

INTRODUCTION TO BUSINESS (ACC 103)

Topic 2 – Social Responsibility of Businesses/Firms/ Organisations

Corporate Social Responsibility (CSR): Definition

- ❖ The World Business Council on Sustainable Development (WBCSD, 2002) describes Corporate Social Responsibility (CSR) as an idea that includes **the social** (e.g. community programmes like education scholarships), **economic** (e.g. employment) and **environmental** (e.g. waste production and degradation) aspects of business activities;
- ❖ CSR attempts to integrate the social and environmental values within the framework of an organisation's core business operations;
- ❖ Essentially, the CSR of businesses is to their stakeholders including the community of operations.

What is a firm or an organisation?

- ❖ A firm or an organisation is described as a group of people working together and sharing a network of relationships and systems that work towards a common objective;
- ❖ Firms are invented by human to serve the varied needs of communities; a community may be a nation/country, a city, town, and even a committee of nations.

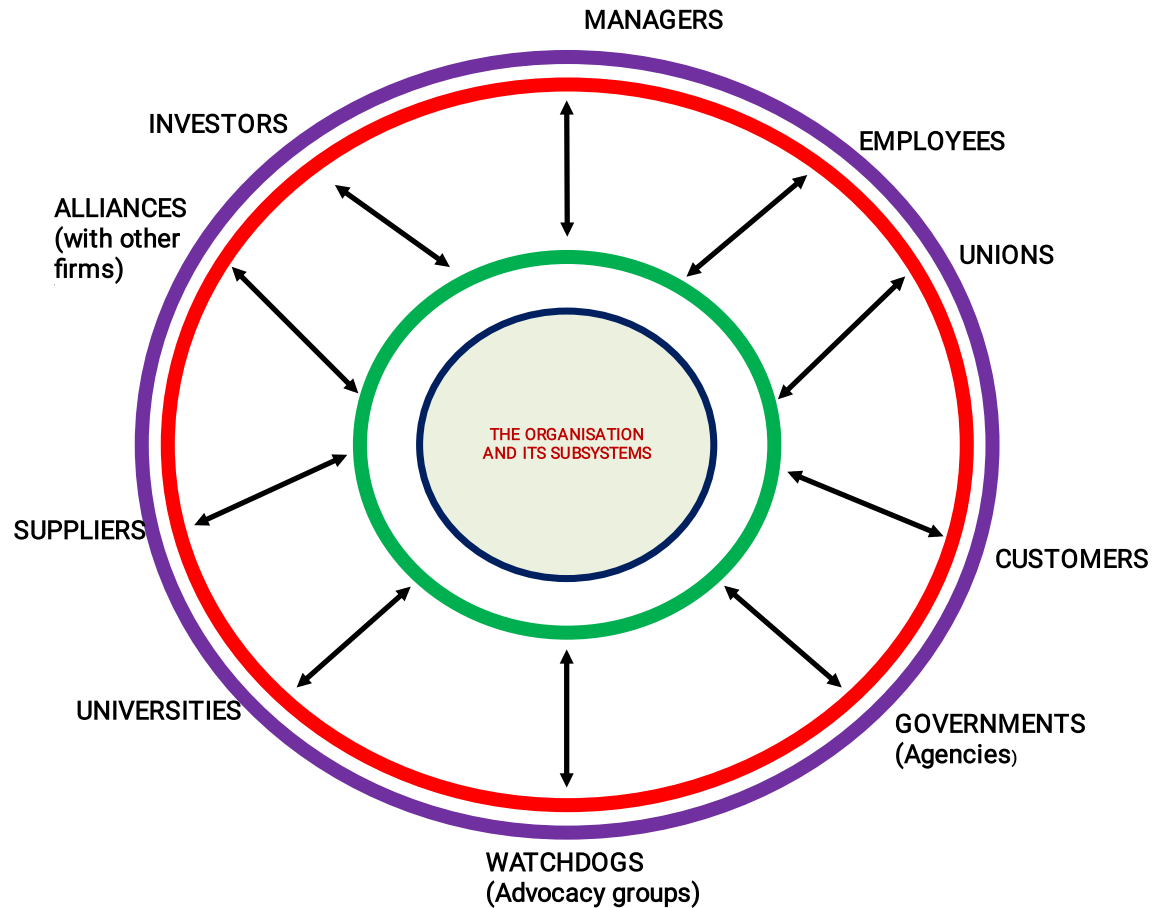
Who is a stakeholder?

- ❖ Introduced in the early '60s, the concept of '*stakeholder*' was developed from an earlier concept 'stockholder' to indicate that aside from the stockholders of a publicly owned company, there are other parties that have a '*stake*' in decision making of the modern corporation and the outcomes of such decisions;
- ❖ Pitman (2010) describes organizational stakeholder as any group or individuals that can potentially *affect* or be *affected* by the achievement of organizational objectives;
- ❖ Examples of stakeholders are: *employees, suppliers, customers, creditors, competitors, governments and communities of operation.*

Who/what are firms' stakeholders and how are the firms responsible to the stakeholders?

- ❖ Firm's stakeholders are wide and varied and these groups are who/what the firms exist to serve;
- ❖ The ability of management to formulate workable purpose and goals is complicated by the need to balance the interests of the varied groups with a stake in the firm;
- ❖ Business organisations strive to benefit multiple stakeholders, some of these are depicted in figure 1.

KEY FIRMS' STAKEHOLDERS GROUPS



SUMMARY

- ❖ Business organisations, particularly the medium to large ones, are made up of various stakeholders;
- ❖ In view of the interest that each of these stakeholders has in the firm, the organisation is responsible to all the stakeholders;
- ❖ Hence, the interests of all of those key actors have to be safeguarded by the organisation;
- ❖ Fulfilling such gigantic responsibilities could however be challenging due to the diverse nature of the stakeholders.