Corporate Social Responsibility

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A "stakeholder" refers to anyone with an interest in a given business or organization. Although all stakeholders can affect or be affected by the organization's actions, objectives, and policies, not all stakeholders are equal. Primary stakeholders are usually internal stakeholders who engage in economic transactions with the business, such as shareholders, customers, suppliers, creditors, and employees. In contrast, secondary stakeholders are usually external stakeholders who may not necessarily engage in direct economic exchange with the organization. Examples of secondary stakeholders include the general public, communities, activist groups, business support groups, and the media.

The concept of a stakeholder is explicitly broader than a shareholder; shareholder refers to specifically to someone who owns shares (or stock) of a company, while stakeholder may be any group that may be affected by an organization. The concept of stakeholders is often used in the context of corporate social responsibility, to refer any groups that may be affected by a company's actions, even indirectly.

Employees and customers

Employees one of the most important primary stakeholders in an organization. An employee contributes labour and/or expertise to an organization, and in many cases they are the connecting tissue between the products or services being provided and the customer. Efforts spent in selecting and training employees and creating a corporate culture in which they are empowered can lead to increased employee satisfaction and competence. This, in turn, can lead to superior service and increase customer satisfaction, which ultimately results in organizational growth and success.

Customers represent another key stakeholder group. Many corporate leaders consider their primary responsibilities to be not only to create financial value for the shareholders, but to meet the needs of their customers. High levels of customer satisfaction, of course, are likely to lead to positive business outcomes: high levels of customer satisfaction can lead to higher sales and profit margins, profits that can be re-invested in the company.

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five interrelated criteria that form a new blueprint for how corporations can maximize their investments in CSR: business-based social purpose, clear theory of change, quality and depth of information, concentrated effort, and partnering with experts.

1. Business-based social purpose: There have been too many examples of CSR programs that ignore business fundamentals. Leadership-level CSR programs always directly reflect what the business is and what it does. Campbell’s Nourish illustrates how an innovative CSR initiative can reinforce the company's business purpose and seamlessly leverage its operational competencies.
2. **Clear theory of change:** CSR is becoming ubiquitous. On the one hand, that’s good news because it proves its business value. On the other hand, it’s getting harder to distinguish one company’s efforts from another’s. CSR leaders develop proprietary approaches to drive measurable social change. 3M Canada’s Healthy Communities program was designed to spark systemic change in the interrelated areas of education, health and the environment by influencing government and academic leaders. The program also engages young people through national partnerships with leading not-for-profit organizations. The Healthy Communities program was recently awarded the prestigious 3M Global Marketing Excellence Award.

3. **Quality and depth of information:** Merely identifying social priorities for community investment isn’t enough. Leadership comes from providing employees, customers and external stakeholders with a significant depth of information about the social issue through credible research, white papers, videos, stories, social media, and so on. IBM’s Smarter Planet is a best practice in this area. “We support sophisticated projects that lead to a more intelligent, enlightened world,” explains Ari Fishkind, IBM’s public affairs manager for corporate affairs and citizenship. “For instance, through our World Community Grid project, we are helping to develop new solutions to important medical and sustainability issues by providing scientists with unused PC computing power, supplied by volunteers, to enable them to conduct better and faster research.”

4. **Concentrated effort:** Colin Powell once stated that people are capable of effectively addressing only one objective at a time. He would not be surprised to discover that companies that support multiple social issues don’t move the needle very far on any of them. Leadership is shown by corporations that focus their efforts on one social issue and align all their internal and external resources with this issue. Procter & Gamble focuses on helping children in need around the world. Since 2007, P&G has improved the lives of more than 210 million children through initiatives such as Protecting Futures, which helps vulnerable girls stay in school, and Hope Schools, which increases access to education in rural areas of China. “We see programs like Protecting Futures as an investment in the future that helps both children and communities thrive,” says Jeff Roy, Procter & Gamble’s media relations manager.

5. **Partnering with experts:** Leadership requires establishing a high degree of credibility. This is best done through relationships with social issue experts and not-for-profit organizations. Starbucks hosted a “Cup Summit” at the Massachusetts Institute of Technology to bring together municipalities, raw materials suppliers, cup manufacturers, retail and beverage businesses, recyclers, non-government organizations and academic experts to share ideas for making paper and plastic cups more broadly recyclable. “On the journey to make our iconic coffee cups 100% recyclable, we quickly learned that developing recyclable material is just one part of the complex equation. We had to consider the entire lifespan of the cup, including what happens after it leaves our customers’ hands,” said Ben Packard, Starbucks’ vice president of global responsibility. “This required bringing together the entire system of stakeholders with the expertise, the influence and the infrastructure to coordinate a fundamental shift, not only in our own operations, but in the entire food packaging and recycling industries.”

Corporations that haven’t optimized their approach to CSR may still be considered industry leaders. But not for much longer. CSR is already influencing how employees, customers, and stakeholders are deciding whom they’d prefer to follow. The good news is that a path to high performance CSR has been uncovered and it’s possible to follow the leaders.
Board of Directors

The board of directors are considered primary stakeholders with substantial power in the life of an organization. The board is a body of elected or appointed members who jointly oversee the activities of a company or organization. The board's responsibilities are typically detailed in the organization's bylaws.

In a stock corporation, the board is elected by the shareholders and is the highest authority in the management of the corporation. In an organization with voting members, the board acts on behalf of, and is subordinate to, the organization's full group, which usually chooses the members of the board.

Typical duties of boards of directors include:

- governing the organization by establishing broad policies and objectives
- selecting, appointing, supporting, and reviewing the performance of the chief executive
- ensuring the availability of adequate financial resources
- approving annual budgets
- accounting for the organization's performance to the stakeholders
- setting the salaries and compensation of company management
The legal responsibilities of board members vary with the nature of the organization and with the jurisdiction within which the organization operates. For companies with publicly trading stock, these responsibilities are typically much more rigorous and complex than for other types of organizations.

Stockholders

Some of the most powerful primary stakeholders are stockholders. A stockholder, or shareholder, is an individual or institution that legally owns a share of stock in a public or private corporation.

Stockholders are granted special privileges depending on the class of stock. These may include the rights to:

- sell their shares
- vote on the directors nominated by the board
- nominate directors and propose shareholder resolutions
- obtain dividends if they are declared
- purchase new shares issued by the company
- keep what assets remain after a liquidation

Partners

Partners can also be significant stakeholders and can help a company grow and become successful. Typically two companies form a strategic partnership when each possesses one or more business assets that will help the other but that the other does not wish to develop for themselves. One common strategic partnership involves a larger company partnering with a smaller entrepreneurial firm or inventor to create a specialized new product. Typically, the larger firm will supply the capital and the necessary product development, marketing, engineering, manufacturing, and distribution capabilities, and the smaller firm will supply the specialized technical or creative expertise.

Funders and Donors

Funders and donors are yet another powerful stakeholder. Funding is the lifeblood of any venture and is especially important for smaller organizations and non-profits. Most modern funding takes the form of project funding—money given for a certain project for a certain duration. Some organizations are endowments, whereby a large amount of money is invested and the earnings that money makes are used to run the yearly operating budget.

The type of funding depends on the type of organization; non-profits, for example, solicit donations from individuals or foundations, while some new companies may seek venture capital funding to fund growth before the company has sufficient revenues to grow on its own.
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Standards of Corporate Social Responsibility Implementation:

The framework of applying social responsibility follows the implementation of Deming principle in comprehensive quality management, which is based on the following four stages: “plan, Do, Check, Act”.

It is important that the administrative system responsible for corporate social responsibility comprises a systematic framework that is continuously observed and regularly revised, to provide effective guidance for the enterprise’s management as a response to internal and external changes. Such framework shall include the following stages:

First Stage: Plan

This means setting a continuous planning process which is based on the actual needs of the community, previously conducted by the enterprise to determine the company’s policy and approaches concerning the adoption of societal approach of social responsibility, the factors related to it, and the accompanying effects on society. This shall also include determining and revising administrative and/or legal requirements, in addition to other requirements endorsed or signed by the enterprise, as well as setting internal performance standards.

The planning process also includes setting a program to realize the enterprise’s objectives within the framework of social responsibility (action plans), that addresses roles, responsibilities, resources, timeframes, priorities, and procedures required to realize objectives, in addition to performance measurement indicators to enable the enterprise to follow up and assess the level of objective realization.

Second Stage: Implementing (Do)

This refers to setting social responsibility goals and objectives, and drafting plans and programs purposed for realizing such goals and objectives through building and developing administrative structures directly connected with implementing social responsibility plans, determining roles and responsibilities along with delegating powers, providing resources, and training employees to guarantee raising their awareness on social responsibility.
Action plans for social responsibility must be designed or amended in a manner that guarantees systematic intertwining with other corporate regulations, so that they effectively conform to and integrate with current management regulations. Such integration will help the enterprise to create balance, and find solutions for possible overlaps, whether internally, at the enterprise’s operations level, or externally, at the communication and activities execution priorities level. The elements of the managerial system which benefit from such integration include the following:

- Corporate policies.
- Allocation of resources.
- Documentation and monitoring, or controls with respect to operations.
- Support and information systems.
- Training and awareness.
- Organizational structure and responsibilities.
- Assessment and reward systems.
- Audit processes.
- Communications and reporting.

The management, on the other hand, should facilitate the provision of proper resources. This can be achieved through executing and implementing social responsibility action plans, and exerting necessary effort to make them available in a timely and efficient manner, while taking into consideration the following:

- Infrastructure.
- Information systems or technologies.
- Training.
- Technology.
Financial and human resources, and other enterprise-related resources.

Third Stage: Studying (Check)

The effective performance related to social responsibility depends on close studying and assessment, besides revising activities undertaken, the advancement achieved, and the realization of set objectives, utilized resources, and other efforts exerted by the enterprise. The aim of continuous monitoring, checking, or observance of activities of social responsibility is basically to make sure that activities are done as previously decided.

The enterprise should plan the manner according to which it will measure the extent of realizing targeted objectives concerning the activities, and the operational plans which are purposed for social responsibility, and which complement its corporate objectives, through agreeing on special performance indicators, and defining the entity/individuals responsible for the measurement process, taking into consideration documenting the recommendations on justifying deviations, and including the same with reports.

In addition to revising current activities, enterprises should also be aware of changeable conditions or legal or legislative expectations and developments which affect social responsibility, besides available opportunities, to strengthen its efforts concerning social responsibility. Major partners may be assigned a valuable role in such revisions, since the information provided by relevant parties give explanations to the enterprise, while major partners can maintain the enterprise’s compliance with changes in expectations and attitudes of the larger community.

Fourth Stage: Continuous Improvement (Act)

Based on periodic revisions, the enterprise should take into consideration the means which should enable it to improve its performance concerning the social responsibility. The findings of such revisions should be used to assist in realizing a continuous improvement in corporate social responsibility. These improvements may comprise amending objectives to reflect changing conditions, or aspirations for more achievements.

The scope of social responsibility activities and programs may be broadened, while the issue of supplying further or different resources may be considered. The improvement processes
may also include programs or activities to take advantage of newly determined opportunities and changeable expectations to be considered when enhancing the performance of its social responsibility related activities.

To encourage the process of achieving objectives, some enterprises list the process of realizing certain objectives for social responsibility in annual or periodic revision for senior officials and managers’ performance.

As such, the enterprise must benefit from the outcomes of inspection, revisions and performance to re-distribute activities on the operational plans level, and reallocate resources and responsibilities (amendments to plans), to guarantee the realization of aspired and previously approved results. The following table explains the general executional framework of social responsibility.