

## THE CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY: THREE-DIMENSIONAL ASPECT

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*This article analyzes the corporate social responsibility as a three-dimensional concept (aspects): economical; social; environmental and ecological. It is shown that environmental and ecological orientation and sustainable development is a key pillar of the corporate social responsibility.*

**“Corporate Social Responsibility as a three-dimensional aspect”.** CSR, or corporate social responsibility, is the way the business sector would see an engagement in the community as a strategy that has long-term benefits for the business. It is not solely driven by profits, but it has to go along with the social welfare as well as environmental protection. Surely CSR is important as an element of development because in the present days, more than ever, companies need to look after their communities.

For the purpose of a detailed analysis, we can denote CSR as a three-dimensional aspect, which includes:

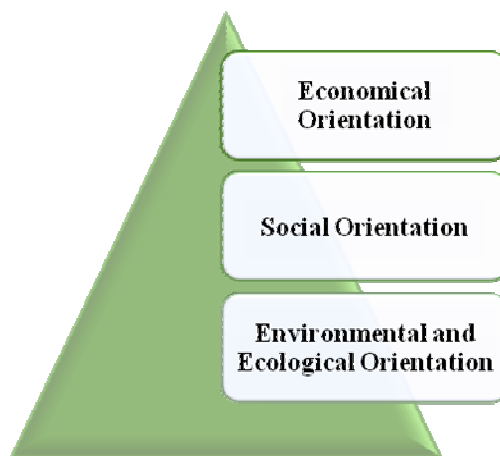


Figure 1. CSR as a three-dimensional aspect

Source: [2]

The **Economic Orientation** is often mistakenly considered to be synonymous with financial issues, which is why it has been assumed easier to implement than the other two pillars of the temple. However, the economic responsibility is not simply a matter of companies being financially accountable, recording employment figures and debts in their latest corporate responsibility report. The economic dimension of the sustainability agenda should rather consider the direct and indirect economic impacts that the organization’s operations have on the surrounding community and on the

company's stakeholders. That is what makes up corporate economic responsibility. Having this in account, we can name two important economic factors that can boost CSR:

### *1. The Multiplier Effect*

The economic performance of a company has direct and indirect impacts on all of its stakeholders – including its employees, local governments, non-profit organizations, customers, suppliers, and the communities in which the companies operates. As an example, we can consider the case when we try to increase the salary and compensations of our employees, from which they comparatively purchase more goods and services as well as pay taxes. These activities fuel the local service industry, government programs and the community activities. This multiplier effect becomes all the more important if the company is one of the largest employers in the communities.

### *2. Contribution through Taxes*

Companies are major contributors to the well-being of the area surrounding their operations, for example through the local tax base. Therefore, the question arises: is it responsible for a business to see corporate taxes purely as to cost be avoided, rather than part of their social contract with society? Taxes have a significant impact on the creation and distribution of wealth: tax avoidance, though perfectly legal, deprives the community in the area of the company's operation of well-being.

**Social Orientation** is the newest of the three dimensions of corporate social responsibility and it is getting more attention than it has previously had. Many organizations are becoming increasingly active in addressing social concerns and becoming more accountable for the social effects the company has on people - even indirectly. This includes the people within the company, in the supply chain of the company, in the community the company is in and as customers of the company which means the whole lot of stakeholder. It refers to the management's obligation to make choices and take actions that will contribute to the welfare and interests of society as well as those of the organization. The following aspects have been found to be the key of the social aspects of CSR for an organization:

### *1. Responsibility towards Customers*

The idea of treating customers with respect and attention is not new to business: often being responsible to customers has a direct positive effect on the company's profits. There are, however, broader social responsibilities including providing good value for money. These responsibilities may include such issues as the safety and durability of products or services; standard or after sales service; prompt and courteous attention to queries and complaints; adequate supply of products or services; fair standards of advertising and trading; and full and unambiguous information to potential customers.

### *2. Responsibility towards Employees*

Businesses are major contributors to the employment generation of the community. However, social responsibility to employees extends beyond terms and conditions of the formal contract of employment. Companies need to come up with wider expectations that today's employees have for the quality of their working life. Such expectations include taking care of the personnel's welfare and safety at work and upholding their skills and motivation for the work. Beyond these expectations, a socially responsible company secures a just treatment and equal opportunities for all its employees, regardless of gender, age, race, or religion.

### *3. Responsibility towards the Community*

Companies depend on the health, stability, and prosperity of the communities in which they operate. Often majority of the company's employees and customers come from the surroundings area – especially so for SME's (Small and Medium Enterprises). The reputation of a company at its location, its image as an employer and producer, but also as an actor in the local scene, certainly influences its competitiveness. Many companies become involved in community causes, for example by providing additional vocational training places, recruiting socially excluded people, sponsoring local sports and cultural events, and through partnerships with communities or donations to charitable activities.

**Environmental and Ecological orientation** and sustainable development is a key pillar of the corporate social responsibility. Environmental and ecological issues have been an important topic of discussion for the past forty years in the business world – the longest time of the three dimensions of corporate social responsibility. The knowledge and issues within the dimensions have progressed across a landscape of changing business realities. Environmental aspects put in place in the 1970s with the first real understanding of the environmental impacts of business. Now, in the 21st century, we are faced with new challenges.

#### *1. Environmental Impact*

Corporate activity may have many types of effects on the environment. Usually environmental impact refers to the negative effects occurring in the surrounding natural environment due to business operations. Such impacts may include: overuse of natural, non-renewable resources of energy, pollution wastage, degeneration of biodiversity, climate change, deforestation, etc. To obey CSR in case of environmental aspects corporations can take the following steps:

Measuring Environmental Impact: Environmental impacts can be measured in several ways through environmentally extended input-output tables, material input per service unit (MIPS) calculations, ecological footprint and life cycle assessment, to name a few. Ecological footprint measures the amount of nature's resources consumed in a given year, and compares it to the resources available in the world. Life cycle assessment (LCA or eco-balance) is used to assess the

environmental performance of a product from raw materials in the beginning of the production process all the way to disposal at the end of use. The MIPS value is calculated by dividing the amount of material the product or service causes to move – e.g. the amount of earth moved in mining, not just the metal used – during its entire life – span by the amount of benefits and value it brings.

Environmental Management: To truly commit to its environmental responsibilities a company should change its traditional modes of operation towards a more environmentally oriented one. The environmentally more responsible perspective could include such issues as an emphasis on increased resource productivity, cleaner production and active dialogue with the company's stakeholders. Many businesses have found that establishing an environmental management system is the best basis for good environmental performance. Quality, health and safety issues can also be integrated into the same management system.

## 2. *The Win-Win of Environmental Responsibility*

Several individual companies have found that improving environmental performance may also have beneficial effects on the company itself. Using less material and streamlining processes to create less waste may lower the costs of operation significantly. Moreover, the close review of operations, which is needed to improve the environmental performance, may reveal other improvement points, such as risk and material loss. A responsible public image may also attract more customers. These kinds of improvements as well as the investments behind them are often referred to as win-win – good for both the environment and profitability of the company.

## **Conclusions**

CSR is undoubtedly an important business strategy because, wherever possible, the present trend shows that consumers want to buy products from companies they trust; suppliers want to form business partnerships with companies they can rely on; employees want to work for companies they respect; and NGOs, increasingly want to work together with companies seeking feasible solutions and innovations in areas of common concern. Satisfying each of these stakeholder groups allows companies to maximize their commitment to another important stakeholder group – their investors, who benefit most when the needs of these other stakeholder groups are being met.

The winning companies of this century will be those who prove with their actions that they can be profitable and increase social value. Companies that do well on those issues, increasingly shareholders, customers, partners and employees are going to vote with their feet to that company. Corporations should consider the referred three dimensions of CSR for running successfully in this competitive world. CSR as a strategy is becoming increasingly important for businesses today

because of three identifiable trends: Changing social expectations, Increasing affluence and Globalization.

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*Матеріали надійшли 29 серпня 2013 р.*