CORPORATE SOCIAL RESPONSIBILITY:
BUSINESS PHILOSOPHY IN GLOBAL TIMES

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Today’s larger corporations engage in Corporate Social Responsibility (CSR) for myriad reasons. Anchored in philosophical treatises, the paper discusses the different facets of CSR. It presents some CSR practices of local and multinational corporations and how these practices take care of the triple bottom line and maintain good corporate image. It also presents drawbacks to business ethics. The last part of the paper presents some challenges that CSR is facing. This paper argues that businesses should see CSR as a responsibility of creating a better life for the larger society as it creates a better life for its stakeholders.

The problem of our age is the administration of wealth, so that the ties of brotherhood may still bind together the rich and poor in harmonious relationship. The conditions of human life have not only been changed, but revolutionized, within the past few hundred years. In former days there was little difference between the dwelling, dress, food, and environment of the chief and those of his retainers.... The contrast between the palace of the millionaire and the cottage of the laborer with us to­day measures the change which has come with civilization.

—Andrew Carnegie

When the accumulation of wealth is no longer of high social importance, there will be great changes in the code of morals. We shall be able to rid ourselves of many of the pseudo-moral principles which have been with us for two hundred years, by which we have exalted some of the most distasteful of human qualities into the position of the highest virtues.

—John Maynard Keynes

What might happen if business leaders across the globe viewed their work as a sacred calling in a religious sense? Might not the world be a far better place?

—William I. Sauser Jr.
INTRODUCTION

What is the primary responsibility of business today? Is it to make a financial return for their shareholders? Or is it to contribute more broadly to the welfare of employees and society as a whole?

For decades, CEOs or company presidents delight the chairman and members of the board, who are the shareholders and expect higher profit year after year. The higher the profit, the higher the share (income). This gauges or measures the ability of the CEO to manage or steer or sometimes even “manipulate” the company to heed the challenges of the industry, the competition, and the economy.

With the downfall of the world economy in 2008 (which is comparable to what happened during the Great Depression), it is very clear that corporations have a purpose but not merely for owners and for generating profits since their behaviors and operation affect the lives of the owners, employees, customers, suppliers, and communities, including even the environment. There is instead a need to rethink about taking care of the welfare of employees, who are the other shareholders of the company. This also includes the community where the company is operating.

One of the business terms popular nowadays is Corporate Social Responsibility (CSR). This concept is also known as corporate citizenship. There is not much data regarding the history of CSR. The concept evolved in the writings of scholars and in business magazine articles. However, CSR was coined by Andrew Carnegie (1889). In “The gospel of wealth,” Carnegie (1889) discussed the principles of charity and stewardship. He said that corporations are “stewards of their property” for the benefit of the whole society. In 1961, Richard Eells and Clarence Walton (see Carroll 1991, 2) claimed that CSR refers to “problems that arise when corporate enterprise casts its shadow on the social scene, and the ethical principles that ought to govern the relations between the corporation and the society.”

The World Business Council for Sustainable Development (1999) states that CSR is the “continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as the community and society at large.” The European Union (2001) defines CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”

In addition, the Business for Social Responsibility (2012), a global nonprofit organization, describes CSR “as achieving commercial success in ways that honor ethical values and respect people, communities and the natural environment.”

The World Bank (2003) argues that corporations should have the commitment to “behave ethically and to contribute to sustainable economic development by working with all relevant stakeholders to improve their lives in ways that are good for business...and society at large.”

Corporations are turning to this trend. They are trying to achieve ethical standard in their business processes and are becoming transparent to the public by showing their achievements for the program. Companies publish their CSR programs in a dedicated part of their website and include these in their annual reports. Despite the increasing trend, many corporations are still struggling to come up with better ways to include CSR in their programs.
Do businesses have an ethical obligation to practice or include CSR?

**CSR AS A FORM OF COMPASSION**

Brian Whitaker (see Roman 2007, 74) of the National Business Initiative in South Africa says:

Imagine this: if a large proportion of the workforce was illiterate, if half lived in shack settlements without adequate shelter; if more than 80% could not afford basic health care; if thousand people joined the economy everyday and fewer than a hundred found work in the formal sector. If that can be imagined, then imagine what the position of the company will be ten or fifteen or twenty years hence.

It would have to be concluded that without change in those social conditions, the company would not survive. It is on these grounds that the business community has a vital role in developing countries, not only to respond to the plight of the poor but to do so in order to secure its own survival.

Giving companies a human touch, *compassion* was the term used by David Bejou (2011) to describe companies that make profits, obey the laws, and are ethical. The best understanding of compassion is from Aristotle (see Crisp 2008, 234) when he says, “...let compassion be a sort of distress at an apparent evil. Destructive or distressing, which happens to someone who doesn’t deserve it, and which one might expect to happen to oneself or someone close to one and this when it appears near.” Martha Nussbaum (2003) also explains that “compassion forms a psychological link between our self-interest and the reality of another person’s good or ill.” Dalai Lama (1998, 114) also defines compassion as associated with “commitment, responsibility and respect toward the other.”

According to Bejou (2011, 3), the main purpose of companies is to make a difference in their communities. This can be done by exercising compassion and incorporating compassion in their “vision, mission goals, values, culture, decisions, strategy, and operations.”

There are companies that operate according to internally set standards and also companies that create positive impact on the society. The concept of compassionate company becomes a norm in businesses who are “giving” something for the community.

**COMPASSION-BASED CSR PRACTICES IN THE PHILIPPINES**

Filipinos have an early notion of CSR as philanthropy. This has become part of the traditional values which is known as *bayanihan*. This concept is translated to mean “bayan” or town moving in the spirit of volunteerism and individual giving. It is usually portrayed in elementary school books where neighbors help one another in carrying a hut to a new location. This is a sign of how Filipinos practice community spirit without expecting recognition or anything in return. This concept has been expanded over time where kins, neighbors, or church-related organizations practice such through social events
and solicitations for those in need. Corporations take this concept of bayanihan further especially during hard times caused by typhoons, earthquakes, or death. With the help of volunteers, corporations donate food, clothes, personal care, and medicines to the victims.

One of the oldest pharmaceutical companies in the Philippines is Pascual Laboratories, Inc. (PLI). This company (Juico 2007, 137) started with the very noble intention. Its mission and vision statements and strategy are focused on providing affordable but effective medicines with tuberculosis in the Philippines. Its mission has been carried out from the time it started its operation up to the present. Because of this, PLI has an ever increasing profit.

In addition, PLI treats its employees well, especially those who have long been with the company. PLI employees find new jobs with the help of the company itself. It also believes in doing the right thing by reporting honestly its books of accounts, which can be openly examined by concerned government agencies.

The Manila Water Corporation (MWC) (Herrera 2007, 137) absorbed more than 2000 employees when it took over from the Philippine government the operation of water distribution in 1997. As a new private company with old and experienced employees, MWC instituted a project for its human resources. With its “We Care Philosophy,” MWC aimed at making its employees “drivers for the business” and “accelerators of change.” The project implemented a formal business management training program by mentoring, cross-posting, cross-functional clusters, and semi-annual planning conferences. Selected managers were sent to programs abroad so they may learn of the best practices in the global arena. When they go back home, these are shared to their peers.

As a newly instituted company in 1997, the MWC partnered with and invested in the growth of its employees. And, in less than ten years, it became one of the most respected companies in the country not only because of its financial success but also for its ability to provide career growth and path to its internal stakeholders.

In the Philippines, the Ayala Corporation is the oldest conglomerate of properties, malls, condominiums, hotels, world-class subdivisions, and services industries. In 1961, thru its Filipinas Foundation, it donated land to the cities of Manila (where the La Concordia College now stands) and Makati (home of Asian Institute of Management). From charitable giving, the Ayala Corporation (2015) wants that “philanthropy should be strategic and must be undertaken in a manner that ensures its sustainability.” It started to include in its scope the country’s socioeconomic and environmental problems. Through its Ayala Foundation, the Ayala Corporation partnered with communities in its programs for education, youth leadership, sustainable livelihood for communities in various provinces, and arts and culture.

Shell Philippines (Royal Dutch Shell PLC, 2012) gave importance to areas such as education, health, livelihood, environment, and safety. Since the first three areas are already common CSR initiative, Shell highlighted the importance of the last two areas in their products, services, and operations by minimizing the impact to the environment. Waste management programs are incorporated in their livelihood projects. And their safety program includes disaster preparedness.

Care for the environment is now one of the biggest issues that countries are facing. Corporations are doing their part by reducing their carbon footprints. This is done by using earth friendly materials, and renewable energy, among others. Corporations now incorporate social and environmental practices to address these concerns.
THE CONCEPT OF GLOBALIZATION

The world has changed since the dawn of globalization. The world has become interconnected through information and also through production. Factories are widespread all over the world. Corporations spread their production in different countries because of investor-friendly taxes, better labor laws, cheaper labor and, most importantly, better access to the raw material.

Globalization attracts big corporations to become global corporations or multinational corporations (MNCs) (Schermherhorn 2013, 116-17). MNCs are firms that have extensive international corporations in many foreign countries. These corporations include the Fortune 500 companies like Nestle, Johnson and Johnson, Toyota, Samsung, and companies like Total (France), PetroChina (China), Gazprom (Russia), and others. One of the characteristics of globalization is the growth of regional alliances in order to work for economic gains. Examples of which are the North American Free Trade Agreement (NAFTA), European Union (EU), and the Asia Pacific Economic Cooperation (APEC).

Economic gains are increasing because of nations working together, benefitting corporations which operate and trade in and among the member nations. But there seems still a bigger problem. As economic gains increase, poor marginalized countries still have poorer workers.

Since the demand for products and services by these corporations are increasing, the effects on the environment are not favorable. Examples of these are pollution, environmental degradation like the denudation of forests, oil spills in the oceans, and biochemical contamination of communities, water, and food.

Another important question in international business is that of global management. How do corporations, which are so vast, manage their employees (people), resources (planet), and advantages (profit) so that they can produce a product efficiently and ship and then sell this on time to another country?

BENEFITS OF SUSTAINABLE CSR
THRU TRIPLE BOTTOM LINE

The concept of triple bottom line was coined by John Eklington in 1997. He (see Juico 1997) explains that corporations need to examine their economic, environmental, and social performance. Firstly, corporations should measure the human or intellectual capital (the people) that they develop. Secondly, corporations need to look at their environmental impact, specifically, by closely looking at the implications of their resource consumption, energy use, and operation on the ecology (the planet). Lastly, corporations need to maximize the positive impact of their operations on the broader society (the profit).

The concept of triple bottom line has then evolved to what is commonly known as the 3Ps (People, Planet, and Profit). It is called the bottom line since the profit or loss of a company is recorded at the very bottom of a financial statement. The term evolved and is now known as the three pillars of sustainability. A corporation or a business can only be sustainable if it takes care of the 3Ps.

In its Credo, Johnson and Johnson (n.d.) “puts the needs and well-being of the people [they] serve first.” It was crafted by Robert Wood Johnson, then J&J chairman, in 1943. Even before the term CSR was heard of, J&J believes that it is the recipe for
business success and a moral compass. Tylenol is a J&J product that is admired in the US market as a best-selling, nonprescription pain reliever. In 1982, seven people died after taking Tylenol. J&J did not bother defend or protect its sales but pulled out 31 million bottles from the market and started to investigate the real cause of the deaths. They even offered replacement capsules to those who have purchased the medicine. J&J faced the media and informed those who purchased the medicine of the possibility of poisoning. The case was a puzzle to both the police and J&J. They worked closely with the proper authorities and found out that those pills were laced with cyanide after the bottles left their factory. Until this day, no one was identified to have committed the crime but the company took initiatives to tamper-proof its packaging. Thus, a new law was created to make sure that all drugs meet packing standards. The loss of pulling out millions of bottles was not accounted for by the company.

Clearly, the priority responsibilities of J&J are the doctors, nurses, patients along with mothers and fathers, and all those who use their products and avail of their services. Their shareholders are secondary. Here, CSR strategies are spelled out on three things: first is “advancing human health and well-being which includes research and development, access, and affordability, and global health; second is “safeguarding the planet which includes caring for the environment through waste management, water, biodiversity, and reducing emissions; and third, J&J leads a dynamic and responsible business by focusing on quality and safe products, ethical business practices, observing human rights, diversity, bioethics, ethical business practices, setting a global standard followed by its supply chain (or Family of Companies).

CORPORATE IMAGE AND THE CSR

CSR efforts are beneficial to society and the environment. It also produces a ripple effect thereby creating a positive image through press coverage. Most of the efforts done are posted in their websites, brochures, and other marketing collaterals. This in turn attracts more loyal customers. When the consumers enjoy a product because of the feel-good effect that it gives, the company gains more. Investors become satisfied. Then employees also get a better income packages from the company. According to Kristina Jacobs (2015), “more than half of American consumers say that a company’s social reputation influence their purchase decisions.” Consumers are becoming more concerned about the CSR which creates a better reputation for the company. This is seen in the study of Fleishman-Hillard and the National Consumers’ Leagues (Jacobs 2015) which states that fifty-two percent of respondents sought information on the company’s CSR records.

Starbucks Corporation (2006) has a deeply rooted CSR effort. They invest in helping the coffee farmers from planting and growing to harvesting coffee beans. With these efforts, coffee farmers are able to plant and grow coffee shrubs properly and, thereafter, sell high-quality beans. Starbucks commitment to the environment is embedded in the worldwide operation of its stores, and which includes offering only organic coffee since 2000, recycling of the paper cup sleeves, using environment-friendly lights, and designing its stores so it can use natural sunlight. Starbucks also strives to become a responsible neighbor in the communities where its customers and partners live.
Nestle (Roman 2007, 79) sells only “Good Food, Good Life.” It is the only food and beverage company on the top ten of the 2013 KPMG Survey of Corporate Responsibility. As a food and beverage company, Nestle prioritizes nutrition in all its products. Sustainability is at the heart of Nestle’s activities, brands, and products. Thus, rural development and responsible sourcing are the heart of its business. Nestle also recognizes and instills respect for human rights in its operations and supply chains. Aside from programs for ensuring clean water, Nestle takes care of its people by placing them at the center of everything the company is doing. Health safety is the top priority.

THE CONTRADICTIONS AND CHALLENGES OF BUSINESS ETHICS

Milton Friedman (1970), a renowned economist, argues that companies exist to generate profit for the owners or, properly addressed, the shareholders. He assumes that the companies would abide by the laws and prevailing ethical customs. In his book *Capitalism and freedom*, Friedman (1961, 92) addresses social responsibility as a “fundamentally subversive doctrine” in a free society. He further argues that “there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.” His ideas assert that as long as business is not breaking any law, then it has no duty to go beyond what the shareholders want.

There are prevailing “legal terms” that are used by companies in order to maximize what is provided for, or what is not written, in the law. Following the argument of Friedman, the concept of a responsible company is limited to the paying of taxes and compliance with the law where it is conducting its business operation. This means that profit-oriented companies are expected to generate wealth and distribute this wealth to its owners as rewards for the risks that they took upon investing their assets in the company. In the case of non-profit companies, they are expected to deliver goods and services that will benefit society, and whatever remains should be plowed back to the organization for its sustainability. Anything beyond the aforementioned concepts as Friedman (1961, 93) claimed is voluntary and, therefore, also unnecessary.

Over the years there are companies which would even engage in unethical activities, with the reason that “it is in the bounds of legality.” Many of such cases are published in business magazines, books, and even in newspapers, which has evidently led to the downfall of big and respected companies. Some respected companies like Enron [2001] (see “The 10 worst corporate accounting scandals...” n.d.), kept huge debts in their balance sheets that shareholders lost seventy-four billion dollars; Lehman Brothers hid fifty billion dollar loans disguised as sales; Bernie Madoff Investment Securities [2008], tricked investors, who lost more than sixty-six billion dollars in the largest Ponzi scheme ever. The downfall of the last two companies led to the downfall of the economies of powerful countries. This, until today, has negative impacts on the lives of millions of people who lost their jobs, houses, and even lives.

With more and more companies amassing the wealth of its investors by draining money from them, is it the responsibility of government to set more ethical regulations to regulate business?
Adam Smith, the father of modern capitalism, introduced the concept of the “invisible hand.” He (see Jacobs 2015) says that “individuals pursuing their own best self-interest results in the greatest overall good to society, and that only the free market should determine what and how goods and services are offered.” Katrina Jacobs (2015) claims that “companies that do everything they can to boost profits will necessarily spend for increasing social welfare, because the demand for healthy foods, medicines, and other beneficial products results in the businesses’ creating innovative and helpful goods or services.”

Another critique is that CSR is another burden for corporations since it requires additional tasks, reporting and paperwork, from companies. The drafting of codes of conducts, compliance to various programs set by external auditing bodies, often does not solve problems. In addition, there is a chance that corporations will only comply with the minimum requirements set by certifying organizations. This makes a company CSR compliant but only for the sake of getting the required certifications.

A more serious concern is that corporations can claim to be very responsible and committed with their sizable donations to communities and to the numerous programs. The bigger question is the sustainability of these programs since these are voluntary.

**CHALLENGES OF CSR**

Corporations may distract consumers with beautiful CSR programs. Manufacturers of tobacco and sellers of alcoholic products may adopt CSRs to build a stronger reputation. Still they sell products that damage the consumer’s health. Note how CSR programs of cigarette companies include posting a picture of decaying lungs in the product or packaging it to warn smokers of the possible effects of smoking. Yet none of these is effective in stopping the smokers.

Sustainability of the CSR programs is the biggest challenge that hounds corporations. Since there are different kinds of CSR programs, like donating to charities, it may create some dependency. These acts have a temporary effect since the current situation of the receiver is only alleviated. There are dangers of the traditional philanthropic approach that Felipe Alfonso warned about. He (2005) argues that

...corporate philanthropy creates a dole out situation where the grantees are no longer better off because of their dependency on resource transfer. The means might therefore undermine the ends. He argues that increasing emphasis should be given on building partnerships with the community rather than merely transferring resources that is generally perceived as form of charity.

Furthermore, Bejou (2011, 2) contends that CSR is “not supposed to enhance corporate image through occasional charity and thus to counter critiques of unfettered profit sharing.”

Francisco Roman (2007) expands the framework of Gisela Velasco’s (2006) evaluation of the evolution of CSR networks in the Philippines. First, it started when companies provided financial assistance to NGOs and charitable institutions. Second, when companies partnered with intermediaries or established their own foundation to execute their own CSR efforts. Third, when companies “incorporated end-users in the design
and implementation of CSR programs. And, fourth, when companies internalized programs in policy formulation.

CSR programs are supported by or are part of the policies of corporations. It is embedded in their corporate code of behavior or corporate values. These define the ethics of a business. These sets of values govern every corporate department, the human resources, and the entire corporate management, and the operations as they draw from the mission and vision of the companies, which have been approved by the shareholders. Thus, the responsibility of a corporation belongs to its shareholders.

One of the top business schools in the world, the Harvard Kennedy School of Government (see Kytle and Ruggie 2005, 9), explains that CSR

...encompasses not only what companies do with their profits, but also how they make them. It goes beyond philanthropy and compliance and addresses how companies manage their economic, social, and environmental impacts, as well as their relationships in all key spheres of influence: the workplace, the marketplace, the supply chain, the community, and the public policy realm.

Johnson and Johnson leads a dynamic and responsible business by focusing on safe quality products and ethical business practices as well as by observing human rights, diversity, and bioethics. J&J is known by setting the global standards followed by its supply chain or Family of Companies. So far, J&J has rigid standards for its suppliers. On the business side, it can expect quality raw materials delivered by its suppliers. On the CSR side, it ensures that suppliers operate ethically in following better, humane standards.

Just like J&J, companies can do on their own including capacity-building, i.e., influencing other companies and in collaboration with others. Companies can do internal initiatives and influencing initiatives (Herrera, et al. 2011). Internal initiatives include complying with existing labor and environmental laws, paying the right taxes, creation of international standard within its enterprise, training its people in the supply chain, waste disposal and community relations, promoting a code of conduct, and creating an avenue for the sharing of CSR. Also, companies can have influencing initiatives that include disclosing what the company is doing and can still do, as well as working with others to comply with the standards, and thereby creating synergy among CSR practices.

Furthermore, governments can do something to promote CSR in their countries. The World Bank (see Asian Institute of Management 2011) enumerates four main roles for government in promoting CSR: (1) Mandating or creating laws, (2) Facilitating by giving incentives such as allowing tax-deductible expenses, (3) Partnering with civic groups to enhance the use of resources, and (4) Endorsing effective or efficient CSR programs.

CONCLUSION

In view of the global recession, the United States, United Kingdom, Belgium, Greece, and other world powers and former economic leaders are caught up in a struggle. Amid the struggle to recover the economy, millions of people lost their means of livelihood, homes, or even love ones. Behind all these, there are many companies and shareholders who are reaping the fruit of their labor. And so the gap between the rich and the poor becomes wider. It is high time for companies to reexamine themselves by following the
words of Socrates that an unexamined life is not worth living. Companies should reexamine their cause for existence and should not be for the maximization of profits alone. The Compendium of the Social Doctrine of the Church (2004), argues:

Business owners and management must not limit themselves to taking into account only the economic objectives of the company, the criteria for economic efficiency and the proper care of “capital” as the sum of the means of production. It is also their precise duty to respect concretely the human dignity of those who work within the company. These workers constitute “the firm’s most valuable asset,” the decisive factor of production.

Furthermore, the Catholic Church’s social doctrine highlights the role of companies in contributing to the enhancement of families, communities, and society as a whole. It (2004) argues that:

...the Church’s social doctrine insists on the need for business owners and management to strive to structure work in such a way so as to promote the family, especially mothers, in the fulfillment of their duties; to accede, in the light of an integral vision of man and development, to the demand for the quality “of the goods to be produced and consumed, the quality of services to be enjoyed, the quality of the environment and of life in general,” to invest, when the necessary economic conditions and conditions of political stability are present, in those places and sectors of production that offer individuals and peoples “an opportunity to make good use of their labor.”

The Corporation Code of the Philippines (1980) also explains that “businesses should not be mere entities established for private gain but should also be effective partners of the government in spreading benefits...for the social and economic development.” This is also elaborated by Estelito Mendoza (1979-80, 877):

...the provisions of the Code demonstrate an awareness that corporations are not mere business organizations exclusively intended to serve personal interests of shareholders or managers but are social institutions in which all sectors of society have an interest. While inanimate, [corporations] cannot be without moral values or ethical concerns; nor can they be bereft of social and civic responsibilities. Thus as an assurance of a welcome place in society, while the code does not directly mandate the performance of specific social and civic obligations, it encourages and provides corporations with every means of becoming valuable social institutions.

Companies are not just for profits. They have a responsibility to humankind. Zobel de Ayala (2015) of the Ayala Corporation says, “I like to think that at the end of the day, we have to give back and help contribute to something bigger than ourselves.” Rolando M. Gripaldo (2015) explains it well that corporate social responsibility is an enlightened self-interest. It is by responding to the society’s genuine needs that a corporation serves not only the larger society but also itself.
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