

As corporate social responsibility increasingly captures the interest and imagination of the business world, Donald Siegel, Professor of Entrepreneurship at the University of California at Riverside, and David Waldman, Professor of Management at Arizona State University, two of the pioneers in the field, were in Israel last week to address the subject at a forum hosted by the Jerusalem Institute for Market Studies.

Corporate Social Responsibility, or CSR, as defined by Waldman and Siegel, includes not only philanthropic corporate programs but also the willingness to advance goals of groups like employees, suppliers, the local community, non-governmental organizations or broader societal objectives.

"Findings from scientific research are becoming increasingly clear with regard to how CSR is essential for the long-term sustainability of a firm," Waldman said. "Firms that blindly and narrowly pursue the profit motive, without concern for the broad spectrum of stakeholders that are relevant to the long run, are increasingly shown to lack sustainability."

The key to a firm initiating and sustaining a successful CSR program, said Waldman, starts at the top.

"Firms must have visionary leaders who are able to "connect the dots" and understand how various stakeholders, and the satisfaction of their needs, represent interrelated challenges. For example, the strategic management of human resources is related to customer satisfaction, and it is essential for firms to attempt to understand and deal with this connection," he said.

For Waldman, the importance of CSR is that in order to understand it "one must consider the holistic attempt, on the part of a firm, to engage and conduct a meaningful dialogue with a wide spectrum of constituents or stakeholders." Stakeholders, said Waldman, include employees, suppliers, contractors, customers/clients, shareholders, government, community leaders and non-governmental organizations.

Essentially, says Waldman, corporate leaders can act more socially responsible without using large expenditures of corporate funds.

"Strict, calculating profit maximization is too narrow a goal, and shareholders are increasingly demanding that their firms do more - they should "do well by doing good," he said.

In a recently released paper, Waldman noted examples of firms practicing CSR, including those that are committed to employee development and empowerment as well as those that openly share information with employees about a move toward downsizing. "Moreover, a firm that is committed to the production of safe, reliable and innovative products or services in line with customer needs is strategically involved in CSR," he wrote. "CSR is, therefore, a management approach that takes into consideration an integrated set of indicators that map the firm's impact and reciprocal effects within the realm of its economic, societal and environmental existence."

While Siegel agrees with Waldman that the correct corporate leaders are needed for the success of a CSR program, he debates the appropriate motivational factors that drive socially responsible decisions.

"Managers have the moral obligation to pursue profit and engage in social responsibility only when there is a clear return to investment," he said, noting that leaders are driven by profit maximizing and that CSR is only one component of profit maximizing behavior.

"A firm's decision to engage in social responsibility is a strategic choice and simply an investment decision that can lead to increased profitability and companies will only decide to become socially responsible if they anticipate a benefit from these actions above their costs."

Siegel also pointed out that reputation enhancement, the ability to charge a premium price for its product and the recruitment and retainment of high-quality workers are examples of the potential benefits of CSR to the firms.