

# CORPORATE SOCIAL RESPONSIBILITY – A CONCEPTUAL APPROACH

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## **Abstract:**

*Rapidly evolving and having a variety of definitions, the concept of Corporate Social Responsibility is under the sign of a paradox: it seems to be one of the most comprehensive and, at the same time, one of the vaguest concepts. In the literature has often been argued that the ambiguity (vagueness) of the concept is inevitable, given that it „means something” but „not always the same things for everybody”. This article proposes an overview of the main definitions of CSR and its conceptual dimensions.*

**Key words:** *Corporate Social Responsibility, Corporate Social Responsiveness, Corporate Social Performance, Corporate Governance, Corporate Citizenship*

**JEL classification:** *M14*

## **Introduction**

In academia and business have been proposed and circulated various definitions of the concept of corporate social responsibility and, at the moment, there is no universally accepted definition. The terms used are sometimes too general and overlap with other concepts, sometimes take particular connotations, depending on the geographical area or the environment where they are used. For example, in the UK the term most often used is CSR but there are situations when the short term Social Responsibility is used. In Chile, the term referring to Social Responsibility comes from the Spanish *Responsabilidad Social Empresarial*, the English equivalent of *Entrepreneurial Social Responsibility*. In South Africa, in addition to the term Corporate Social Responsibility are also used other expressions such as: *sustainable development, corporate sustainability, corporate social investment, corporate citizenship*.

## **1. Definitions and Dimensions of CSR**

A review of the literature states that CSR is a concept with multiple meanings generated by different ways of defining the term.

Thus, Alexander Dahlsrud gathered the definitions of CSR and submits them to a constant analysis intended to identify their common issues and particularities. The analysis showed that there are a number of 5 dimensions which focus the entire range of meanings of the concept. The dimensions identified in 37 definitions of CSR proposed in the literature by 27 authors between 1980-2003, are presented in the following table<sup>1</sup>:

The author mentioned above has noted, after the analysis, that the environmental dimension is less present in the definitions reviewed; a possible explanation for this could be that the literature has not included this aspect in the initial definitions. Another explanation is that the environmental dimension is an incorporate part of the CSR concept and therefore further clarification are no longer needed. Regardless of the area

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<sup>1</sup> Alexander Dahlsrud – „How Corporate Social Responsibility is Defined: an Analysis of 37 Definitions”, *Corporate Social Responsibility and Environmental Management, Corp. Soc. Responsib. Environ. Mgmt.* (in press) Published online in Wiley InterScience, ([www.interscience.wiley.com](http://www.interscience.wiley.com))

covered by the definition of the concept remains a series of questions about how, through its actions, a company can be properly evaluated on the impact that it produces in social, economic, and environmental area. Is complicated to fix the set of indicators by which this evaluation could ensure the right balance in implementing CSR strategies.

| <b>Dimensions</b>                  | <b>The definition is coded to the dimension if it refers to</b>                      | <b>Example phrases</b>  |
|------------------------------------|--|---|
| <b>The environmental dimension</b> | The natural environment  | ‘a cleaner environment’<br>‘environmental stewardship’<br>‘environmental concerns in business operations’   |
| <b>The social dimension</b>        | The relationship between business and society  | ‘contribute to a better society’<br>integrate social concerns in their business operations’<br>‘consider the full scope of their impact on communities’                     |
| <b>The economic dimension</b>      | Socio-economic or financial aspects, including describing CSR in terms of a business | contribute to economic development’<br>preserving the profitability’<br>‘business operations’<br>Operation  |
| <b>The stakeholder dimension</b>   | Stakeholders or stakeholder groups   | ‘interaction with their stakeholders’<br>‘how organizations interact with their employees, suppliers, customers and communities’<br>‘treating the stakeholders of the firm’ |
| <b>The voluntariness dimension</b> | Actions not prescribed by law  | based on ethical values’<br>‘beyond legal obligations’<br>‘voluntary’   |

*Table 1.* The five dimensions, how the coding scheme was applied and example phrases

For an adequate illustration of the multitude of understandings of the concept of CSR and of the dimensions outlined by them, we reproduce below some of the definitions proposed by various authors or international organizations:

Frederick W, Post J, Davis KE<sup>2</sup>: *Corporate social responsibility can be defined as a principle stating that corporations should be accountable for the effects of any of their actions on their community and environment.*

Khoury G, Rostami J, Turnbull JP<sup>3</sup>: *Corporate social responsibility is the overall relationship of the corporation with all of its stakeholders. These include customers, employees, communities, owners/investors, government, suppliers and competitors. Elements of social responsibility include investment in community outreach, employee relations, creation and maintenance of employment, environmental stewardship and financial performance.*

<sup>2</sup> Frederick W, Post J, Davis KE. 1992. *Business and Society. Corporate Strategy, Public Policy, Ethics*, 7th edn. McGraw-Hill: London.

<sup>3</sup> Khoury G, Rostami J, Turnbull JP. 1999. *Corporate Social Responsibility: Turning Words into Action*. Conference Board of Canada:Ottawa.

World Business Council for Sustainable Development<sup>4</sup>: *CSR is the ethical behaviour of a company towards society; management acting responsibly in its relationship with other stakeholders who have a legitimate interest in the business, and it is the commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large.*

McWilliams and Siegel<sup>5</sup>: *CSR are actions that appear to further some social good, beyond the interests of the firm and that which is required by law.*

The European Union<sup>6</sup>: *A concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.*

Kotler, P. and Lee, N.<sup>7</sup>: *CSR is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources.*

Christina Keinert<sup>8</sup>: *CSR, as a definitional construct, aims at describing the relationship between business and the larger society surrounding it, and at redefining the role and obligations of private business within that society, if deemed necessary.*

André Habisch, Jan Jonker, Martina Wegner, René Schmidpeter (Eds)<sup>9</sup>: *CSR can be defined as: the extent to which – and the way in which – an organisation consciously assumes responsibility for – and justifies – its actions and non-actions and assesses the impact of those actions on its Legitimate constituencies. Those constituencies – or stakeholders as they are often called – represent the network of interactions an organisation maintains with its direct and indirect environment.*

## 2. CSR and its Conceptual Connections

Many other concepts in the same significance area as CSR are used in the literature, as *corporate social responsiveness, corporate social performance, corporate governance, corporate philanthropy, corporate community involvement, corporate giving, community relations, community affairs, community development, global citizenship, and corporate societal marketing, etc.* In the following, we make several clarifications on some concepts related to CSR.

### Corporate Social Responsiveness

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<sup>4</sup> World Business Council for Sustainable Development. (1999). *Corporate Social Responsibility: Meeting Changing Expectations*. World Business Council for Sustainable Development: Geneva.

<sup>5</sup> McWilliams, A. and Siegel, D. (2001), "Corporate responsibility: a theory of the firm perspective", *The Academy of Management Review*, Vol. 26, No. 1, pp. 117–127.

<sup>6</sup> European Union, (2004), *Euroabstract: Corporate social responsibility*, Vol. 42–1, February. European Commission: Directorate-General for Enterprise.

<sup>7</sup> Kotler, P. and Lee, N. (2005), *Corporate Responsibility: Doing the Most Good for Your Company and Your Cause*, Wiley, Hoboken, New Jersey.

<sup>8</sup> Keinert C., (2008), *Corporate Social Responsibility as an International Strategy*, Physica-Werlag A Springer Company, Heidelberg

<sup>9</sup> Habisch, A., Jonker J., Wegner M., Schmidpeter R., (Eds) (2005), *Corporate Social Responsibility Across Europe*, Springer Berlin, Heidelberg

The concept of Corporate Social Responsiveness is closely related to CSR and it is commonly called CSR<sub>2</sub>. While CSR raises issues concerning the nature and purpose of the responsibilities of a company, CSR<sub>2</sub> or Corporate Social Responsiveness does not propose a normative approach but a practical one. It is not concerned with the correctness of social expectations from an ethical point of view but searches for ways for their implementation. From the perspective of CSR<sub>2</sub> the dilemma whether or not a company should respond to external ethical pressures has been resolved.

*„CSR<sub>2</sub> is indeed concerned with establishing the capacity of responding to external pressures through appropriate “responsive” mechanisms, procedures, arrangements, and behavioural patterns. Its targets are both concrete acts of responding to current demands, but also setting up a “generally responsive posture” within the corporation.”<sup>10</sup>*

For the companies, CSR<sub>2</sub> is concerned with the practice of implementing the values of the company in its development strategies, a kind of proactive commitment of the company and not merely a reactive approach.

### **Corporate Social Performance**

It is an indicator for measuring the performance of CSR and the success or failure of the programs, policies and strategies. This indicator is important to reflect company's performance in different fields such as social or environmental, despite the fact that it is less measurable than other traditional financial indicators. A particularity of this indicator is that it is more difficult to measure than performance or financial indicators since it is calculated by reference to ethical values, which are not universal but rather diverse and vary not only according to time or place but in relation to personal ideology as well. Moreover, Corporate Social Performance evaluation is purely subjective, decisions about whether the social or environmental performance is good or bad, are difficult to take. It is also difficult given the fact that the company's performance in some areas can recommend it as being responsible while in other areas the company proves irresponsible.

### **Corporate Governance**

Encompasses a wide range of principles and mechanisms that can ensure the control of management of a company for protecting the shareholders and stakeholders interests.

*A broader definition of “good governance” is the “proper way” of doing business, while respecting “due diligence” in all aspects of business, to speak in legal, but also ethical terms. Basically, Corporate Governance is concerned with internal processes and decisions rather than external stakeholder groups.<sup>11</sup> Corporate Governance implies, above all the insurance, the transparency in decision-making process.*

### **Corporate citizenship**

Initially the concept was developed in political science field in the 70s of the last century. Undertaken in the economical vocabulary, the concept highlights the company's ability to bear rights and assume responsibility within the community, to actively engage in the community where it operates. The last decades of the last century indicate a preference of business area to refer to Corporate Citizenship rather than to CSR. This is because the Corporate Citizenship is related more with philanthropy and has thus more limited goals than CSR.

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<sup>10</sup> *Ibidem*, p.44

<sup>11</sup> *Ibidem*, p.46

“Corporations voluntarily assume responsibilities as a major actor within society by contributing to the enhancement of the quality of community life through “active, participative, and organized involvement”. This means corporations remain totally free in determining whether or where they want to proactively engage in. The positive consequences of Corporate Citizenship are not strategic by intention, but the firm may well experience substantial positive side-effects of its community involvement both in its financial performance, and also in improved relations with potential customers or employees in the community they’re operating in”<sup>12</sup>.

## Conclusions:

Beyond the multitude of definitions and its conceptual ambiguity, CSR is a current concern of companies, being an essential component of the economic performance and success. Regardless of the size enhanced by a definition or another, by the area in which this concept operates, by the close links it has with related concepts, the CSR is part of a steady trend in the current economic environment reflecting the company’s commitment to the community it operates within. It is important to note that, given the multitude of situations and issues that the concept of CSR covers, trying to find and make a full definition is meaningless. The realistic alternative would be to accept a variety of definitions generated by the context in which a company or other is operating, more as today, in the context of globalization, the challenges a company is facing are constantly changing.

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<sup>12</sup> *Ibidem*, p.50