

# Correlation between Corporate Social Responsibility and Culture

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## Abstract

The stage at which market relations are now located is due to the need to take into account a number of environmental business factors that are not included in the framework of understanding classical economic theory. Current management needs to create such a relationship with all participants in business processes, in which it would be possible to achieve effective relationships, interactions, interdependencies and communication. All this to some extent implies responsibility. As the responsibility at the simplest levels—the employee before the manager, and at the global—the corporation as a whole before the society. Corporate social responsibility today is one of the ways that an organization influences the processes occurring within its interests. Like the creation, improvement of working conditions and living standards of workers, or their families. It is possible to operate at broader levels relating to the whole of society, or specifically those layers that concern the activity of the enterprise. Social responsibility is not the rule, but rather the unspoken norm for self-respecting and willing to achieve great results of companies. Return on investment for doing corporate social responsibility activity within society cannot be seen in the short term, but in the long term, you will gain brand recognition, awareness and loyalty. That is a huge return.

## Keywords

Corporate Social Responsibility, Corporate Actions, Corporate Responsibility Managers

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## 1. Literature Review

Such a concept as Corporate Social Responsibility originated in the first half of the 1950s. Then the American scientist G. Bowen in 1953 published the work “Social Responsibility of a Businessman”. This monograph has glorified the au-

thor as “the father of corporate social responsibility”. It identified the main approaches and methods for organizing corporate social responsibility. G. Bowen identified a likely problem that may arise in the near future. The main idea was that business is an integral part of society, to which is responsible. When it comes to definition, there is no universally accepted description of CSR. Here are some examples:

*“CSR is the business contribution to our sustainable development goals. Essentially, it is about how business takes account of its economic, social and environmental impacts in the way it operates—maximizing the benefits and minimizing the downsides. Specifically, we see CSR as the voluntary actions that business can take, over and above compliance with minimum legal requirements, to address both its own competitive interests and the interests of wider society”.*

*“Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”.*

*“Corporate Social Responsibility... is listening and responding to the needs of a company’s stakeholders. This includes the requirements of sustainable development. We believe that building good relationships with employees, suppliers and wider society is the best guarantee of long-term success”.*

*“CSR is a company’s commitment to operating in an economically, socially and environmentally sustainable manner whilst balancing the interests of diverse stakeholders”.*

*“CSR is about how companies manage the business processes to produce an overall positive impact on society”.*

*“Corporate social responsibility is the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development”.*

*“CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (Nigel Slack, 2010).*

## 2. Dimensions of CSR

Alexander Dahlsrud (Nigel Slack, 2010) defines five dimensions of CSR. **Environmental sustainability dimension** is meeting the needs of the present should not have more priorities than protecting environment. Both are equal and both are absolutely pivotal. The most compelling reason is that any kind of improvement in living standards should not be regarded as fundamental opposition to nature. One can have better life and high living standards, but if there is a lack of attention to the environment, it will eventually lead to killing ourselves with various types of pollution. Achieving sustainability stands for reducing, or at

least stabilizing, the environmental burden. **Social dimension of CSR** is bearing some responsibility for the impact business has on society. Apart from short-term economic self-interest business has responsibility for the general well-being of society. At the level of the individual, allowing individuals to contribute their talents without undue stress by devising jobs and work patterns. At a group level, it means recognizing and dealing honestly with employee representatives. This principle also extends beyond the boundaries of the organization. Any business has a responsibility to ensure that it does not knowingly disadvantage individuals in its suppliers or trading partners.

For example, recently the Antimonopoly committee of Uzbekistan urged GM Uzbekistan to respect consumers. The antimonopoly committee of Uzbekistan elicited the facts of short delivery of front fog lights in package 6506 of the Nexia-3 cars (2 position) realized by the GM Uzbekistan company in 2018. At the same time in the press service of the GM Uzbekistan company told that delivery of cars without fog lights was carried out with the notification and coordination of buyers in connection with a delay in delivery of these accessories. For timely delivery of cars, the company made the decision about deliveries to buyers of cars temporarily without fog lights, with a condition of their further installation. Antimonopoly committee reported that according to addresses of consumers the committee elicited the facts of short delivery of front fog lights in November, 2018, from now on the matter was studied in detail, and elimination of the specified facts of short delivery was taken under special control. At the same time defects at 90% of cars on which there were short delivery facts are till today eliminated.

“At the same time, the position of the company—monopolist in this situation causes a number of questions to the level of its corporate culture and values. As all of us know, the global companies of the automobile industry in cases of assumption of shortcomings from their party, usually announce a public response of products and expeditious elimination of all shortcomings, and, above all their traditions of business include implementation of public apology before consumers and clients (an example of the companies Toyota, Volkswagen and many others) that testifies to the high standards of corporate culture, business ethics and social responsibility introduced in these companies”—it is said in the statement of the company.

According to representatives of committee, from the company the public announcement or a response, it was not carried out, in many cases consumers were not notified properly on lack of the undersupplied details. Besides, conveniences to consumers were not created at elimination of shortcomings, for example, owners of the cars acquired in the Tashkent region in Bekabada (remoteness—about 150 km), Buka (80 km), Chirchiq (100 km) were forced to go to other areas for installation of fog lights. A long time of elimination, for example, in some cases at the cars acquired in October, 2018, till today (after 6 months!) the decompiling is not carried out. The committee said that this example once again proves that existence of a monopoly position in the market, leads to de-

crease in level of responsibility of monopolists concerning consumers (Kun.uz, 2019).

**Economic dimension** is return on investment for doing corporate social responsibility activity within society which can be or not be seen in the short term, but in the long term business will gain uncertain payback and timescale such as brand recognition, awareness and loyalty. **The stakeholder dimension** needs to take into account interests of shareholders, directors and top management, staff, staff representative bodies (e.g. trade unions), suppliers (of materials, services, equipment, etc.), regulators (e.g. financial regulators), government (local, national, regional), lobby groups (e.g. environmental lobby groups), and society in general. Many business decisions and challenges seem largely economic in nature. Economic decisions also have a “social” aspect to them. Will a new product feature make end-of-life recycling more difficult? Will the new technology decrease pollution? Similarly, the “social” decisions must be made in the context of their economic consequences. Businesses need not ignore suppliers to treat staff well and reduce environmental impact, but at the same time also need to make a profit. **Voluntary dimension.** CSR is emphasized voluntary by nature in most authorities. To simplify the approach and clarify the various details that are included in such areas as CSR, it was decided to introduce a single standard. Back in 2001, with the help of the Consumer Policy Committee and ISO/COPOLCO, the International Organization for Standardization. In 2003, ISO specifically created a group that was established by the Technical Board of Directors and gave an extensive overview of social responsibility initiatives around the world. ISO 26000 contains voluntary guidelines, not requirements. The importance of ISO 26000 is that it can give a clear definition and a clear understanding of such a term as social responsibility and what actions organizations should take in order to act in a socially responsible manner (a socially responsible way).

### 3. Perspectives on Corporate Actions

Paton (2011) also defines four ranges of corporate responsibilities:



Milton Friedman defined only social responsibility of business as “to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud. Acting without deception or fraud is seen as social benefit through creation of wealth and employment, since any successful business is social in itself, because it aims to benefit people. Investing in socially responsible but unprofitable ventures may make business unsustainable, so commercial realities usually reign (Paton, 2011).

Governments create laws regulating in order not to allow company misleading investors, exploiting staff or selling faulty goods. Businesses take these responsibilities seriously—but go no further. Their only criterion is that what they do is legal: as long as a decision meets that test they will take it, even if it has damaging consequences for others. Ford’s Pinto model is a good example: in the late 1960s Lee Iacocca, then president of Ford, sought to improve the company’s market position by having a new car, the Ford Pinto, on the market by the 1971 model year. This would be a basic vehicle selling for \$2,000, which meant that it had to be produced very cheaply, with a small margin between production costs and selling price. The designers placed the petrol tank at the back of the car, 6 inches from a flimsy rear bumper. Bolts were placed just 3 inches from the tank. Other sharp metal edges surrounded the tank, and the filler pipe tended to break loose from the tank in low-speed crashes. These features could have been redesigned, but the extra expense would go against CEO’s aim of “a 2000 pound car for \$2000”. In testing its new design, Ford found that when it was struck from behind at 20 mph the bumper would push the bolts into the tank, causing it to rupture. This posed a significant risk to those inside and contravened proposed legislation which required cars to withstand an impact at 30 mph without fuel loss. No one informed Iacocca of these findings, for fear of being fired. He was fond of saying “safety doesn’t sell”.

The car went on sale and in 1976 a magazine exposed the dangers of the Pinto petrol tank. This prompted the National Highway Traffic Safety Administration (NHTSA) to launch an investigation, which in 1977 identified 28 rear-end crashes in which petrol had leaked and caused a fire: 27 occupants had died and 24 suffered burns. Feeling some pressure to fix the tank, Ford officials devised a polythene shield to prevent it from being punctured by the bolts, and a jacket to cushion it against impact. The engineers calculated that these improvements would cost \$11 per car, and had to decide whether to recall the cars to make these repairs.

They conducted a cost-benefit analysis. Using NHTSA figures for the cost to society of death or serious injury, and an estimate of the likely number of future deaths and serious injuries, according to Ford’s calculations, the costs of recalling and altering the cars outweighed the benefits they decided not to do so, continuing to produce the Pinto in its original form. They reasoned that the current design met federal safety standards at the time. In 1977 the proposed fuel tank legislation was adopted and Ford decided to recall all 1971-1976 Pintos to modi-

fy their fuel tanks. A month before the recall began three people in a Pinto were struck from behind in a low-speed crash and burned to death. A \$120 million lawsuit followed, but Ford escaped on a technicality. Ford won the lawsuit, but its reputation suffered badly (Paton, 2011).

Actions in this area are not specified by law, and may not serve a company's narrow economic interests. Managers take these actions because they believe they meet some wider social interest, such as discouraging tobacco consumption, protecting the natural environment or supporting a socially disadvantaged group (Paton, 2011). For example, The Fairmont Hotel chain has generated a lot of buzz over its decision to set up rooftop beehives to try and help strengthen the population of honeybees, which have been mysteriously abandoning their hives and dying off by the millions worldwide. This Colony Collapse Disorder could have potentially disastrous consequences since one-third of the food we eat comes from plants that depend on bee pollination. At Toronto's Fairmont Royal York, six hives are home to some 360,000 bees that forage in and around the city and produce a supply of award-winning honey (Coulter, 2012).

This covers actions which are entirely voluntary, not being shaped by economic legal or ethical considerations. They include anonymous donations with no expectation or possibility of a pay-back, sponsorship of local events and contributions to charities—the actions are entirely philanthropic.

#### 4. Effective Mission Statements: Why Firms Need Them

Mission statement addresses the basic question that faces all strategists: "What is our business?" A mission statement is more than a statement of specific details; it is an announcement of approach and outlook. The principles of social policy and social responsibility of an organization are reflected in such documents as mission and code of conduct. The mission of a socially responsible company is the officially formulated position of the company regarding its social policy (Hitt, 2011). Mission statements are different in length, content, format, and specificity. Most practitioners and academicians of strategic management feel that an effective statement should include nine components.

- 1) Customers—Who are the firm's customers?
- 2) Products or services—What are the firm's major products or services?
- 3) Markets—Geographically, where does the firm compete?
- 4) Technology—Is the firm technologically current?
- 5) Concern for survival, growth, and profitability—Is the firm committed to growth and financial soundness?
- 6) Philosophy—What are the basic beliefs, values, aspirations, and ethical priorities of the firm?
- 7) Self-concept—What is the firm's distinctive competence or major competitive advantage?
- 8) Concern for public image—Is the firm responsive to social, community, and environmental concerns?

9) Concern for employees—Are employees a valuable asset of the firm?

Because a mission statement is often the most visible and public part of the strategic-management process (David, 2011).

## 5. What Do Corporate Responsibility Managers Do?

Global head of Organizational Development & Corporate Culture at the Spanish telecom giant Telefónica, Dean of Spanish CSR, Alberto Andreu Pinillos defines three distinct responsibilities of the corporate responsibility manager: foresight, nurturing, and evangelism.

The CSR manager, by engaging with key stakeholders in government, industry, civil society and international organizations, captures valuable information about emerging social and environmental issues and identify ahead of time the social and environmental risks or opportunities that may not be relevant in the near term, but will be so in the medium to long term—and then place them in front of the appropriate organizational decision makers.

Alberto offers that the CSR office needs to act as an incubator for internal projects. This is because the CSR office usually doesn't have the budget or manpower to implement needed changes alone. The office must work with other functional areas to bring about the needed improvements in social and environmental performance.

In the long run, purpose of a CSR office is to bring the company into a more sustainable mindset. Alberto believes that “The true test of a responsible company is when all functions and departments are capable of minimizing their own negative impacts and are thinking about making a positive impact on their community” (Unruh, 2015).

## 6. Corporate Social Responsibility in Uzbek Companies

In Uzbekistan, the level of application and understanding of CSR principles is not well understood. In Uzbekistan, the share of Small and Medium Enterprises (SME) in GDP steadily increased from 30% in 2000 to 56% in 2015, which average world statistics are 55% (Zokirov, 2015; OECD, 2013). In the largest companies, like light and heavy, automotive, oil and gas industries, controlling stake belongs to government. Here responsibilities of CSR are performed primarily by the government, compared to private business. These responsibilities are better known as state social responsibility policy. The government carries out political, economic, social and ethical duties to its citizens (Sharipova, 2018).

The country has a certain cultural and historical environment. Islam places a great emphasis and reward on giving charity in secret. It preserves the dignity of those who receive the charity, and also prevents the giver from being boastful or seeking praise. Islam teaches Muslims that giving in secret is far superior to giving publicly, and that drawing attention to one's charitable actions is a highly undesirable quality. The Prophet said: “Allah loves the God-fearing rich man [who gives much in charity but still] remains obscure and uncelebrated” (Mus-

lim). Giving charity in secret is best when giving charity that is voluntary (Sadaqah). Regarding voluntary charity, God says in the second chapter of the Quran: “If you disclose your Sadaqaat (almsgiving), it is well; but if you conceal them and give them to the poor, that is better for you” [Quran 2:271]. In Chapter 2, verse 274 of the Quran, Allah says: “Those who spend their money in the night and in the day, secretly and openly, they will have their reward with their Lord, there is no fear over them nor will they grieve” [Quran 2:274]. This verse means that we should give charity both in public and in private. While keeping the amount of charity given private, a person can publicly—avoiding invitations of praise—give charity, serving as a reminder for others to also give and setting an example for the community. But it is also important for the Muslim to give charity in private (or “in the cover of night”), to establish to themselves and to God that they are giving charity because Allah commands it, and because they seek His pleasure and to fulfill their charitable duty.

Some entrepreneurs practice individual principles of corporate social responsibility based on religious beliefs or altruistic beliefs. Such a cohort of businessmen, as a rule, does not prefer to advertise their patronage of arts. A unique situation has developed in the country when a business does not seek to monetize its activities in the field of CSR. This is contrary to the Western approach, where CSR is mainly practiced to create a positive image of the company and is used as a tool for increasing revenues and branding (Sharipova, 2018). Because of privacy policy I have been rejected to fill the questionnaire by many companies, CSR data is not allowed to give in company policy.

The role of social responsibility of business has a huge impact on the attitude of society to the activities of an enterprise, applying in its activities corporate social responsibility.

However, there are some difficulties associated with the fact that only large organizations that have sufficient profitability of their activities to use the possibility of improving any social indicators related to social responsibility. Most small businesses are not interested in promoting the UN Global Compact. Few of them carry out its separate points.

Today, in our state there is a need for such managers to appear at most enterprises, which would be able to take into account the importance of the company's image in its development, relations with partners, employees and society. Since at the moment, such managers are present only in a number of large business structures.

## Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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