Corporate social responsibility versus corporate social irresponsibility

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**Abstract:** Corporate social responsibility (CSR) has been an intensively researched topic in the last decades. More and more scientists manifested interest in this concept and elaborated various definitions. Gradually, CSR evolved from a theoretical concept to a complex managerial tool used to build a company’s reputation and enlarge its competitive advantage. It was soon a must-have for more and more companies. Although only large corporations used it at first, today CSR is part of the business strategy of many small and medium size companies also. The more popular it became, the more it grew in complexity and the idea of corporate social irresponsibility arose. Corporate social irresponsibility (CSI) refers to the dark side, as it investigates the wrongful and damaging business decisions that managers might take. In this article we provide a viewpoint on the conceptualization of the two topics and the distinction between them. Through an evaluation of the academic literature, we provide an explanatory view of corporate social responsibility and corporate social irresponsibility emphasizing their most popular definitions, historical development and relevance for companies. The opinions expressed in the article can be useful for both academia and managers as we give suggestions on finding ways to reduce CSI and enhance CSR.

**Keywords:** corporate social responsibility, corporate social irresponsibility, organizational social responsibility.


**Introduction**

Corporate social responsibility (CSR) has been a very popular topic in the last decades. There are a large number of definitions of this concept in the literature and, consequently there is also too little consensus regarding the best one. We consider that CSR best describes the many ways in which companies choose to manage their business and conduct their efforts to create a positive and desirable impact on society in general (Salanţă and Popa, 2013). In this paper we investigate both the positive efforts regarding corporate social responsibility and also the less desirable effects implied by the corporate social irresponsibility that may exist if managers do not pay enough attention to the consequences of their day-to-day decisions. In the first part of the paper we
M & M present the most commonly used definitions of CSR and also some important contributions in the history and development of the concept. Then, corporate social responsibility is compared to corporate social irresponsibility. The article builds upon several trends in the history of these concepts. Further on, we particularize both concepts with examples from the business world. Consequently, we compare and contrast some practical examples with the purpose of devising some suggestions to enhance the positive behavior of managers. Our work is useful both to managers and academia as it can be further developed and empirically tested.

Corporate social responsibility: definitions and brief history

There are studies that underline the fact that people have a more positive image of a firm that supports a cause, for instance 83% of U.S. respondents feel this way in a study made by Ellen et al., (2000). The same team states that 86% of their U.K. respondents would be more likely to purchase from a company associated with a cause (idem). This is one facet of what today is called the social responsibility of businesses. Even if there have been many papers on this topic, there is no agreed definition of corporate social responsibility (Armstrong and Green, 2013, p. 1926). In a sophisticated analysis of CSR definitions Matten and Moon (2008) conclude that the lack of common definition for this concept is explained by the fact that: (1) CSR is an umbrella term for a high number of related concepts, and (2) CSR naturally evolved over time as value in business changes. We consider that CSR is still worth investigating as it is a complex concept that has been theorized in a number of fields such as economics, management, business ethics, political theory, sociology and even legal philosophy (Richter, 2011).

Some of the pioneers of this field, according to Cochran (2007), were Columbia professor Adolf A. Berle and Harvard professor Merrick Dodd who debated the nature of CSR in the Harvard Law Review in the early 1930s. Whereas Berle “contended that managers were responsible only for the firm’s shareholders, Dodd argued that managers had a wider range of responsibilities (Cochran, 2007, p. 449). Other authors argue that Howard Bowen (1953) is the father of the CSR movement, and Archie B. Carrol (1979) might be considered his son because, more than any other academic, he made CSR his life’s work (Murphy and Schlegelmilch, 2013).

Corporate social responsibility has had more than 60 years to evolve from an ambiguous concept to a powerful management tool that managers use to gain certain advantages. Surprisingly, this term is a generous one that encompasses various overlapping areas, such as corporate citizenship, stakeholder theory, business ethics, and corporate sustainability (Freeman and Hasnaoui, 2011). Others assign even more terms to delimitate the cluster-concept of CSR, such as corporate environmental and social responsibility, corporate social performance, philanthropy, sustainable development and the triple bottom line (Windsor, 2013, p. 1939). Friedman (1970), on the other hand, considers CSR as the extension of the firm’s efforts to maximize
shareholders’ wealth while conforming to the basic rules of society. The most frequently mentioned paradigm regarding CSR is the one connecting it to the idea of “doing good”, consequently researchers often define CSR as the “requirement of corporations to make additional contributions to the well-being of society” (Carroll and Shabana, 2010, p. 85).

Today corporate social responsibility can be viewed as an organization’s attempts to achieve a balance between the economic, environmental and social imperatives without foregoing the expectations of shareholders, and give something back to the wider community (Gossling and Vocht, 2007). Mainly, corporate social responsibilities are the organization’s obligation to best serve society (Schermherhorn, 2012). Acting in a socially responsible manner requires not only respecting legal requirements, but also going beyond them through voluntary investments in human capital, in environmental management and in relationship with all stakeholders. There is a commonly accepted belief that CSR includes all the responsibilities businesses have to society that go beyond shareholder wealth maximization (Font et al., 2012) which are, as Carroll (1979) wrote, legal, ethical, discretionary and, added later, philanthropic ones.

Even though CSR has proved over and over its long-term advantages for companies, there are still certain authors that are against CSR practices, naming them harmful both at the level of the individual and in relation to the economy as a whole (Henderson, 2009). Some reasons against CSR refer to: (1) costs incurred by investing in different social programs (which limit profit maximization), (2) the lack of knowledge or of skilled human resources to best handle CSR, (3) lack of consistent legal regulations concerning social actions.

Moreover, CSR could be done strictly with the government help and the involvement of non-profit organizations, but we disagree and consider it is important that more and more companies engage in CSR activities and adapt their CSR strategy to the risk level the organization is willing to take. In this sense, a strategic audit on the social investments can be elaborated. Even if CSR seen as a strategic tool was first available only to big corporations, it has proven its utility and it can be used and applied by any company regardless of the size or sector of activity (for example: state organizations or other non-profit organizations). Under this condition the term “organizational social responsibility (OSR)” can be used.

Last but not least, according to Gond and Moon (2011) corporate social responsibility is usually associated to: (1) business responsibility for society as some companies decide to invest in CSR out of the wrong reasons such as compensating for a negative outcome; (2) business responsibility to society as the overall organizational accountability and strong CSR policy are means for achieving competitive advantage; (3) responsible business conduct reflected in all area of a company; (4) the management of corporation-society interface as CSR is more than a way of giving back to society. The first idea hints towards an irresponsible use of CSR, one in which the “doing good” is used to cover some “doing bad” in other areas or that firms may be told or forced to take actions that seem socially responsible to some people, but are regarded as socially
M & M irresponsible by others (Armstrong and Green, 2013). Consequently, we find the need to elaborate on the matter of the way in which companies act irresponsibly.

**Corporate social irresponsibility: definition and brief history**

The simplest and most relevant way to describe the concept of corporate social irresponsibility is the one used by Herzig and Moon (2013). They link it to CSR saying that this refers to the business responses to the expectations of society, and according to them CSI is the failure of businesses to meet these expectations (Herzig and Moon, 2013, p. 1870). Lange and Washburn (2012) relate corporate social irresponsibility to concepts such as corporate culpability and undesirability. Irresponsibility, in its various forms such as corruption, bribery, environmental degradation, and social injustice, is most frequently found in poorer regions, those with fewer social resources or educational opportunities (Sanchez-Runde et al., 2013, p. 690). In trying to define corporate social irresponsibility other authors point to more complex interlinks with responsibility. Devinney (2009) argues that although stakeholders tend to penalize unethical behavior, this does not mean they will reward the ethical ones. Other authors take matters a little bit further and explain the fact that the benefits of CSR can also motivate organizations to hide their controversial CSI activities by diverting attention of the stakeholders to less important activities (Perks et al., 2013, p. 1882).

**Table 1. Summary of CSI research**

<table>
<thead>
<tr>
<th>Author, year</th>
<th>Conceptualization of CSI</th>
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<tr>
<td>Armstrong, 1977</td>
<td>&quot;A socially irresponsible act is a decision to accept an alternative that is thought by the decision maker to be inferior to another alternative when the effects upon all parties are considered&quot; (p. 185).</td>
</tr>
<tr>
<td>Ferry, 1962</td>
<td>Irresponsibility is generally understood the antithesis of responsibility.</td>
</tr>
<tr>
<td>Brammer and Pavellion, 2005; Lange and Washburn, 2012</td>
<td>CSI is understood in terms of what stakeholders consider to be socially irresponsible behavior.</td>
</tr>
<tr>
<td>Jones et al., 2009</td>
<td>&quot;CSI is about being reactive as opposed to proactive in addressing corporate issues and the ways and means by which they relate to wider society&quot; (p. 304).</td>
</tr>
<tr>
<td>Greenwood, 2007</td>
<td>&quot;Corporate irresponsibility occurs when the strategic management of stakeholders does not remain responsibly-neutral&quot; (p. 324).</td>
</tr>
<tr>
<td>Christensen and Murphy, 2004</td>
<td>Via Examples: tax avoidance.</td>
</tr>
<tr>
<td>deMaCarty, 2009</td>
<td>Via examples: criminal fraud, price-fixing, bid rigging, bribery, and tax evasion.</td>
</tr>
<tr>
<td>Fox, 1996</td>
<td>Via examples: unnecessary worker injuries, environmental degradation, resource waste, and contribution to economic inequality.</td>
</tr>
<tr>
<td>Frooman, 1997</td>
<td>Via examples: false advertising, environment pollution, hazardous products, product recalls, safety violation, and price-fixing.</td>
</tr>
<tr>
<td>Ireland, 2010</td>
<td>Via examples: corporate malfeasance, reckless risk taking, opportunistic behavior, ruthless pursuit of shareholders value.</td>
</tr>
<tr>
<td>Karme, 1981</td>
<td>Via examples: auto theft.</td>
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In Table 1 we illustrated a summary of CSI research over the years and it becomes clear that the most facile way to understand what irresponsible means is through the use of examples. So in order to define CSI we can agree upon the fact that there is a connection of the concept to unethical behavior and to failing
Corporate social expectations. Some frequently seen examples of CSI refer to discrimination in the work place, unfair treatment of employees, violation of human rights, providing false or incomplete product information to customers, fraud of any kind, price-fixing strategies, cheating business partners, damaging the environment, and the list could go on. Some of the famous big companies that were associated which such violations and bad behavior are: Enron, Procter and Gamble, Unilever, Siemens, and we can find many more if we search the web.

CSR versus CSI
The bad behavior encountered in the managerial practice has increased the focus on CSR strategies seen as a solution to compensate for the harm done. CSR was developed around 1950s and 1960s when the United States of America witnessed the birth of the modern activist movement (Cochran, 2007). Along with this there was a rising interest for the environment, the social and the consumer movement which dramatically shaped the business world and channeled it toward CSR by attracting unwanted media attention to unethical behavior. For corporations such as the Atlantic Richfield, CSR emerged initially as a reaction to the biggest threat the company was faced with, along with the whole oil industry, and it simply was a reaction to the crisis posed by the contingences of the oil business (Brown, 2008).

In practice CSR and CSI are very much connected. If we consider the early 1960s in USA, we observe the birth of CSR that arose, at least initially, not as a model example of organizational proactivity, but rather as reactions to crises. Corporate social responsibility was triggered by the public opinion, the decreasing favorable public perception of major corporations, among of a whole range of other economically, socially, culturally and politically dominant institutions (idem). Out of necessity, companies back in those days found in CSR activities a way to compensate for wrongdoing, to react and save themselves from the threats of the time.

Moreover, in practice things were viewed a little bit different compared to the advancements made by the theoretical researches. The assumption that CSR programs were a managerial intention to do well is wrong. We cannot stress enough the fact that authors show that in practice the “origin of corporate social responsibility programs was not broad and deep ethical idealism, but a reaction to immediate and probable crisis: not only the threat to corporate operation, but the longer-term paralysis” (Brown, 2008, p. 2). Some companies even say that CSR is their ‘social license to operate’, and we are referring here to Lundin Petroleum, a giant from Sweden. The same company declares that they do not engage in CSR for window-dressing purposes and underline the long-term benefits of such strategy (Isaksson et al., 2014, p. 64).

In this global market place companies must find ways to reduce and eliminate CSI, as it is easier and easier for wrong doings to come to light with the help of social media and the Internet. All in all, we can still encounter instances of corporate social irresponsibility in practice, and the examples are
to be found everywhere, in every industry sector. For instance, we can mention here the British Petroleum example of the big oil spill in 2010 that generated a huge loss for the company and whose tremendous consequences still cost the company enormous sums of money. Or we can consider the case of the fashion company Tommy Hilfiger whose name was wrongly associated with child labor in sweatshops in Burma. Due to the involvement of a group of activists the apparel producer’s sales dropped and suffered financial consequences for being perceived as an unethical company (Isaksson et al., 2014, p. 65). On the other hand we can invoke the example of Primark (an Irish fashion retailer) of good CSR, as they invest large amount of money to their CSR campaigns and use a strategic approach to very carefully selecting highly ethical providers.

Table 2. CSI versus CSR

<table>
<thead>
<tr>
<th>CSI view</th>
<th>CSR view</th>
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<tr>
<td>Environmental degradation and pollution are inevitable and little precaution is taken.</td>
<td>Environmental degradation and pollution are not inevitable and should not be tolerated, and it is important to raise awareness and commit to action.</td>
</tr>
<tr>
<td>Employees are a resource to be exploited.</td>
<td>Employees are a resource to be valued.</td>
</tr>
<tr>
<td>Minimal community consultation and involvement.</td>
<td>Maximum community consultation and involvement.</td>
</tr>
<tr>
<td>Only basic, and sometimes reluctant, compliance with legislation pertaining to CSR.</td>
<td>Compliance with, as well as policy and practical actions that go beyond the minimum legislative requirements for CSR.</td>
</tr>
<tr>
<td>Ethical issues are on the periphery.</td>
<td>Ethical issues are central to the organization.</td>
</tr>
<tr>
<td>New technologies should be developed and introduced to the market.</td>
<td>New technologies should be developed, tested, evaluated and only introduced to market if they do not cause harm.</td>
</tr>
<tr>
<td>Treating suppliers and customers unfairly.</td>
<td>Working fairly with suppliers and customers.</td>
</tr>
<tr>
<td>Sustainability defined in terms of business survival.</td>
<td>Sustainability defined in terms of business, environment and community survival and mutual growth.</td>
</tr>
<tr>
<td>Profit is the sole purpose of the business and must be achieved at any cost.</td>
<td>Profit is one of many purposes of the business and should be achieved, but not at any cost.</td>
</tr>
</tbody>
</table>

Source: Murphy and Schlegelmilch, 2013.

In table 2, we present some corporate social irresponsible views and the positive spin to the responsible approach. We consider this approach as being useful as it is not enough to simply state a list of wrongdoings, it is also important to offer solutions on how irresponsible behavior can be reduced.

It is a fact that more and more companies behave irresponsibly. A recent study developed on Romanian small and medium size companies showed that when it came to defining CSR managers referred to it as ‘being a good citizen’ or as ‘doing the right thing’ (Salanţă and Popa, 2013). Also, the same study showed that business managers were most concerned with surviving on the market than they were on building a strong CSR policy. CSR occurs when companies accept social responsibility and integrate it into their core business strategy (London, 2012, p. 221). In the last two decades, in Romania we can identify a small number of organizations that know-how and want to undertake social responsibilities. Most companies understand wrongly the concept of CSR and stick to small philanthropic activities, voluntary programs and small donations. Even if some Romanian companies invest in CSR from time to time the
Corporate social campaigns are more often not sufficiently elaborated to attract the real long-term benefits. CSR must not be mistaken for strictly philanthropy, charity, or donation. A socially responsible organization should follow all stakeholders’ interests, including those for the environment and society in general. Another study that underlines CSR and CSI in the business world is the one conducted in 2011 by the members of the National Association of Corporate Directors on the priorities of their companies. The results of their survey showed the fact that corporate social responsibility ranked among the first priorities of the board only for 1.5% of the respondents (Crespin, 2012).

Suggestions on how to reduce corporate social irresponsibility

One important source of corporate social irresponsibility is managerial unethical behavior; consequently others copy the phenomenon as people submit to authority. In the decision making process managers must avoid ethical lapses. These are the result of decision making that contradicts the individual’s beliefs and the companies' policies. Ethical lapses are most often generated by incredible pressure from outside the organization, but also from the inside.

One good way to reduce unethical/bad behavior is to reduce the chances that managers will make irresponsible decisions by offering them tasks consistent with responsible behavior (Armstrong and Green, 2013). One way to do that is to constantly remind them their obligations towards the fair treatment of all stakeholders. Another instrument used to reduce irresponsibility is the company’s Code of Ethics. But this has been argued sometimes as not being the most effective method. For instance, Jondle et al. (2014, p. 30) argue that creating formal codes of ethics and conducting ethics trainings is necessary, but insufficient as ethical behavior is promoted and facilitated by an ethical business culture. Consequently, other formal measures can be taken: naming an ethical officer, creating an ethics committee establishing a guide to give clear directions in ethical decision making, encouraging and protecting whistle blowers, developing ethics and CSR training programs. Also, it is important to use social audits for periodically measuring and reporting performance of different areas of CSR.

Besides these internal ways to enhance positive conduct there are also some external ones too. One method to reduce CSI is for the public opinion to spread the information about the misconduct and to severely penalize any CSI act. We can easily accomplish this through the use and access to Internet and consequently to social media sites and fast information sharing. For instance there is a site that annually gives “awards” for the worst behavior in business. In 2014 they gave the Public Eye Awards for worst record in terms of environmental pollution and human rights violation to Gazprom and Gap based on votes received from the readers (The Public Eye Awards, 2014). Other web pages, on the other hand, monitor the good acts and makes a ranking of the companies with the best CSR reputation: CSR RepTrack100 by Reputation Institute, The Ethisphere Institute, Covalence EthicalQuote, The Corporate
Scientists have not been able to clearly prove the connection between investing in CSR and increased financial performance. Margolis and Walsh (2003) for example studied 127 papers published between 1972 and 2002 trying to establish how many of them managed to prove that corporate social responsibility investments contribute to the company's performance. Their conclusion was that half of the papers they examined failed to empirically show such a connection and 13 papers were emphasizing various strong limitations concerning reliability and validity. Despite all these facts, many companies still invest in CSR for the long-term benefits and the competitive advantage this generates. For example, according to the Social Investment Forum (2006) there were $2.29 trillion in assets socially managed in 2005 in the United States of America. Consequently, we believe there are always new ways to be found and implemented in order to reshape CSR investments and strategies in order to reduce CSI in practice. Moreover, there are studies that show that 'firms that do more harm tend to do more good' (Ellen et al., 2000).

Conclusions
Corporate social responsibility is considered to coexist with corporate social irresponsibility throughout the business world, as managers’ decisions/actions are sometimes involuntarily placed between the moral and the immoral. In an ideal world immoral behavior, harmful decisions and unpleasant consequences would not exist. We strongly believe that the 'iron law of responsibility' described by Keith is relevant in the contemporary business environment also. The previously mentioned law explains that the social responsibility of business should be proportional to its power; the greater the power, the greater the CSR involvement should be (Murphy and Schlegelmilch, 2013, p. 1808). Unfortunately, it does not say anything regarding the level of irresponsibility that some managers cannot refrain from.

All in all, this viewpoint on CSR and CSI lacks empirical testing. But we are confident that, as our paper provides a theoretical framework, an empirical research can be undertaken around it. Also, we identified a gap of knowledge as CSR versus CSI practices were not analyzed in Romanian companies and this could represent a good further research direction.

At the end of our paper we would like to underline an idea expressed by Windsor (2013) saying that controlling irresponsibility in practice is more important than promoting CSR and especially managers must understand this. We strongly agree with his statement as the effects of corporate social irresponsibility can sometimes be devastating, and we can take into account the example of British Petroleum oil split. Or, they can permanently affect and reshape the business environment, which is the well-known and intensively famous case of the Enron fraud in the United States. Furthermore, when asked
about engaging in CSR practices some companies state that they lack the resources to get involved in more CSR campaigns, that is why we see fit for managers to engage in CSI activities that are less costly and very effective.

Managers in the position to influence their teams must understand that they are the ones that inspire others through establishing in their field of activity a set of values, standards and clear, realistic and appealing expectations. Consequently, it is fundamental that managers explain to everybody that assuming a moral behavior and CSR activities is expected and rewarded. In this way they can enhance the economic and social performance, and create feelings of trust, fulfillment and satisfaction.

References


