

Limitations of Corporate Social Responsibility in comparison to Social Business Concept

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Abstract: *This study is conducted to establish an emerging concept Social Business in the context of Corporate Social Responsibility (CSR). The aim of social business is basically to solve social problems prevailing in a nation whereas Corporate Social Responsibility (CSR) emerged to be used as a tool to deal with similar purpose. However, recently CSR is considered to be a marketing tool that aims at building image by most of the organizations and not serving people, thus leading to rising criticisms of its effectiveness over the time. This study differentiates Social Business concept from CSR in many ways and attempts to eradicate the vagueness of the Social Business concept. Hence the paper establishes the scopes for Social Business models in a comprehensive manner while verifying its potential alternative use to the limited approach of CSR.*

Keywords: Corporate Social Responsibility, Social Business, Social Business Model, Social Problems, Scopes

1. Introduction

At the end of 19th century, the concept of Corporate Social Responsibility (CSR) was established. That time private organizations did not take this concept as comprehensive one. Soon after Second World War, this concept started to emerge among the regular activities of firms and banking organizations. The government has promulgated a regulation for the private corporations to serve the society along with their regular operation. CSR had evolved very quickly and got huge recognition to deal with problems prevailing in respective societies. This concept was started to be practiced by almost all the firms and banking organizations all over the world and many people were begun to be served with this concept. However, with growing economy and modernization, the main purpose of CSR has appeared to be changed drastically. Initially, the building block of CSR used to be social welfare whereas currently, CSR is used on the foundation of advertising the organization and building image in the consumers' mind. This is why; the primary purpose of this emerging concept has gradually lost somewhere and over the time its credibility was questioned.

Later on a completely new thought of idea emerged as in addressing the social problems which is known as social business. In order to serve the society in a better way researchers often opted for social business concept whereas some practitioners failed to recognize the differentiation happened between stated two concepts. Hence the motivation of this review study is to significantly analyze how corporate social responsibility failed as a concept and social business grew as a concept. With recognition to the stated analysis the question which still remains- Can social business concept can be used as a better alternative to deal with social problems? Addressing this imperative question initiates for the review of actual differences between CSR and Social Business, how social business is designed to serve the society and lastly comparison for both roles.

2. Methodology

This study is a bit different from most of the studies conducted worldwide. The reason is the vagueness, improperness, and unsteadiness of the concept "Social Business". Social Business being an emerging concept is growing every day. The study tried to add some points to the finalization of this concept as an alternative of corporate social responsibility. Thus, this paper is prepared as an exploratory research which qualitative in nature. The structure of this paper has built on narrative approach where the studies on both concepts are compared and summarized using existing theories, models and author's experiences. To conduct this study, data on primary researches is used. The paper has also extensively used secondary data mostly collected from published journal both local and international, newspaper articles, online journals, and some other important websites given in the references.

3. Literature Review

Corporate Social Responsibility and Social Business

With the advent of CSR concept in 1860, the aim was to encourage private organizations including banks to help the society, where they operate. The concept came into action in the 70th decade and helped many areas. But still the concept is well-fenced by several criticisms. The study tried to find out those.

CSR helps companies to make higher name of company, higher attraction for investors, smart name and powerful market position, distinction from rivals, increasing employees' productivity and loyalty, attraction for quality and gifted potential workers, decreasing expenses on risk management, direct monetary saving, and higher relationships with native society and public establishments. (Marcela 2008).

The main characteristic of the CSR construct remains the dearth of agreement on what it extremely suggests that (Brammer and Millington, 2008; valorousness, 2005; Lantos, 2001; O'Dwyer, 2003). this might flow from to the

unclearness and incorporeality of the term (Frankental, 2001), its ambiguity (Valor, 2005) or just to the very fact that compared to alternative business functions.

CSR is that the company's call to considerably decrease harmful effects and/or increase its perceived helpful impact on society and/or the surroundings. CSR is meant to balance some moral ideals like doing smart, not doing damage, individual autonomy, and justice to all or any. (Darryl Macer). These ideals seemed to be mutually exclusive, but not collective exhaustive because if ethics says to do something better for the society, there is no logic to advertise those things.

Tanimoto K. stated that the confrontation between the "voluntary approach" and the "regulatory approach" toward CSR is a classic problem. Voluntary approach asks for activities not initiated to have any outcome whereas regulatory approach indicates a planned way of conducting activities with a clear view of outcome.

Carroll described CSR as "incorporating economic, legal, ethical and discretionary expectations that a society has for organizations in a given period of time." (Carroll, 1979-500)

CSR impacts absolutely on label value. This impact is of a lesser magnitude than those of size and market-based performance. The rivalry of CSR as a long-run investment, because the models with a biennial lag on label value was considerably a lot of sturdy than the one with a annual lag. (Jose I. Galan, 2009).

There are varieties of things relevant to the present CSR discussion, including:

- Globalization and therefore the proliferation of cross-border trade by MNEs leading to associate degree increasing awareness of CSR practices regarding areas like human rights, environmental protection, health and safety and anti-corruption;
- Organizations have developed compacts, declarations, guidelines, principles and → different instruments that define norms for acceptable company conduct;
- Access to → information and media allows the general public to be a lot of conversant and to simply monitor company activities;
- Investors and consumers are demonstrating inflated interest in supporting accountable business practices and are hard to please a lot of info on however firms address risks and opportunities regarding social and environmental issues;
- Recent → position company collapses have contributed to public distrust and therefore the demand for improved company governance, answerability and transparency;
- Commonality of expectations by people of assorted countries with respect to minimum standards companies ought to accomplish in relevance social and environmental problems, irrespective of the jurisdiction within which the corporation operates; and
- Increasing awareness of the inadequacy of current → rules and legislation with respect to CSR matters and therefore the regulation of MNEs.

The CSR discussion loosely focuses on whether or not a corporation's sole purpose is to maximize investor wealth versus the power to contemplate a broader vary of stakeholders in its deciding. (Kercher 2007) historically the controversy centered on the facility of companies, notably giant national and transnational companies. Although the committee doesn't believe it's necessary to mandate either (i) thought of stakeholders' interests or (ii) property coverage, the committee is of the read that there's a necessity to confirm firms contemplate these matters.

The fundamental objection that's advanced against CSR is that to use the shareholders' funds in any approach aside from for the advancement of the company's business is contrary to the legal duty of a company's administrators and therefore diminishes instead of enhances any claim they'll must be acting in an moral manner. economist argues that 'there is one and just one social responsibility of business – to use [its] resources and interact in activities designed to extend its profits as long as it stays in line with the principles of the game, that is to mention, engages in open and free competition while not deception or fraud.' Alternative commentators object to the CSR thought on the economic ground that it interferes with economical resource allocation, which it's exactly by its profitable business activity that a corporation contributes to the welfare of society. Once corporations tackle 'state' responsibilities like education and education they'll see this as being to some extent in tension with the continued obligation to contribute to the state through taxation.

Lantos (2001) claimed CSR to be of three types. According to him, "I argue that for any organization *ethical CSR* (avoiding societal harms) is obligatory, for a publicly-held business *altruistic CSR* (doing good works at possible expense to stockholders) is not legitimate, and that companies should limit their philanthropy to *strategic CSR* (good works that are also good for the business)."

The CSR 'doctrine' (Franck Amalric and Jason Hauser 2005) states that the adoption of CSR threatens prosperity in poor countries additionally as made. it's doubtless to scale back competition and economic freedom and to 'undermine the market economy'. They criticized people who pressure companies not merely to hunt profit however to demonstrate their 'corporate citizenship' by operating with a variety of stakeholders to more environmental and social additionally as economic goals. per them, 'Altruistic CSR' isn't a legitimate role of business, bubut 'strategic CSR' – CSR policies and activities ought to solely be undertaken once it seems that they'll enhance the worth of the firm. They continued that the potential advantages corporations derive from CSR activities arise from 2 sources. the primary supply is expectations command by the immediate stakeholders of a corporation - its shoppers, workers and investors - for accountable company conduct. The second driver behind the adoption of CSR activities by companies is that the threat that the state can impose new binding rules on corporations.

There are 3 potential drivers (Ken Coghill et al 2005) of CSR in existence: CSR as a business strategy designed either to avoid risks that threaten the company's shareholders' interests or to market innovation that

advantages the company's interests; CSR as a policy based mostly upon moral and ethical values; and CSR as a method for achieving social legitimacy.

Peter Utting (2005: 383-384) summarizes the criticism of CSR as 'institutional capture', i.e. the increasing penetration and influence of enormous companies within the public-policy method through partnerships, consultation and dialogue with governments and civil organizations, and alternative mechanisms. numerous factors account for the upsurge in CSR policy and also the involvement of NGOs in support, economic, and regulative activities:

- First, the organization sector was increasing speedily, gaining legitimacy as a development actor and seeking new areas of engagement;
- Second, some activists and NGOs were essential of the unsuccessful makes an attempt by government and international organizations to manage Third Nation Countries.
- Third, there was growing recognition that economic process and economic easing were sterilizing the balance of rights and obligations that structure the behavior of companies.
- Fourth, many environmental and social disasters and injustices, coupled to massive companies or specific industries, became high-profile international problems around which activists mobilized.

There are 2 primary reasons why conventional CSR programs have yielded solely marginal advantages (Greenleaf Publishing). First, CSR managers are typically given a set budget and inspired to apportion the funds to a large vary of community-based charities, that permits the company contributions pie to be delve a lot of items and also the goodwill unfold among several beneficiaries. Second, company money resources are allotted to social comes while not taking advantage of the company's non-financial assets or brooding about however the social comes might directly support business objectives. The principal causes of the placement between business and CSR ways are often copied to however corporations structure, fund, and workers their CSR departments. Most massive corporations implement their social comes through company contributions workplace, community relations workplace, or a company foundation, that tend to be isolated from line-management and business choices.

Traditional CSR varies from Influenced CSR in some ways (Pezzey, 1989). The goal of conventional CSR is said to strategic theme and focuses on social impact that's usually not measured whereas influenced CSR is intended to deliver social and business impact that's measured and attributed to project. The ways for conventional CSR vary greatly and have a tendency to not benefit of company skills whereas influenced CSR ways are engineered on core competencies and embody mix of skills from each company and its partners. The beneficiaries of conventional CSR are often generally outlined whereas influenced CSR has targeted to stakeholders strategically coupled to the corporate and its businesses. For traditional CSR, resource combination is alleged to be mixture of money grants and products donations; typically worker volunteerism whereas influenced CSR's resource mix combines the inventive

mixture of cash, product, people, and alternative company assets that leverage most impact. The staffs in traditional CSR approves comes and maintain a coverage relationship with partners, in distinction cross operational management groups that participate in style, oversight, and analysis approve the comes just in case influenced CSR.

The effectiveness of CSR initiatives within the oil, gas and mining sectors has been progressively questioned (George F. Jedrzej), and there's mounting proof of a space between the expressed intentions of business leaders and their actual behavior and impact within the realistic ground of the world. These are the views of 3 totally different business insiders:

- CSR is a waste of time.
- CSR is about managing perceptions and making people feel good about themselves.
- CSR is a red herring in terms of development projects.

One vital reason for the evolution of CSR is that the evident failure of social comes harms a firm's name, whereas doing very little to keep up either a stable operating atmosphere or workers morale. vital constraints on the implementation of CSR (George F. Jedrzej 2005) were identified:

- Country and circumstance-specific issues;
- Failure to imply the recipients of CSR;
- Shortage of human resources;
- Social attitudes of workers and a spotlight on technical and social control solutions;
- Failure to integrate CSR initiatives into a bigger development scheme.

CSR develops employees' perceptions regarding the organization (Sarah et al 2010). The higher the employees rate their organization's corporate citizenship, the higher commitment they are able to show towards the organization. The link between CSR and commitment is stronger for female than it is for male. It is probably that the importance of CSR can increase in years to return as folks become additionally fascinated by the social and environmental effects of firms.

Some of the CSR's drawbacks explain that adverse publicity because of unexecuted promise or allegations and overhead prices for the exertion of CSR connected activities and management has place each the corporations and therefore the finish users into hesitation (Tony, Edwards, and Ferner, 2007).

While implementing CSR, a potential conflict can arise between two categories of shareholders: insiders, who are related to the firm, and additional shareholders who are not related with the firm (Barnea and Rubin, 2006). Affiliated shareholders are those investors whose goodwill, identity, or heritage is expounded to the firm, while non-affiliated shareholders are the bulk of investors who hold shares within the firm as constituent of a well-diversified portfolio and whose relation with the firm does not transcend beyond its affect on their portfolio worth.

Two major issues will emerge with CSR construct (UNRISD Study). First, by justifying self-regulation through CSR, MNCs can restrict government supervision of their activities. By bonding up with the government, these firms

will make sure that fewer restrictions are obligatory on them. Second, the essence of the construct of CSR works on the idea that each one governments will equally implement and effectively administer policies that guarantee economical and simple use of domestic resource rents, presumptively because of the balanced distribution of capacity among the three ordinances of presidency.

Thus, the paper tries to differentiate between CSR and Social Business. First, it tries to track the limitations of CSR and then suggestions are made further on how Social Business is beyond those limitations.

Social Business Concept

Social Business concept introduces the free market economy to a revolutionary dimension. As described by Professor. Dr. Md. Yunus, a cause-driven business is social business or enterprise. In a social enterprise, investors or owners can gradually recover the invested money, but they cannot take a dividend beyond that.

According to him, a company should follow seven principles when trying to do Social Business:

- The business objective is to overcome poverty or one or more problems that threaten people and society; not to maximize profits.
- Monetary and economic sustainability.
- Investors only recover their investment amount; no dividend exceeds investment.
- When the investment amount is reimbursed, the company's profit remains with the company for expansion as well as improvement.
- Environmentally sentient
- Workers get better working conditions with the prevailing wage on the market
- Perform the task with joy

Later, he described categories of social business and stated that there can be two types:

- 1) A social business of type I focus on the provision of a product and/or service with a clearly defined social, moral or environmental goal which only addresses social objectives.
- 2) A social business of type II is a profit - oriented enterprise owned by the poor or other disadvantaged portion of society who can obtain monetary support by receiving direct dividends or indirect benefits.

To establish a successful social business, culture and technology are those two major components that need to be considered together:

- If one has a worthy culture and good technology he/she will be able to embrace a social approach to do the business fairly rapidly and will be quite successful in doing so.
- If one has a lacking culture but worthy technology then he/she will have to work through several difficult issues before achieving the actual benefits of social business. Technology will help to eliminate excuses, but a good implementation strategy is needed to achieve real success.
- If one has both the lacking culture and lacking technology then he/she is going to have real struggle. A good strategy

for implementation will help to achieve some success, but the end result will never be as worthy as it wishes to be.

From the above statements it can be said that, a social business is all about interaction that not only sells products, but also sells customer experience. The concept listens to the comments of its customers. It is eager to receive both positive and negative feedback.

A social business knows that in real people want to contact with people, not companies. If customers are searching for any help, they wish to talk to a reliable person rather than a company. It is managed by objectives, not by presence.

Social Business Scopes

Soon after people started to talk about the drawbacks of CSR to solve the problems of end consumers, social business concept came into existence. Though not a single model is so far entitled as perfect, a large number of researches have been conducted on this emerging issue.

Webinar (2010) has demonstrated 5 strategy matrices to implement social business.

- Organic model is suggested for large firms and banking organizations where controlling employees is difficult. Here one side of firm does not know what is happening on the other side.
- Centralized model focuses on group effort where one department controls all of social efforts.
- Coordinated model modifies the centralized model in that the central group will coordinate each of the members equally.
- Multiple Hub model modifies the coordinated model in that a central group will be controlling several small groups, each of which will be dealing directly with the end consumers.
- Finally, holistic honeycomb brings all the members into the society and asks to work socially.

At Ogilvy, Social business is said to have 4 elements: Building brand reputation and value, creating customer value, increasing operative excellence, and Strengthening workforce and culture.

David Armano developed a Hive Mind Visual that refers to the need of moving away from the silo mindset of information towards a more collaborative approach, where information sharing throughout the organization appears to become the norm. Some research of the five main social business models was presented by Jeremiah Owyang. Its social business framework and its matrix delve into the advantages and disadvantages of each model and offers great insight behind the scenes.

Mark Smiciklas has proposed Sunflower Model similar to Hub and Spoke Model. Here, a leader feeds the internal core around who resides other functional team members to pursuit initiatives relevant to particular audiences. The final layer consists of a bulk of stakeholders who influence the organizational activities. Thus, the sunflower model represents an organic approach to the relevant contents of social business from the center of a collective, well informed

and socially conscious organization that reaches towards selected, intensely understood groups.

The social impression of the firm's activities includes responsibilities for employees, suppliers and customers and others who are somehow affected by the operations of the company. (David 2007). As far as employees are concerned, it could cover such things as provisions and requirements of employment, work - life integration and individual development opportunities and lifelong enlightenment. For suppliers it could involve evading payment delays and unaccommodating pricing demands; for customers, providing safe, genuine and high-quality products or services; and, for the local association, such as ensuring the company's facilities available for social use, collaboration with charitable organizations, and liaison over planning decisions with local government or legislative bodies. Finally, environmental concerns include issues such as the prevention of pollution from the unintended getaway of oil or substances or from the scheduled emission of chemicals which are harmful to health or from carbon discharges which directly contribute to global warming.

The only real difference between a profit - maximizing enterprise and a social enterprise is its objective and therefore the criteria by which it has to be assessed: it is "operated as a business enterprise, with products, services, customers, markets, expenses, and revenues – but with the profit maximizing principle replaced by the social-benefit principle", Yunus said. "The poor can be self-employed entrepreneurs and create jobs for others", and thus social business is a way of providing a setting where their true potential can be achieved.

Armano in his social business model (2011) emphasized on the infrastructure development of the business firms willing to conduct social business. According to him, a business should determine a set of programs that it may undertake including public engagement, marketing, advocacy, customer service, campaigns, etc. Soon after that the firm should design the infrastructure that may help to properly execute the program. The infrastructure development includes Knowledge sharing, employee engagement, training, culture, policies and guidelines, etc. The firm can maintain its social business internally by conducting programs with developed infrastructure whereas the firm can build a social brand externally so that it can find and expand its program base to serve the society.

In the Hybrid Model (2012), the author proposed the firms to operate social business as a sister-concern of their main venture. There should be a non-profit sector where fund will be generated from for-profit sector. A separate service sector should be maintained that would serve both the social business sector while assisting the main venture.

Collaborative group action without individual incentives for profit is subject to the problem of free-riding; as in there is weaker motivation to reduce costs and/or boost up output in the non-existence of real world competition and financial return. Perhaps this is one of the main reasons to justify why social business still is not an extensively observed occurrence. The high - risk and almost non-return nature of

social enterprises could be another major reason. Social businesses thus should find suitable opportunities to ensure social good by supplying products as well as services in those markets where businesses that maximize profits have not dared to enter. In doing so, social business or enterprise is to be initially financed by those investors who do not want to return to the invested resources and also with a business idea of providing services in that market having limited purchasing power without incurring financial losses.

The social engagement motives of companies are far more complex than merely a response to outward pressure (Scott Pegg 2006). These reasons greatly restrict the positive potential for possible development of corporate and social engagement. The author identified at least four significant factors that prompt companies to undertake community development projects.:

- a) Securing competitive advantage;
- b) Preserving a steady and stable working condition;
- c) Controlling external apprehensions;
- d) Ensuring employee satisfaction

Social business is said to follow the notion of "Not-for-profit", but it never dictates "For-Loss". Each idea, however noble it may be, may have some criticisms too (H. M. Nazmul, 2011). But critics should deliver it constructively, because, according to him, "the more criticisms come forward the more opportunity for your idea to be stronger."

4. Findings

The discussion signifies that as a concept:

- a) CSR is intangible where social business is simple.
- b) CSR failed to maintain business ethics whereas social business is not, CSR initiated for outcome whereas social business initiated for overcome.
- c) CSR is relatively as short-term approach whereas social business is a long term approach.
- d) CSR generates distrust whereas social business generates dependability.
- e) CSR has been used more like expenditure whereas social business has served as an investment.
- f) CSR improves employees' perception whereas social business strengthens the following.

5. Conclusion

This paper signifies two concepts Corporate Social Responsibility (CSR) and Social Business in holistic approach and therefore compared the viability of each concept for the socio-economic development of a society or the entire world. Hence it is apparent from the discussions that Social Business can be re-thought as a better alternative of CSR. Social Business can serve disadvantaged group of people, environment, and overall society in a secured and sustainable way than CSR. Of course like any other concept social business also lacks perfection and faces criticisms on several aspects. However it is high time to place social business model in a more researched version to face societal problems. In this regard the responsible government should come forward to establish social business as a mandatory task for private and public organizations to ensure

accountability and minimize the vague contribution of CSR to the society.

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