The persistent challenge of defining CSR

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Much has been said and written about corporate social responsibility (CSR) and how to integrate it into an organization. But broad agreement on a common definition for CSR remains elusive.

Cultural differences make it difficult to arrive at a concise, all-encompassing definition of a company's responsibilities to society. The corporate social responsibility (CSR) model typically used by a Swedish firm, for example, will differ considerably from that adopted by a company, say, in Bangladesh.

For this reason, the definition of CSR put forth by the European Commission in 2011 represents an important step forward, particularly given its simplicity: "The responsibility of enterprises for their impacts on society."

IESE Prof. Antonio Argandoña elaborates on the implications of this definition in an article for the "la Caixa" Chair of Corporate Social Responsibility and Corporate Governance.

Shared, mutual responsibilities

According to Argandoña, the model of "responsibility" cited in the definition implies a legal commitment, an ethical commitment (since it reflects a moral duty) and a social commitment (in that companies must face up to their responsibilities with regard to accountability, transparency and corporate behavior).

However, the real essence of CSR lies in the second half of the definition proposed by the

Commission, which stresses the "impact" of companies on society.

Ultimately, each and every one of a company's actions — and, for that matter, its inactions — affects people, whether they are owners, investors, employees, customers, suppliers, the local community or society at large.

In this sense, CSR encompasses a company's broad responsibilities to society. This means going beyond adopting a list of abstract responsibilities outlined by CSR experts, to treating CSR as a management practice, which must constantly evolve to meet the changing circumstances and sensibilities of the company's main actors and stakeholders.

What's more, those responsibilities should be mutually assured. For example, shared and reciprocal responsibilities include not only the responsibilities of management toward employees, but also the responsibilities of employees toward management.

Is it profitable to be responsible?

Socially responsible behavior can benefit a company by enhancing its competitive advantage, its reputation, its productivity, its stakeholder relationships, and its ability to attract and retain employees.

Improved economic results can flow from earning greater trust from both employees and customers, as well as from enhanced organizational learning, and reduced environmental impact and energy costs.

Nevertheless, CSR policies are rarely marketed in this light. As a result, companies are rarely motivated to change their behavior in light of the positive impact CSR can have on financial performance.

According to Argandoña, companies probably need to hear more arguments that clearly set out the direct relationship between social action and financial profitability.

For example, if firms are persuaded that being committed to CSR will help them attract better employees, increase pride and lead to improved employee productivity and loyalty, then they may be more easily swayed to embrace CSR.

The socially responsible executive

Based on the essential features of CSR, being a socially responsible executive entails:

- Taking into account all the possible outcomes of their company's actions and their potential impact on society and stakeholders.
- Assessing the impact of their decisions upon themselves.
- Promoting a culture of communication and dialogue with stakeholders.
- Accounting for their actions and being transparent in their management.
- Having a long-term vision: by understanding the kind of impacts their decisions might have on others, they can anticipate the emergence of future problems.

Trying to align the company's incentives and their own behavior with the broad, long-terms interests and needs of stakeholders.

Apart from the attitude of senior management, CSR requires a unified company-wide agenda, which is organized into coordinated sub-agendas through which all stakeholders can contribute.

CSR may not protect against many of the front-line problems companies face today: stagnating demand, the tightening of credit and nonpayment by customers. But it does help managers and employers to deal better with such challenges in the future, by focusing less on short-term outcomes and more on the company's sustainable long-term performance.

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