

Michael Baumgartner

Corporate Social Responsibility and Corporate Citizenship - Business concepts for the future!?

Diploma Thesis

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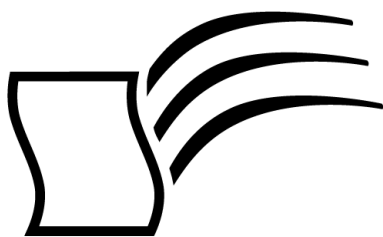
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an der Johannes Kepler Universität Linz
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0. Preface

In recent years, more and more people expressed their concerns about some companies' performance. Mainly not about their financial performance, but about their social performance. About their attitude towards the environment. About the treatment of employees. Consumers, governments, environmentalists, trade unions, but also managers felt that there is a need for change in business life.

The concepts of Corporate Social Responsibility (CSR) and Corporate Citizenship are seen as the way where business needs to go in the future. The basic idea of the concepts is that companies are a vital part of the society and that they cannot ignore this any longer. Business has both the power and the responsibility to behave in a way that satisfies not only shareholders, but also employees, customers, the environment, the community, and the society as a whole.

In this paper I will give an overview of the new approach to business responsibility. It is an incredibly huge topic, related to many important issues. It would have been possible to write hundreds of pages about subtopics like the employee-employer relationship or environmental issues. I chose a different approach and will give a panoramic view of this fascinating and complex topic. Of course, I had to focus on some of the most important issues, but I consider a holistic approach as very important, as it shows the interrelation between business and its stakeholders.

After a general introduction to the topic in Chapter 1, I will define the different areas of Corporate Social Responsibility and give a short summary of the history of CSR. Following this, I will present the reasons why the topic of socially responsible companies becomes more and more important. Chapter 4 will focus on an introduction of the main issues of CSR, including

Human Rights, environmental issues, corporate governance and many more. In the main part of this paper, Chapters 5 to 9, I will explore the issues of CSR which I consider most important. I will present the “hottest topics” and how business responds to them. This will not only be done theoretically, but I will also give examples of companies who tried to go new ways. Even though I think that the new approach called CSR is definitely a top business approach for the future, I tried to question the approach and to find critical points, which will be presented directly in the different chapters.

The concept of Corporate Social Responsibility as a whole is yet not very popular in Austria, as it has its roots in the US and the United Kingdom. But CSR is not completely new, it is an approach that combines elements of business ethics, social and environmental regulations, governmental affairs and many more. Some topics covered in the CSR approach have a long tradition in Europe, like the employee-employer relationship in Austria in the form of the so-called “Wirtschafts- und Sozialpartnerschaft”. The new and very central point of CSR is that it puts the stakeholder relations at the heart of the company’s strategy. It is more than just doing the necessary evil to satisfy the stakeholders, it is a proactive approach. And as it is a young topic, it is constantly changing and developing. A lot of research will have to be done, standards to be set, a lot of questions to be answered. These facts did not make it easy to find the crucial points to be presented in this paper, but it made the work and the research rather exciting and fascinating.

To finish this introduction, I would like to present some statements and facts that show that the importance of CSR is growing continuously:

“Tomorrow’s successful companies can no longer afford to be a faceless institution that does nothing more than sell the right product at the right place. It will have to present itself more as if it were a person – as an intelligent actor, of upright character, that brings explicit moral judgements to bear on dealings with its own employees and with the wider world” (Economist 1995).

"The walls of our company are becoming increasingly transparent. We are opening up more and more to engage with our stakeholders in order to understand their needs and concerns. We see no contradiction between being profitable and being transparent and ethical." (Novo Nordisk 2000, p. 1).

Corporate earnings (in US\$ billions, 1996 figures)		Country GNP (in US\$ billions, 1996 figures)	
Mitsubishi	166	Austria	181
Mitsui	163	Turkey	173
General Motors	158	Indonesia	137
Exxon	116	Singapore	68
BP Amoco	66	Malaysia	60

Figure 1: Corporate earnings and country GNP (see Scholten undated)

"Tony Blair has, without fanfare, created a minister for Corporate Social Responsibility - risking fresh accusations of interfering with business. The prime minister gave the post to Kim Howells, a junior minister at the Department of Trade and Industry who is already responsible for competition and consumer affairs." (Groom 2000).

"\$ 1.3 trillion passes through the financial market daily - 90 % as speculation. One trillion dollars could feed the entire world for two years." (Murphy 1999).

"At our company we have a social responsibility committee. It used to deal with questions like: 'Which charity should we give to?' Now it's: 'How do we run our business?'" (Knight 1999).