

CORPORATE SOCIAL RESPONSIBILITY: DURING THE FINANCIAL CRISIS AND ECONOMIC RECESSION

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Abstract: *This paper presents a current view and an analysis of the issue of Corporate Social Responsibility during the financial crisis and economic recession. It analyses CSR benefits as a factor of the performance and competitiveness of a company in the 21st century. This paper seeks to answer the questions: What is the relationship between the financial crisis and CSR? How will CSR be affected by the financial crisis?*

Key words: *Corporate Social Responsibility, global trends, new pressures, important roles*

1. INTRODUCTION

Treating people and the environment in a responsible manner plays a fundamental role in the success as a global corporation. As partner to a large number of social groups, they support projects and campaigns beyond the actual activities.

Corporate Social Responsibility is an important and discussed issue right now during the financial crisis and economic recession. The financial crisis and the subsequent economic downturn represent a significant upheaval in the evaluation of markets and the private sectors.

2. GLOBAL TRENDS

It is often said that successful companies need an intact society, just as an intact society needs successful companies, and this recognition forms the basis for responsible corporate action. The societal role of a company or of business in general, is dynamic and changes along with social, technological and ecological developments. As the current economic crisis has shown, society's expectations of companies change as well, along with major political and economic events.

The most important social changes that are taking place today can be divided into four closely related trends that have a direct or indirect effect on corporate actions:

- The globalization of value chains (driven by the liberalization of markets and efficient logistics systems).
- An increase in transparency as a result of new communications technologies and global media.
- Increasingly scarce natural resources, resulting in environmental damage (climate change, pollution, the loss of natural species).
- Growing social inequality, at both the national and the global level, as a result of disparities in access to the opportunities offered by globalization.

From the perspective of private industry, these trends bring with them both economic opportunities and risks. Some of the most important are listed below (Peters, 2010).

| Global trends | |
|-------------------------------|-----------------------|
| Opportunities | Risks |
| Globalization of value chains | |
| Cost advantages through | Dependence on foreign |

| Global trends | |
|---|---|
| Opportunities | Risks |
| global purchasing and production | suppliers |
| Access to new raw materials that can lead to product innovations | Greater difficulty in monitoring standards |
| Development of new markets | Difficulty in recognizing risks and negative effects of transaction chains |
| Increasing transparency | |
| Efficient internal and external communication | Better monitoring by interest groups and greater potential for pressure from the media |
| The ability to monitor suppliers and other business partners | Competitors can copy products and services more quickly |
| Increasingly scarce natural resources and climate change | |
| Increasing appeal of resource-saving products and services | More expensive raw materials |
| Additional sources of income through markets set up to conserve resources, particularly emissions trading | Greater expense owing to higher fees and investments to prevent environmental damage, so called "green taxes" |
| Driver for innovations involving sustainable products | Greater scrutiny by interest groups of corporate behaviour that may affect the environment |
| Growing social inequality | |
| Market opportunities among lowincome groups | Shortage of well-trained employees |
| Employees/Trade unions are more willing to cooperate | Increased pressure from poor population groups on companies |
| Greater recognition of good human resources management | Threat to political/social stability |

Tab. 1. Global trends and their opportunities and risks

Weathering a crisis requires strategic management of opportunities and risks. Companies need to recognize relevant trends at an early stage and find ways to respond to them. Ignoring risks in a company's value chain, or engaging only in passive risk avoidance or risk minimization, is irresponsible as well as bad for business.

3. NEW PRESSURES ON CSR

There went on to describe new pressures imposed by the crisis on corporate responsibility commitments, including the

reduced time available for CSR. There are also observed short-term decisions, a new emphasis on 'cash-thinking', and demands for returns within months.

The leaders were seeing much more necessary focus on the short term, with committees on cost reduction. However the leadership challenge is to focus on the short term while developing long term strategies. The current crisis is in this sense also an opportunity.

The companies have to decide to work on the long-term vision now and make resources available for long-term growth. If all is in shape now, and the economy picks up, they will emerge well and will grow.

However, some are demanding a slowing down of environmental and social efforts, the independent think tank specialized in corporate responsibility and sustainable development.

Another pressure on CSR activities was seen to be a more cautious approach to CSR in companies. With major job cuts hitting junior through to senior staff, heightening the emotions of the company, and having a significant impact on senior (CSR) decisions. We should observe risk-aversion among senior staff, and a determination to look after their own parts of the business. Such narrow thinking could complicate CSR decisions, which require a company-wide perspective.

4. IMPORTANT ROLES

State authorities, employers, and trade unions and NGOs represent the important roles. In these three groups are discussed the issues surrounding CSR and to outline their positions and actions in time of crisis.

The state should play an active role in the development of CSR by adopting the following measures:

- Encouraging entrepreneurs to develop their own CSR strategies by introducing a system of economic incentives for companies implementing CSR principles.
- Providing information on good CSR practices and creating greater awareness in this regard among the general public.
- Offering support for the development of a professional framework and certification in the sphere of CSR, as well as supporting the development of educational programmes in this field.
- Facilitating efforts for the establishment and operation of a unified network for coordinating and providing expertise on CSR activities.

The business representatives identified particular types of initiatives to generate the benefits of CSR, such as:

- Intensifying communication and social dialogue between employers and workers.
- Training employers on their responsibilities regarding customers, the environment and all other elements of CSR.
- Disseminating information on what companies do to apply CSR principles.

Civil society, including worker representatives and trade unions, should undertake the following actions:

- Engage in stakeholder dialogue.
- Devise media training on CSR.
- Find champions of CSR and draft stronger international treaties to call for proper CSR activities.
- Support business efforts to implement the principles of CSR.

5. NEW BUSINESS OPPORTUNITIES

Further, CSR leaders could enjoy new business opportunities – especially if they are prepared to adapt and innovate. In this crisis, there are very substantial opportunities for businesses which take CSR seriously to find new business opportunities.

First, leadership companies should focus hard on costs like the cost of energy, which has a tangible bottom line. They're seeing similar new thinking in others: how to use the crisis as an opportunity and to look for new revenue streams for instance to replace energy and travel costs with innovative IT solutions.

Second, leading companies will have to deliver functional and inspirational goods and services, as too many had failed to hit the sweets pot. Products like the first mass-produced hybrid electric car, had missed out on advertising budgets, and they not attractively priced.

Third, leadership opportunities also include developing new collaborative models. Leadership will be demonstrated, by those who try to remake the system in disarray. Everything is to play for now that the system is upside down. The crisis helps us to ask big questions.

Previously, the economic expansion offered little opportunity or incentive for change, given the benefits it offered to the main actors. The new system will be defined, by whether we apply our efforts to rebuilding the system we've been living in last years, or rebuild something else. That's the part to play for.

A critical factor in defining a new system, however, will be how far investors change their perceptions of corporate responsibility. Will they recognize the failures of irresponsible companies? Will they value externalities, the actual social and environmental costs not included in the market prices of goods and services?

6. CONCLUSION

“What is the relationship between the financial crisis and CSR?” The answer to the question is that it depends. It depends on your beliefs about how deep the irresponsibility behind the economic meltdown runs – is it banks simply overextending themselves, or a far more systemic failure in the corporate, financial and capitalist models? Similarly, the answer to “How will CSR be affected by the financial crisis?” It depends on how deep CSR runs within the organisation – is it superficial philanthropic CSR, something more strategic or embedded, or even the more revolutionary CSR 2.0 version? Either way, the recession ahead will not only be an acid test for companies CSR commitment, but for CSR itself. It may very well be that the time has come for CSR to adapt or die.

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