

# Chapter 6

## Corporate Social Responsibility (CSR) and Corporate Social Investment (CSI)

### INTRODUCTION

All citizens, both individuals and businesses have a responsibility to take care of the immediate environment they live in. Individuals and business have an obligation to take care of their environment and the well-being of others.

Social responsibility and Corporate Social Responsibility form part of good corporate governance. CSR programmes aim to benefit both businesses and communities.



# Overview

TOPIC	CONTENT	SCOPE AND DEPTH OF EXAMINABLE CONTENT
<p style="text-align: center;">Corporate Social Responsibility (CSR) and Corporate Social Investment (CSI)</p>	<ul style="list-style-type: none"> <li>• Definition/Description of social responsibility.</li> <li>• The relationship/link between social responsibility and triple bottom line.</li> <li>• Ways in which a business project can contribute towards the community.</li> <li>• Socio-economic issues that challenge social responsibility.</li> <li>• Ways in which businesses can contribute time and efforts in advancing the wellbeing of employees and communities.</li> <li>• Definition/Description of CSR &amp; CSI</li> <li>• The nature of CSR &amp; CSI</li> <li>• Impact of CSR &amp; CSI on businesses and communities.</li> <li>• Components of CSR, e.g. environment, ethical corporate social investment, health and safety, etc.</li> <li>• CSI focus areas, e.g. community, rural development, employees, environment.</li> <li>• Implication of legislative requirements on CSI and CSR programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Define/Describe of social responsibility.</li> <li>• Explain/describe the relationship/link between social responsibility and triple bottom line.</li> <li>• Define/describe the nature of CSR &amp; CSI</li> <li>• Explain/Discuss/Analyse the impact of CSR &amp; CSI on businesses and communities.</li> <li>• Name/State the components of CSR, e.g. environment, ethical corporate social investment, health and safety, etc.</li> <li>• List practical examples of projects.</li> <li>• Name the CSI focus areas, e.g. community, rural development, employees, environment</li> <li>• Recommend/Suggest ways to address socio-economic issues that challenge social responsibility, e.g. HIV/Aids, unemployment, poverty, human rights aspects.</li> <li>• Explain/Discuss the implication of the following legislative requirements on CSI and CSR programmes:             <ul style="list-style-type: none"> <li>○ EEA</li> <li>○ Skills Development Act (SDA)</li> <li>○ BEE</li> <li>○ the National Skills Development Strategy (i.e. Sector Education and Training Authorities)</li> </ul> </li> </ul>



## 6.1 Key concepts

These definitions will help you understand the meaning of key Business Studies concepts that are used in this chapter. Understand these concepts well.

Term	Definition
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; PROFIT, PEOPLE and PLANET.
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.

## 6.2 Relationship/link between social responsibility and triple bottom line



Triple bottom line refers to the 3 Ps namely profit, people and planet. Businesses need to ensure that their operations are in line with the 3Ps. Social Responsibility refers to economic, social and environmental issues that the business must consider in their daily operations.

### Profit/Economic

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

### People/Social

- Business operations should not have a negative impact on/exploit people/employees/customer.
- Businesses should engage/invest in sustainable community programmes/projects that will benefit/uplift communities.
- Improve the life style/quality of life of their human resources/employees.

### Planet/Environment

- Businesses should not exhaust resources/harm the environment for production purposes.
- They may support energy-efficient/eco-friendly products/programmes.
- Recycle/Re-use waste e.g. packaging from recycled material.



### ACTIVITY 1

1.1 Read the scenario below and answer questions that follow:

#### **MOKO CHEMICAL SOLUTIONS (MCS)**

Moko Chemical Solutions is producing chemical for mining businesses. The business has built a secured water storage where they clean their toxic water. MCS pays for a gym subscription for their employees. The local schools are allowed to use the workplace laboratory for their practical lessons.

- 1.1.1 Identify the component of Triple bottom line from the scenario above. (6)
- 1.1.2 Explain how MCS has linked triple bottom line with the social responsibility by quoting from the scenario. (3)

Use the table below as a guide to present your answer.

TRIPLE BOTTOM LINE COMPONENT 1.1.1	SOCIAL RESPONSIBILITY 1.1.2

<b>ANSWERS TO ACTIVITY 1.1</b>	
<b>TRIPLE BOTTOM LINE COMPONENT 1.1.1</b>	<b>SOCIAL RESPONSIBILITY 1.1.2</b>
Planet√√	The business has built a secured water storage where they clean their toxic water.√
Profit√√	MCS pays for a gym subscription for their employees√.
People√√	The local schools are allowed to use the workplace laboratory for their practical lessons.√
Sub max (6)	Sub max (3)
	<b>Max (9)</b>

### 6.3 Purpose of CSR & CSI

<b>Purpose of CSR</b>	<b>Purpose of CSI</b>
<ul style="list-style-type: none"> <li>• CSR programmes are internal programmes that businesses use to comply with laws and ethics.</li> <li>• Key areas of concern are protecting the environment, the wellbeing of employees from the community and civil society in general.</li> <li>• Businesses seek to promote public interest and do away with harmful practices without the need for any formal legislation.</li> <li>• Business operations address Triple bottom line through CSR programmes by considering its impact on people, profit and planet.</li> <li>• CSR aims at creating a safe working environment for employees.</li> <li>• CSR programmes and activities the business undertakes to contribute positively to the community in which the business operates.</li> <li>• CSR may take the form of a monetary donation to support local organisations.</li> </ul>	<ul style="list-style-type: none"> <li>• CSI aims at contributing towards sustainable development of its immediate communities.</li> <li>• CSI is enforceable by law and government requires business to make CSI contributions.</li> <li>• CSI projects play a positive role in the development of communities.</li> <li>• CSI reveals a business's attitude towards the community in which it operates.</li> <li>• CSI projects are long-term investment.</li> <li>• The main focus of CSI is not to increase profit, but to support communities.</li> <li>• It is relevant to the South African context where socio-economic upliftment is such a priority.</li> </ul>

## Impact of CSR & CSI on businesses and communities



**NOTE: Advantages and disadvantages of CSR and CSI are the same.**

### Impact of CSR/CSI on businesses

Positive/Advantages	Negatives/Disadvantages
<ul style="list-style-type: none"> <li>• Businesses may attract experienced employees/increase the pool of skilled labour which could increase productivity.</li> <li>• Promotes customer loyalty resulting in increased sales and profit.</li> <li>• Programmes promote teamwork within businesses.</li> <li>• CSR/CSI helps to attract investors.</li> <li>• Gives businesses tax advantages such as tax reduction/rebates.</li> <li>• It helps to retain staff/lower staff turnover as employees' health and safety are considered.</li> <li>• Improves the health of its employees through focussed CSR programmes.</li> </ul>	<ul style="list-style-type: none"> <li>• Business may not be supported/Customers may not buy their products/services resulting in a decrease in sales.</li> <li>• Small and medium enterprises find it difficult to implement CSR/CSI programmes.</li> <li>• Detailed reports must be drawn up, which can be time consuming.</li> <li>• Social spending reduces business/economic efficiency which makes it less competitive.</li> <li>• Social involvement is funded from business profits which could have been used to the benefit of customers/reduce prices.</li> <li>• CSR/CSI activities distract business focus from its core business functions.</li> <li>• Businesses find it difficult to adhere to legislation governing CSR/CSI.</li> <li>• It can increase financial risk, as programmes cost money and may impact negatively on profits.</li> </ul>

### Impact of CSR/CSI on communities

Positive/Advantages	Negatives/Disadvantages
<ul style="list-style-type: none"> <li>• Provide jobs for unemployed members of the communities.</li> <li>• Employee's family and/or community members receive bursaries to further their studies.</li> <li>• Provide rehabilitation centres to employees/community members who have addiction problems.</li> <li>• Improve the health of workers/communities by providing medical infrastructure.</li> <li>• Upliftment of the standard of living.</li> </ul>	<ul style="list-style-type: none"> <li>• Businesses are not always equipped to address social problems.</li> <li>• Communities can avoid taking responsibility for themselves, because they depend/rely on a business's CSR/CSI initiatives/Hand-out programmes.</li> <li>• Distribution of scarce resources to selected beneficiaries in the community may cause problems such as discrimination.</li> <li>• Some businesses only participate in CSR/CSI initiatives to raise profit and do not really care for the community in which they operate.</li> <li>• Business cannot deliver sustainable CSR/CSI programmes.</li> </ul>

## Components of CSR, focus areas of CSI and practical examples of projects of CSI



The above-mentioned concepts can be confused if they are not carefully studied. It is important to study the table below in order to avoid confusion.

Components of CSR	Focus areas of CSI	Practical examples of projects of CSI
<ul style="list-style-type: none"> <li>• Environment/Environmental awareness</li> <li>• Ethical corporate social investment</li> <li>• Health and safety</li> <li>• Corporate governance</li> <li>• Business ethics</li> <li>• Employment equity</li> <li>• Supply chain/Suppliers</li> <li>• Customers</li> <li>• Community</li> <li>• Workplace and labour relations</li> <li>• Investment practices</li> <li>• Corporative</li> </ul>	<ul style="list-style-type: none"> <li>• Community</li> <li>• Rural development</li> <li>• Employees</li> <li>• Environment</li> </ul>	<ul style="list-style-type: none"> <li>• HIV/AIDS programmes</li> <li>• Feeding schemes to under privileged schools</li> <li>• Sponsorships of events</li> <li>• Funding CSI programmes such as repairs to buildings/sports and uniforms</li> <li>• Funding for additional lesson, for example Mathematics and Science</li> </ul>



### ACTIVITY 2

Distinguish between Corporate Social Responsibility (CSR) and Corporate Social Investment (CSI). (8)

Answers to activity 2	
CORPORATE SOCIAL RESPONSIBILITY(CSR)	CORPORATE SOCIAL INVESTMENT (CSI)
<ul style="list-style-type: none"> <li>• The intention is to change√ business practices. √</li> </ul>	<ul style="list-style-type: none"> <li>• Actively committing money and resources√ to uplift the community. √</li> </ul>
<ul style="list-style-type: none"> <li>• Focus is on increasing image√ and profits. √</li> </ul>	<ul style="list-style-type: none"> <li>• Focus is on upliftment of community√ without return on investment. √</li> </ul>
<ul style="list-style-type: none"> <li>• Ensure that all internal CSR policies/ practices√ include stakeholders' interests/environmental issues. √</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure that CSI projects are relevant√ to the needs of communities. √</li> </ul>
<ul style="list-style-type: none"> <li>• Often intended√ as a marketing initiative.√</li> </ul>	<ul style="list-style-type: none"> <li>• Intended to benefit and uplift communities√ through social development. √</li> </ul>
<ul style="list-style-type: none"> <li>• Projects are usually linked to the business√, e.g. a manufacturing business offering to train the unemployed. √</li> </ul>	<ul style="list-style-type: none"> <li>• Projects are external to the business√ and have a strong developmental approach. √</li> </ul>
Sub max (2)	Sub max (2)
<b>Max 4</b>	

## Meaningful contribution of time and effort to advancing the wellbeing of others in a business context



You need to be able to explain how businesses can contribute time and effort to advance the wellbeing of others in a business context. This means how they can contribute to the wellbeing of employees and communities.

### Contribution of time and effort in improving the wellbeing of the communities

- Businesses should improve the general quality of life of employees' families in their community, e.g. develop skills in the community/invest in education, etc.
- Ensure that the product they supply do not harm consumers/the environment.
- Refrain from engaging in illegal/harmful practices such as employing children under the legal age/selling illegal substances, etc.
- Make ethically correct business decisions, e.g. not engage in unfair/misleading advertising, etc.
- Participate in community projects involving HIV/AIDS/education/counselling/ other meaningful causes.
- Donate money to a community project/run a project to uplift the community.
- Provide recreational/sport facilities to promote social cohesion/healthy activities.



### ACTIVITY 3

Read the scenario below and answer the questions that follow.

#### MORGAN SHUTTLE SERVICES (MSS)

MSS offers free accommodation and meals for their employees. They also pay the monthly subscription at the nearby gym for their employees to stay fit and healthy. The employees are regularly involved in stress-reduction activities.

- 3.1. Quote TWO ways in which MSS contribute to the wellbeing of their employees. (2)
- 3.2 Advise the management of MSS on other ways they can contribute to the wellbeing of their employees. (8)

#### ANSWERS TO ACTIVITY 3

##### 3.1 Ways in which MSS contribute to the well-being of its employees

- MSS offers free accommodation and meals for their employees. ✓
- The also pay the monthly subscription at the nearby gym. ✓
- The employees are regularly involved in stress-reduction activities. ✓

(2 x 1) (2)

##### 3.2 Other ways MSS can contribute to the wellbeing of their employees

- MSS should improve the general quality of life of the workforce, their families and the community, e.g. pay fair wages/develop skills in the community/ invest in education etc. ✓✓
- Ensure that the product they supply do not harm consumers. ✓✓
- Refrain from engaging in illegal or harmful practices such as employing children under the legal age/selling illegal substances, etc. ✓✓
- Offer counselling sessions✓ to employees with personal/challenges. ✓✓
- Give time to staff to get involved in projects they choose/Allow staff to use some of the working hours to participate in the projects of their choice. ✓✓
- Donate money to a community project/Run a project to uplift the community. ✓✓
- Provide transport for employees who work unusually long hours. ✓✓

(Max 8)





## ACTIVITY 4

4.1 Suggest ways in which businesses can address the following socio-economic issues:

4.1.1 HIV/Aids (4)

4.1.2 Unemployment (4)

### ANSWERS TO ACTIVITY 4

4.1.1 HIV/Aids

- Counselling programmes/ train counsellors to provide counselling to infected and affected persons/employees. √√
- Roll out anti-retroviral (ARV) treatment programmes (ART). √√
- Encourage employees to form HIV/Aids support groups. √√
- Conduct workshops on HIV/Aids programmes/campaigns. √√

**Max (4)**

4.1.2 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. √√

**Max (4)**