

# Corporate Social Responsibility (CSR) and Sustainability

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Takashi Masubuchi

(Assistant Prof, Graduate School of letters, Hokkaido Univ.)

# Today's lecture

1. Why should corporations care for CSR?

2. What is Corporate Social Responsibility (CSR)?

3. How can CSR contribute to the sustainable society?

# Corporations: Why should they care for CSR?

Traditional view of purpose of the corporation

→ Making profit.

- Since the corporation is made for making profit, the only responsibility is maximizing its profit.
- Other responsibilities(e.g. charity etc.) are derived from profit making.

→ **Economic Responsibility is the only responsibility of the corporations.**

# Traditional View: How it can succeed.

Based on Market Fundamentalism

→ Self-interest makes the society better-off.

Therefore corporations should their own self-interest, profit.

→ Free Market can exclude bad companies.

Because of tough competition, inefficient and unjust companies are lost out. Consumers do not support such companies.

# Traditional View: How it cannot succeed.

- Because market is not perfect.  
→Market failures appeared.  
(monopoly, oligopoly, externality,  
asymmetric information etc.)
- Free market cannot make a better-off society.

# What kinds of responsibilities are needed more?

- In order to prevent harms of market failures, **legal regulations** are needed.
  - Antitrust laws, Environmental protect law
  - Corporations must obey those laws.
- **Legal responsibility**

# What kinds of responsibilities are needed more?

- Laws are important but not adequate.
- There are many norms, standards and expectations that are not codified into the laws.
- Price gouging (便乗値上げ) ・ ・ not illegal but morally wrong (unjust, unfair)
- Corporations must obey the ethical norms. → **Ethical responsibility**

# What kinds of responsibilities are needed more?

- Public expects the corporations more than economic, legal and ethical responsibilities.
  - Donation, mécénat, etc.
  - Those are not obligations but voluntary.
- **Philanthropic responsibility**



# What is 'CSR'?

## A Four-part Definition of CSR



‘ The social responsibility of business encompasses the economic, legal, ethical, and discretionally (philanthropic) expectations that society has of organizations at a given point in time.’

A.B.Carroll, Business & Society 6<sup>th</sup> ed, p. 35

# CSR for Sustainability

- Global and generic agenda  
→ Constructing Sustainable World

## Problem

Our social system has become unsustainable.

ex. Global warming, Environmental destruction,  
Resource depletion ,unstabling society,  
global economic panic

Corporations are responsible for the  
unsustainable society.

# CSR for Sustainability

## ① Responsibility for Environment

- The economic activities of private companies can have a significant impact to the environment. (e.g., Air Pollution, Global warming etc.)
- The potential impact has been getting bigger due to the progress of technology, facilities and a means of transportation. (e.g., the oil spill from super tanker, Bhopal gas tragedy )
- Thus business has the responsibility to avoid having environmental impacts through its activity.

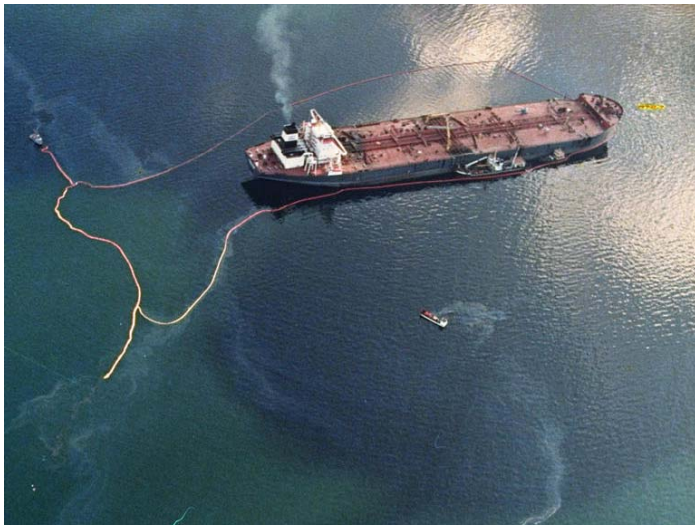
# Environmental impacts by economic activities



Pic1 Smog in London: 1962



Pic2 Air pollution in Yokkaichi, Japan in the 1970s



Pic3 The Exxon Valdez oil spill in 1989, Alaska



Pic4 A dead whale by the oil spill

# CSR for Sustainability

## ② Responsibility for Society

What is unsustainable society ?

→ **Disunited and conflicting society**

- Poverty (the rich vs. the poor)
- Discriminations (the disable vs. the able-bodied, between sexes and races)
- Disunited and conflicting society cannot work well.
- Corporations have to do with poverty, discriminations and so on.

# Expansion of gap between atypical and typical employees(Japan)

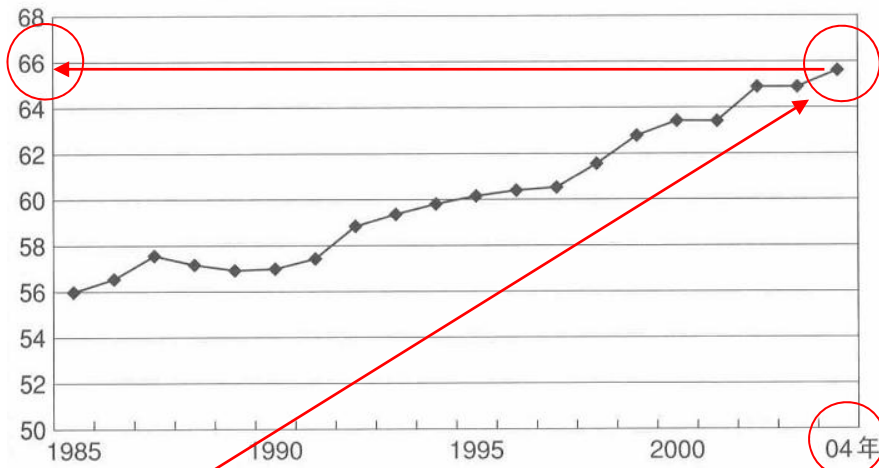


When Lehman Shock occurred, Japanese companies fired a lot of atypical employees. (「派遣切り」) The fired labors immediately suffer the bitterest poverty. The pictures show the relievers (left) and the fired for food (right).

# Differentials and discriminations

Figure4-2-1 transition of the wage gap between male and female worker

図表4-2-1 男女間賃金格差の推移



This figure shows the wage gap between female and male workers from 1985 to 2004 in Japan.

In 2004, female workers' wage equates to 66% of male workers'. Without appropriate reasons, this comprise unfair treatment to female employees.



Pic5 Child labor in Pakistan.

A boy (age.12) sawing football.

*Life*, June, 1996, pp. 38-48

## CSR for Sustainability

### ③ Responsibility for Economy

- Because of globalization, a company's economic failure has a great impact on the world.
- Deception and uncontrollable business make economy unsustainable.
- Corporations are required to do just, fair and transparent business.



# Some results of irrational economic activities



Enron, an energy company in U.S.A, went bankrupt in 2001. After bankruptcy, accounting fraud by Enron's executives came to light. This incident called 'Enron scandal' had a great impact to American economy.



The subprime mortgage crisis have been caused by extraordinary housing boom and securitization of the risky housing loans. The subprime mortgage crisis has made the world economy instable and invited a serious worldwide depression.

# CSR for Sustainability

## Concept ② Triple Bottom Line



The corporations have accountability for their **social, environmental** and **economic** activity

If those three activities are appropriately performed, a sustainable society can emerge.

Thus doing these three activities rightly comprises the responsibilities of corporations.

# Examples:

## How do Japanese companies deal with CSR?

### ① Environment –Reducing Co2 emission -



Cited from  
'Sustainability  
Report 2008'  
Hokkaido Electric  
Power Co., Inc.



### Hybrid Car

Prius (Toyota) and Insight (Honda)

Japanese motor companies are putting their effort into 'Hybrid Car', which reduces green house gas emission.

#### (1) CO<sub>2</sub>排出原単位およびCO<sub>2</sub>排出量

2007年度は、販売電力量の増加のほか、湧水により水力発電所の稼働が減少したことなどにより、CO<sub>2</sub>排出量が約11[%]、CO<sub>2</sub>排出原単位が約8[%]増加しました。  
今後も水力発電所の適正な保守の実施、安定運転に努めるとともに、2009年12月の営業運転開始に向けた治3号機建設の着実な推進や京都メカニズムの活用などにより、目標の達成をめざします。

環境管理項目	グループ実績・目標						
	過去の実績			2007年度			目標
	'04	'05	'06	目標	実績	評価	
CO <sub>2</sub> 排出原単位 <sup>※</sup> (g-CO <sub>2</sub> /kWh)	0.53	0.502	0.479	—	0.517	—	0.42程度
CO <sub>2</sub> 排出量(万t-CO <sub>2</sub> )	1,590	1,548	1,508	—	1,078	—	—

2005～2007年度の量は、「地球温暖化対策の推進に関する法律」上の「温室効果ガス排出量算定・報告・公表制度」に基づいて計算しています。なお、本制度においてはグリーン電力証書などのCO<sub>2</sub>削減効果は考慮されていません。

#### 2 地域環境保全の推進

##### (1) SO<sub>x</sub>・NO<sub>x</sub>排出原単位(全電源平均)

2007年度は、販売電力量の増加のほか、湧水により水力発電所の稼働が減少したことなどにより、SO<sub>x</sub>・NO<sub>x</sub>を排出する火力発電所の稼働が増加したため目標を達成できませんでした。今後は火力発電所の発電効率の維持向上による燃料消費量の削減、原子力発電所の適正な保守の実施や安定運転、さらには2009年12月の営業運転開始に向けた治3号機建設の着実な推進を図り目標の達成に努めていきます。

環境管理項目	グループ実績・目標								
	過去の実績			2007年度			次年度、中長期目標		
	'04	'05	'06	目標	実績	評価	'08	'10(中期)	'15(長期)
SO <sub>x</sub> 排出原単位(全電源平均) (g/kWh)	0.54	0.57	0.56	0.5程度	0.72	☹	0.5程度	0.4程度	0.4程度
NO <sub>x</sub> 排出原単位(全電源平均) (g/kWh)	0.47	0.44	0.43	0.4程度	0.48	☹	0.4程度	0.3程度	0.3程度

#### 3 循環型社会形成の推進

##### (1) 産業廃棄物の総合リサイクル率

産業廃棄物のうち発生量が最も多い石炭灰については、火力発電所の稼働増加により発生量は約14万トン増加しました。リサイクル率については、セメント混和材や再生路盤材向けなどへのリサイクルに努め、2008年度と同じレベルを維持しました。石炭灰以外の産業廃棄物についても高リサイクル率を維持できたことにより、目標を達成することができました。今後は石炭灰のリサイクルの拡大、安定供給先の確保などを進め、目標達成をめざします。

環境管理項目	グループ本社実績・目標						グループ目標 <sup>※</sup>		
	過去の実績			2007年度			次年度、中長期目標		
	'04	'05	'06	目標	実績	評価	'08	'10(中期)	'15(長期)
産業廃棄物の総合リサイクル率[%]	89.4	97.1	97.4	95程度	97.1	☺	95程度	95程度	97程度

Many companies are issuing the 'CSR report' and some companies are setting and opening the numerical objectives of reducing Co2 in it.

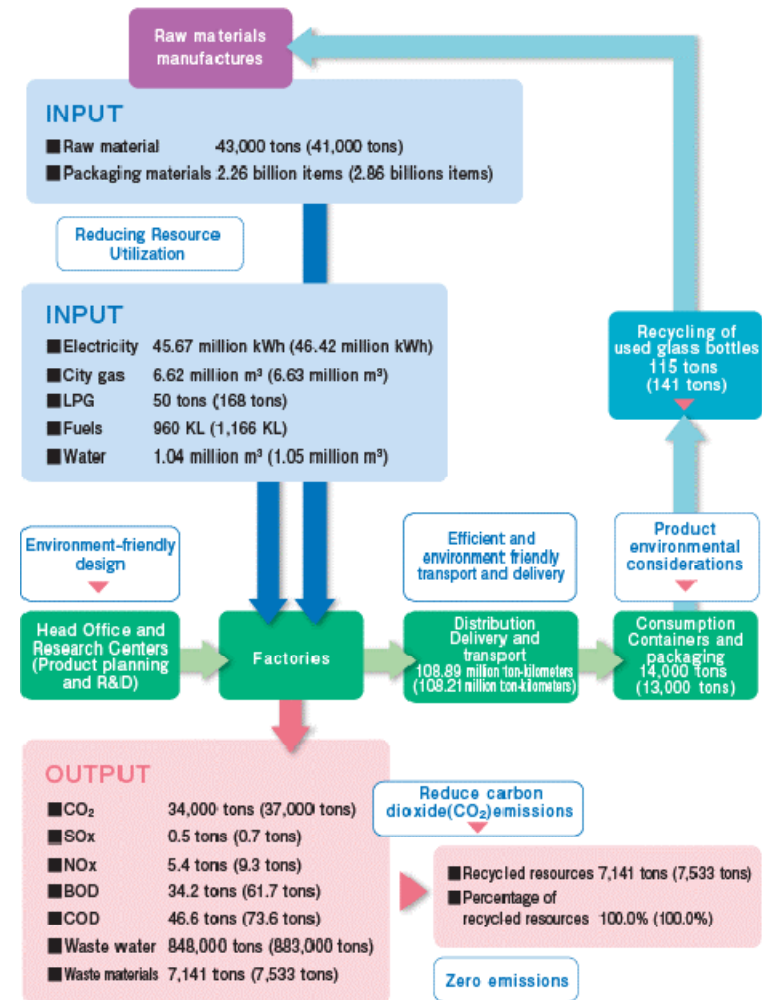
# Examples: How do Japanese companies deal with CSR?

## ① Environment –Reduce the environmental impact and Recycling materials -



Trends in volume collected

FY2007	115 tons
FY2006	141 tons
FY2005	121 tons
FY2004	114 tons
FY2003	97 tons
FY2002	65 tons
FY2001	28 tons



Some companies are trying to construct recycle system within the firm. (Cited from *Shiseido CSR* 資生堂)

## Examples:

### How do Japanese companies deal with CSR?

#### ② Social –for the handicapped -



Left: Shampoo, Right: Hair conditioner

- Kao(花王) is a Japanese consumer products manufacturer.
- Kao produced the shampoo bottle with dots(突起) on its side.
- This made it possible for the Visually Impaired to tell between shampoo and conditioner.
- Kao gave up the patent. So many other companies were able to adopt this dotted bottles for their products without financial expenditure.

## Examples:

### ③ Economic –regulations

- Sustainable economy needs fair, just and transparent activities of corporations.
- After Enron scandals, United States enacted **The Sarbanes–Oxley Act of 2002** .
- The Act aims at keeping transparency on accounting, establishing internal control into the company and imposing severe penalty on the company which violated the Act.

# New trend

## Social Enterprise

- Traditional business organizations cannot set their direct aim on social problem solving.
- But recently new business organizations which directly aim at social problem solving have appeared.

→ **Social Enterprise**

**---Using the Business methodology, it aims at solving social issues.**

# Social Enterprise

## Example; Microfinance



Microfinance is one of the most famous social enterprises. It is well known that Grameen Bank (Bangladesh) has succeeded by this fund system. The bank and Prof. Muhammad Yunus , the founder of the Bank, won the Nobel Peace Prize in 2006.



# Social Enterprise Microfinance

## A Definition Microfinance

--- A type of banking service that is provided to unemployed or low-income individuals or groups who would otherwise have no other means of gaining financial services.

Ultimately, the goal of microfinance is to give low income people an opportunity to become self-sufficient by providing a means of saving money, borrowing money and insurance.

# Social Enterprise

## Microfinance

What social issues can Microfinance solve?

### ① Poverty

Poor people can have money to run their business.

### ② Social Inclusion

Poor people are alienated from society because they cannot participate in economic activity in their society. (Social Exclusion)  
Through micro finance, they can join the society again with self-esteem.

# Conclusion

- The concept CSR has been extended from economic responsibility to legal, ethical and philanthropic one.
- The reasons of the expansion lie in the market failures (legal), the impact on human life and nature (ethical) and increased needs of help from communities (philanthropic).

# Conclusion

- In terms of sustainability, corporations are required to accomplish 'Triple Bottom Line' (Economic, Social and Environmental sustainability) as CSR.
- As a new trend, Social Enterprise is emerging. Since Social Enterprise can directly address social issues by using business methods, Social Enterprise can change the conception of business and its responsibilities.