditionally implemented mostly linear processes focused on extracting raw materials and converting them into useful products, rather than recycling or reusing products (Rosenboom et al., 2022). Plastic packaging is considered the greatest source of waste globally, with 146 million tons produced in 2015, of which 141 million tons went unrecycled (96.6%) (Rosenboom et al., 2022). The Alliance to End Plastic Waste, which comprises major chemical companies, brand owners and smaller sustainability-focused entities, has promised to spend a total of $1.5 billion for projects related to sustainable plastic (Rosenboom et al., 2022). Much of the lifecycle of a product like plastic is invisible to the average consumer, but waste is visible and is causing issues like microplastics contaminating ecosystems, oceans, and ground water. To fully address this issue of creating sustainable plastics and waste recycling it will not only take stakeholders like employees but those in economic and societal sectors (consumers) to push for the massive changes required.

Sustainability from the Short to Long-Term

The issue of climate change is no longer hidden from plain sight, as dramatic weather events have now affected the majority of countries for the past several years with visible and expensive results. Over the last decade, it has become clearer that transforming business and industry will be the most agile route to curbing human impact on the Earth's ecosystems and natural resources rather than governmental action, and help lessen detrimental impact. For the organizations and stakeholders that embrace this methodology and action, it can also create competitive advantage and economic viability, in addition to being more environmentally-sound for the longer term. For example, in a Finnish manufacturing study, researchers found that firms are willing to substitute their current principal input with more ecological alternatives for materials under conditions of functional parity (Schillebeeckx et al, 2022). Of the 267 manufacturing firms studied, those willing not only find it easier to adopt ecological inputs but may also derive greater benefit from leveraging the positive reputation effects associated with the ecological improvements (Schillebeeckx et al., 2022). Per the previous plastics example, China, the world's largest producer of single-use plastics, recently announced that it would ban non-recyclables other than degradable bioplastics by 2015 (Rosenboom et al, 2022). As a result, Chinese manufacturers plan to dramatically increase production, which may affect global market prices for bioplastic polymers, and plans for controlled disposal of these increased volumes remain unclear (Rosenboom et al., 2022). This example echoes Chandler's description of how the market can adjust from the forced decline of an unsustainable product and create new opportunities for the rise of long-term, more sustainable solutions that provide room for further innovation within the lifecycle and economy, and that business is the faster means to achieve.

CSR and Employee Wellness

The Great Resignation that began in Spring of 2021 has proven that workers are demanding more work + life balance, and organizations that fail to understand what internal factors contribute to losing employees will continue to struggle. As a form of internal CSR and through the lens of employee wellness and workload, this has consequences on the overall business impacts for sustainability and long-term outcomes, especially if talent retention is low. While there are green building certifications such as LEED that focus on the built environment, there are also certification programs that provide standards to organizations to understand their holistic workforce's needs such as safety, trust, and mental health. LEED is important in its focus on built structures and workplace environmental impacts, especially within the disciplines of waste reduction, adaptive use of resources (like water or natural light), and less toxic building materials. However, WELL and Fitwel are examples of certification programs with concepts that focus not only on the built environment but also human needs. In the beginning of the COVID-19 pandemic, WELL produced resources for management to better understand employee health and wellness needs that went beyond the Centers for Disease Control (CDC) guidelines for masking, cleanliness, and social distancing. WELL v2 consists of 10 concepts focused on human health, including mind and community (WELL, 2020). As the pandemic trudged on, it became clearly evident that employee mental health needed to be more understood by managers to help navigate difficult times and provide solutions. Fitwel's COVID-19 resources showcase a research series featuring topics such as "Building Trust in the Workplace". This resource provides guidance for cultivating employee and tenant trust, and enhancing perceptions of safety once office buildings are ready to re-open (Fitwel, 2020). These are vital shifts in what society deems as important facets as choosing an employer, and what the workforce expects from their leadership to embrace such as wellness programs. In a stakeholder primacy model, employees are organizational stakeholders that can command more balance and benefits like wellness programs within their workplace. The reasons for having a wellness program are multi-fold, and ensuring that employees are rewarded for a job well done, have a sense of purpose, are involved in decision making, and are happy and motivated, are all major factors in talent management and retention as the time and costs in hiring and training a new employee can be as high as 30 percent of an employee's salary (Stockley, 2016). As of early 2022, many organizations are starting to re-open their doors and require their currently remote workforce return to the office, even if for shorter periods of time during the week or within a hybrid format. Regardless of format, this shift poses yet another change for employees, and a strategic CSR framework gives internal stakeholders a means to express their needs and collaborate with leadership to determine next steps more effectively. Over time, the organizations that embrace and practice strategic CSR, using a focus on stakeholder primacy, will develop positive reputations to attract talent.

Measuring CSR Outcomes

In order to make the strategies and outcomes of CSR impactful and understood, they must be measured in order to prove as successful for various stakeholders such as investors. From a sustainability standpoint, efforts can be measured within metrics of emissions, land conservation, water quality, and wildlife population. For economics, this can also be measured based on savings from waste recycling, purchasing of renewable energy, or other metrics defined in financial reporting. For organizational stakeholders, their efforts can be measured in areas of performance, fair wages, ethical hiring practices, and retention. All of these are further defined by the seventeen United Nations' Sustainable Development Goals (SDGs), which each contain targets and actions. The SDGs recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests (United Nations, 2022). As an open-access framework, the SDGs provide all industries with clear examples of what actions are needed to achieve the goal. Through adoption of international standards by organizations, such as the Global Reporting Initiative (GRI), that operate within both developed and developing economies to support these SDGs, this poses the most power for global impact. The GRI Standards help organizations understand their outward impacts on the economy, environment, and society, including those on human rights (GRI, 2022), and is especially impactful with large organizations to create scalable change through strategic CSR. One of the most important facets of GRI reporting is to better identify and reduce risk, including economic, societal, and environmental. By taking the initiative to act responsibly, and embed these standards throughout their operations to force better metrics and reporting, an organization's relationship with its stakeholders improves to build trust and a competitive advantage. For long-term planning, this also creates stability and forces wide-spread positive change naturally through market forces. As Jason Clay states in his TED Talk on how big brands can save biodiversity, "100 companies control 25% of the trade of all 15 of the most significant commodities on the planet…Why is 25% important? Because if these companies demand sustainable products, they will pull 40 – 50% of production.” (Chandler, 2020). It is vital for metrics and measurements to help organizations understand how to best transform, track their progress, and achieve these goals while also proving that policies and regulations can align to support them. The policy and economic market impact aspect of measuring strategic CSR is vital, as countries conduct international trade and create regulations. For example, a key result for environmental policy stringency (EPS) is not consistently observable for non-market-related EPS – rather exposure for market-related EPS helps to unlock the potential for green demand, and affects competition, forcing firms to adopt cleaner processes and products (Hanley et al., 2022). For strategic CSR, the critical need for measurement does reflect a business’ competitive advantage, in addition to measuring the vitality of a country’s economic trade to align with the modern metrics of SDGs, societal and environmental needs, and diplomatic alliances.

Conclusion

To effectively conduct business in the 21st century, strategic CSR demonstrates that it provides a means to pursue profit with meaningful accountability to stakeholder and environmental needs. As free markets and capitalism continues to drive the actions of the majority of global companies and powerful countries, adopting CSR practices within business operations and regulations will provide the fastest rate of positive change, plus provide the most equitable approach to improve the quality of life for all. As human impact has already pushed societies beyond the planet’s resources, it is vital for global industries to act in accordance with strategic CSR while also redefining performance metrics that maintain longevity and stability.

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