

**TOPIC: SOCIAL RESPONSIBILITY**  
**Terms and definitions**

| <b>Term</b>                           | <b>Definition</b>   |
|---------------------------------------|---|
| Social responsibility                 | An ethical view point that says every individual/organisation has an obligation to benefit society as a whole.  |
| Corporate                             | Refers to businesses/firms/organisations.   |
| Corporate social responsibility (CSR) | The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the local community and society at large. |
| Corporate social investment (CSI)     | The investment of corporate funds/other assets for the primary purpose of achieving social outcomes.  |
| Contemporary socio-economic issues    | Current societal and economic factors that impact on the business.  |
| Triple bottom line                    | Refers to the 3Ps that businesses should always consider in their operations, namely; <b>PROFIT, PEOPLE and PLANET.</b>   |
| Sustainability                        | Using the resources in such a manner that future generations will be able to use them.  |
| Well being                            | Caring for the needs of employees and the communities.  |
| Demographics                          | Statistical data of the population in term of race, age and income.   |
| Staff turn-over                       | Rate at which the employer has to replace their employees.  |

**The meaning of social responsibility**

- An ethical view point that says every individual or organisation has an obligation to benefit society as a whole.
- The responsibility of every citizen, individual or organisation to contribute towards the well-being of the community and the environment in which they live.

**Relationship/Link between triple bottom line and social responsibility**

**Profit/Economic**

- Triple Bottom line means that businesses should not only focus on profit or charge high prices, but should also invest in CSI projects.
- Businesses should not make a profit at the expense of its community.

**People/Social**

- Business operations should not have a negative impact on people employees, customers or the community.
- Businesses should invest in sustainable community programmes that will benefit communities.
- Improve the quality of life of their employees.

**Planet/Environment**

- Businesses should not harm the environment for production or profit purposes.
- They may support eco-friendly products/production methods.
- Recycle waste, e.g. packaging from recycled material.

**Strategies to deal with socio-economic issues (HIV/Aids, unemployment and poverty) that challenge social responsibility****Strategies to deal with HIV/Aids**

- Counselling programmes/train counsellors to provide infected and affected persons/employees.
- Develop counselling programmes for infected/affected persons/employees.
- Conduct workshops on HIV/Aids programmes.
- Roll out anti-retroviral (ARV) treatment programmes (ART) for the infected employees.
- Encourage employees to join HIV/Aids support groups.
- Develop strategies to deal with stigma and discrimination.
- Participate in the HIV/Aids prevention programmes implemented in the community.
- Support non-governmental organisational/community based organisation/NPC HIV/Aids initiatives.

**Strategies to deal with unemployment**

- Provide skills development programmes through learnerships.
- Offer bursaries to the community to improve the level of education.
- Create jobs for members of the community.
- Provide entrepreneurial programmes that can promote self-employment.
- Support existing small businesses to create more employment opportunities.

**Strategies to deal with poverty**

- Invest in a young starting SME that can be a business competitor, buyer or supplier.
- Attract the best employees by being socially responsible and offering the best volunteering programs.
- Support poverty alleviation programmes that are offered by the government.
- Donate money or food parcels to local NGO's.

**NOTE: Some strategies to deal with unemployment can also be used to deal with poverty.**

**Ways in which businesses could contribute to the wellbeing of their employees**

- Pay fair wages/salaries to the workers based on the nature of their work.
- Working conditions should include safety, medical, canteen facilities and benefits like housing, leave and retirement.
- Pay fair bonuses, based on business earnings, as acknowledgement for hard work and commitment.
- Provide for employees' participation in decision making that affects them.
- Provide recreational facilities for employees.
- Offer annual physical/medical assessments to workers.
- Make trauma counselling available to any employee who requires these services.
- Offer financial assistance in the case of any hardship caused by unexpected medical costs.
- Allow flexible working hours to enhance productivity.
- Offer support programmes for employees infected and affected by HIV/Aids.
- Make childcare facilities available on the premises for working mothers in the business.
- Start a nutritional programme so that employees can enjoy one meal per day to keep them in a healthy condition.
- Allow staff to use some of the working hours to participate in the projects of their choice.
- Encourage employees to stay fit and healthy by getting them involved in health activities to minimise stress.
- Provide transport for employees who work unusually long hours.
- Establish coaching and mentoring programmes for junior employees.
- Conduct team-building sessions to improve employees' morale.
- Encourage employees to attend capacity-building workshops, training programmes, staff-development programmes or team development programmes.

**Contribution of time and effort in improving the wellbeing of the community**

- Business should improve the general quality of life of their community, e.g. invest in education.
- Ensure that the product they supply do not harm consumers or the environment.
- Refrain from engaging in harmful practices such as employing children under the legal age.
- Make ethically correct business decisions, e.g. not engage in unfair advertising.
- Run a project to uplift the community.
- Provide sport facilities to promote healthy activities.

## **CORPORATE SOCIAL RESPONSIBILITY (CSR)**

### **Meaning of CSR**

- The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the local community and society at large.
- Corporate Social Responsibility/CSR is the way a business conducts its operations ethically and morally, regarding the use of human, physical and financial resources.
- Corporate Social Responsibility is an obligation required by law and benefits both business and society.

### **Purpose of CSR**

- CSR programmes are internal programmes that businesses use to comply with laws and ethics.
- Key areas of concern are protecting the environment, the wellbeing of employees from the community and civil society in general.
- Businesses seek to promote public interest and do away with harmful practices without the need for any formal legislation.
- Business operations address Triple bottom line through CSR programmes by considering its impact on people, profit and planet.
- CSR aims at creating a safe working environment for employees.
- CSR programmes and activities the business undertakes to contribute positively to the community in which the business operates.
- CSR may take the form of a monetary donation to support local organisations.

### **Components of Corporate Social Responsibility (CSR)**

- Environment
- Ethical corporate social investment
- Health and safety
- Corporate governance
- Business ethics
- Employment equity
- Supply chain/Distribution channel
- Customers
- Community

### **Impact of CSR / CSI on businesses**

#### **Advantages/Positives of CSR / CSI on businesses**

- May attract experienced employees to increase the pool of skilled labour which could increase productivity.
- Improved image as the business looks after their employees.
- A business may have a competitive advantage, resulting in good publicity.
- Promotes customer loyalty resulting in more sales.
- CSI projects may be used as a marketing strategy to promote their products.
- The business enjoys the support of communities.
- CSI projects promote teamwork within businesses.
- CSI helps to attract investors because of increased profits.

- Gives businesses tax advantages such as tax reductions.
- Assists in solving socio-economic issues like poverty, unemployment, HIV / Aids.
- The government is less likely to enforce issues through legislation to businesses that voluntarily participate in CSI projects.
- Employees feel as if they are making a difference in working for the business.
- It helps to lower staff turnover as employees' health and safety are considered.
- Improves the health of its employees through focused CSI projects.
- Businesses become more community-based by working closely with the community to roll out skills development projects.

#### **Negatives/Disadvantages**

- Customers may not buy their products/services resulting in a decrease in sales.
- Small and medium enterprises find it difficult to implement CSI programmes.
- Detailed reports must be drawn up, which can be time consuming.
- Social spending reduces economic efficiency which makes it less competitive.
- Social involvement is funded from business profits which could have been used to the benefit of customers by reducing prices.
- CSI activities distract business focus from its core business functions.
- Businesses find it difficult to adhere to legislation governing CSI.
- It can increase financial risk, as programmes cost money and may impact negatively on profits.
- It is difficult to accurately measure the effectiveness of social investment.
- It is not easy to determine the exact needs of the communities, which may result in fruitless expenditure on CSI.
- Most managers lack experience to handle social programmes.
- Employees may spend more time working on CSI projects instead of focusing on their core duties.
- Providing goods or services that meet the needs of consumers is, according to some stakeholders, already socially responsible.
- Shareholders may receive fewer dividends, as some profits are spent on CSI.
- Some shareholders might withdraw their support from the business as they feel that social issues should be the government's responsibility.

**(NOTE: that the impact of CSR and CSI on business are the same.)**

#### **Impact of CSR / CSI on the community**

##### **Positives/Advantages**

- Socio-economic issues are attended to which will improve the welfare of the community.
- Training opportunities in the community increase the possibility of appointments of members of the community.
- Implementing developmental programmes in the community improves entrepreneurial skills of communities.
- Provision of bursaries encourages communities to improve their skills.
- The standard of living of the community is uplifted.
- Better educational facilities are established in poor communities.
- The provision of medical infrastructure improves the health of communities.

**Negatives/Disadvantages**

- Businesses are not always equipped to address social problems.
- Communities tend to be dependent on CSR programmes and struggle to take their own initiatives.
- Distribution of scarce resources to selected beneficiaries in the community may cause problems such as discrimination.
- Some businesses only participate in CSR initiatives to raise profit and do not really care for the community in which they operate.
- Business cannot deliver sustainable CSR programmes.
- The benefits of the programmes may not reach the intended persons within the community.
- Spending money on CSR programmes means the business has to recover expenses through higher prices which have a negative impact on the economy.
- Businesses tend to focus on CSR programmes that do not directly benefit the community.
- Less money is available for community projects during unfavourable economic conditions.
- Consumers are not easily convinced that a business is acting in the best interest of the community and the environment.
- A business often appears to benefit more from the CSR expenditure than the perceived benefits to the communities.

**(NOTE: that the impact of CSR and CSI on the community are the same.)**

**CORPORATE SOCIAL INVESTMENT (CSI)****The meaning of CSI**

- Refers to investment of corporate funds for the primary purpose of achieving social outcomes.
- Money that a business budgets to provide solutions to social problems within the communities from which they draw their workers or where they make or sell their products/services.
- Projects that are not part of the normal business activities of a business and are designed and aim to benefit the community.
- The projects are not directly for purposes of increasing company profits.
- These projects have a strong developmental approach and utilise company resources to benefit and uplift communities.

**Purpose of CSI**

- CSI aims at contributing towards sustainable development of its immediate communities.
- CSI is enforceable by law and government requires business to make CSI contributions.
- CSI projects play a positive role in the development of communities.
- CSI reveals a business's attitude towards the community in which it operates.
- CSI projects are long-term investments.
- It is relevant to the South African context where socio-economic upliftment is a priority.

**CSI focus areas**

- Community
- Rural development
- Employees
- Environment

**Examples of CSI projects**

- Donation to support local organisations.
- Being involved in conversation projects.
- Delivering services that government is unable or slow to deliver.
- Investing in job creation projects.
- Providing adult basic education.
- Teaching entrepreneurial skills.
- Sponsoring arts and culture programmes.
- Establishing programmes to promote early childhood development

**Differences between Corporate Social Responsibility (CSR) and Corporate Social Investment (CSI)**

| <b>Corporate Social Responsibility</b>   | <b>Corporate Social Investment</b>  |
|--|---|
| The intention is to change business practices.   | Actively committing money and resources to uplift the community.                |
| Focus is on increasing image and profits.  | Focus is on the upliftment of community without return on investment.           |
| Ensure that all internal CSI policies include stakeholders' interests.                                       | Ensure that CSI projects are relevant to the needs of communities.              |
| Often intended as a marketing initiative.  | Intended to benefit and uplift communities through social development.          |
| Projects are usually linked to the business, e.g. a manufacturing business offering to train the unemployed. | Projects are external to the business and have a strong developmental approach. |

**TOPIC: SOCIAL RESPONSIBILITY – ACTIVITY**

1. Read the scenario below and answer the questions that follow.

**SBAA CHICKEN FARM ( SCF)**

SBAA Chicken Farm specialises in selling live and slaughtered chickens in the local township. Some SCF employees stay absent from work on a regular basis due to illnesses caused by not taking ARV treatment as prescribed. The majority in the community are not economically active. Some are unable to satisfy basic need.

- 1.1 Name **THREE** socio economic issues from the scenario above. Motivate your answer by quoting from the scenario. (6)
- 1.2 Discuss the impact of corporate social investment on SCF as a business. (8)
2. Suggest ways in which businesses could contribute to the well-being of their employees. (8)
3. Explain how businesses could deal with HIV / Aids as a socio economic issue. (6)
4. Big Bus CC wants to invest in the community.
  - 4.1 List **FIVE** components of Corporate Social Responsibility that Big Bus CC can consider. (5)
  - 4.2 List **FOUR** CSI focus areas. (4)
  - 4.3 Explain to Big Bus CC the relationship between the triple bottom line and social responsibility. (9)
5. Discuss the negative impact of corporate social investment on communities. (8)
6. Differentiate between corporate social investment and Corporate Social Responsibility. (8)
7. Read the scenario and then answer the question that follows.

**JOE TRADING ENTERPRISE ( JTE)**

Joe Trading Enterprise is making large profits due the excellent service and quality of products offered to customers. The management of JTE has decided to invest some of the business profit in the community they operate in by doing the following:

- Buy school uniforms for needy learners
- Offer HIV/ AIDS prevention programmes
- Offer food parcels to alleviate poverty
- Donate money to social events that benefit the community directly.
- Fund additional lessons, for example Mathematics and Science

- 7.1 Identify **FIVE** examples of CSI projects from the scenario above. (5)
8. Discuss the purpose of Corporate Social Responsibility. (8)
9. Elaborate on the meaning of social responsibility. (4)
10. Explain your understanding of Corporate Social Responsibility. (4)
11. Describe Corporate Social Investment. (4)