Social Responsibility

Definition of Social Responsibility in Business

Businesses generally focus the majority of their efforts on generating revenue. Even if their mission revolves around meeting customer demand or creating superior products, it all boils down to cash flow. Doing this requires relying on customers to spend their hard-earned money on a recurring basis. Once a business has hired employees, it is even more dependent on customer dollars both to survive and to be able to meet payroll twice a month.

Social responsibility can be defined as ***the concept that states that businesses have a duty to use their power for the greater good***. In other words, by regularly making money off their respective communities, companies have an obligation to pay it back by somehow helping the people who make up those communities. For local businesses, this may mean giving back to area nonprofits, but companies that operate nationally or globally may see expectations that they help out charities beyond their own geographic boundaries.

Types of Social Responsibility

There are numerous examples of social responsibility, with some organizations getting fairly creative with their efforts. Here are some of the most popular types of social responsibility.

- ***Ethical practices*** – Social responsibility starts with who a business is, which translates to what that business does. This includes ensuring that the products and services they provide are safe for public consumption.
- ***Environmental sustainability*** – Businesses can show their social responsibility through efforts like recycling, using recycled materials, reducing packaging and choosing environmentally responsible manufacturing methods.
- ***Financial responsibility*** – As businesses earn a profit, this principle states that they have a duty to put some of that money back into the community. This goes beyond simply providing jobs to finding ways to help that show appreciation for the customers who support them.
- ***Educational advancement*** – Training and education programs can help communities grow. This type of social action can take the form of classes to help disadvantaged members join the work world, training for disabled adults, education programs for youth and courses that relate to the products or services a business provides.
- ***Scholarships and grants*** – Assisting college students with the high cost of going to college is a great way businesses can give back. Often this is most effective if the scholarship in some way relates to the work the organization does. A tech company may fund a scholarship to help a student get the technology education necessary to work in the industry, for instance.
- **Mentorship** – Programs like Big Brothers Big Sisters of America specialize in pairing community members with youth who need mentorship. Corporations can participate in these types of programs or choose their own methods of mentoring those in need.
- ***Political activism*** – This type of community service can be complicated since businesses can alienate a portion of their customer base if they choose political sides. However, becoming active in encouraging residents to vote or embracing a local political cause can be safe ways to get involved.

- ***Disaster relief*** – Whether or not businesses make social responsibility part of their daily operations, disasters can bring a great opportunity to give back.
- ***Employee support*** – Empowering employees to take action on causes they find important can both satisfy a business's social responsibility and improve morale. An increasing number of businesses are allowing employees to take time off to volunteer.

Financial Donations vs. Hard Work

Realizing the importance of social responsibility, many businesses make an effort each year to donate money to one or more charitable organizations. It's something fairly simple a successful company can do to give back. In doing so, they may even have their name included on a nonprofit's materials, providing brand exposure that can serve as a form of advertising. A company that sponsors a local fundraiser, for instance, will become known by everyone associated with that charity as a company that supports the local community.

One big bonus of financial contributions is that the amount given is usually tax deductible. The business will need to provide proof of the donation, but being able to claim it each year can offset the taxes a business would have to pay on the income earned throughout the year. Realizing this, charities often will contact businesses to request donations, realizing that a certain amount is set aside each year for charitable giving. Although there's no discounting the value those donations bring to recipients, it can devalue the impact of the donation if consumers realize that many companies give for tax purposes.

Consumer awareness has grown in recent years, with 47 percent of customers revealing that they'll patronize a brand that supports a good cause at least once per month. This highlights the increasing importance of having a mission that includes social responsibility in some form. Although money can serve the same purpose, many businesses will need to incorporate social responsibility into everything they do to ensure that their efforts are visible enough to boost their brand.

Individual Social Responsibility

Corporate responsibility goes beyond what the public believes a business should do to support communities. It also extends to the individual people who make up an organization. Many pay close attention to the social responsibility of management, including chief executive officers, chief operating officers and team leaders. Since many workers will follow a good example, it's important that the people running the organization embrace social responsibility. A boss who takes time off once a month to help the homeless is more likely to earn the respect of those working beneath her.

This is especially important in an era with sites like Glassdoor, which allow current and former employees to review the corporate culture as well as the behavior of business leaders. News that management of an organization doesn't care about the community, the business's customers or its employees can affect whether a business is able to recruit top talent moving forward. In a competitive field, this can easily affect a business's bottom line.

Leaders who embrace social responsibility can also improve work culture by providing employees with opportunities to pursue their own social interests. Setting up a booth at a local charity event and letting employees volunteer to man that booth is one way to help employees support causes in which they believe. Asking workers from the start to vote on which nonprofits to support can make a big difference in itself. Of course, giving employees paid time off to volunteer is a great way to win over the many younger workers who have stated a preference for working with companies with a history of activism.

Community Involvement

Businesses don't have to invest significant time and resources into supporting socially responsible causes. In fact, one of the most important things a business can do is get involved in the local community. Joining the local Chamber of Commerce and attending events has the dual benefit of getting support and helping strengthen the local community. Businesses that make a conscious effort to shop local and do everything they can to boost nearby businesses usually benefit from that extra effort. Even providing helpful tips online that are relevant to the work they do can help businesses get the word out about their brand while also showing that they are responsive to their customers.

Although the social responsibility of business may encourage leaders to get involved, it's actually a great networking opportunity. When businesses help other businesses, they make a connection that can pay off down the line if, say, the leader they helped is asked for a referral or needs to buy the items they sell. In general, getting to know the other business owners in the community can be a huge plus for any business owner, even if all of their transactions are with distant online purchasers. The support and camaraderie that can come from in-person interactions can make a difference in the course of running and growing a business.

Regulatory Obligations

In some instances, though, social responsibility is a requirement of the type of business being operated. A company may receive grant money, for instance, and be socially accountable, whether they must report in on a regular basis or it's simply something the grantor watches. Businesses with shareholders or investors may also find that their supporters want to see a certain amount of community involvement or nonprofit activity, especially if they feel their name and reputation are attached to that company.

On a more general basis, businesses across all industries must answer to ISO 26000, which was released by the International Organization for Standardization. ISO 26000 is designed to offer guidance to businesses for the work they do. ISO 26000 is especially concerned with sustainable development in the hopes that businesses across the globe will begin to give serious thought to reducing their carbon footprint. Although no business is required to follow the standards set by ISO 26000, there is social pressure to conform, especially if companies are trying to compete with the many others in their industry who do closely adhere to the guidelines. There are seven key principles to ISO 26000:

- Accountability
- Transparency

- Ethical behavior
- Respect for stakeholder interests
- Respect for the rule of law
- Respect for international norms of behavior
- Respect for human rights

As businesses outline their social responsibility, these principles can help ensure that they're creating a mission that benefits the greater community. Each of these principles can be applied to every type of organization, from small e-commerce startups to globally-minded nonprofit organizations.

Issues with Social Responsibility

Everything has at least a few negatives, and social responsibility is no exception. In fact, economist Milton Friedman strongly believed that business and social responsibility did not mix. The entire application of social responsibility, Friedman argued, is loose and without rigor. For that reason, he stressed that only individuals can have social responsibility, not corporations and organizations. Other experts believe that social responsibility flies in the face of what business itself is all about: making a profit. However, many companies have made it work, so it is doable with the right motive behind it.

One of the biggest barriers to successful social responsibility for businesses is that they don't always do it for the right reasons. They may give money for the tax deduction, for instance, or help out with a disaster out of fear of bad press if they don't. It's important that leaders find something in which they believe and tie it to the mission of the business. Only then will it be authentic and worthwhile.

Ethics and Accountability

In business, ethics and accountability go hand in hand. Giving your team a list of ethical responsibilities will not affect behavior if the informal culture at your company is to wink at unethical behavior. To create a healthy, ethical culture, hold employees accountable when they act unethically.

Ethical Responsibility Definition

Ethical responsibility at work refers to the obligation each person has to do the right thing. The scope of this obligation varies depending on the position. A sales clerk's obligations, for example, could include honestly handling money, respecting customers and reporting coworkers who shoplift items. The store manager's responsibilities are greater because the manager has to decide how to manage employees ethically and what to do with employees who act dishonestly.

Definition of Accountability

Accountability is about answering for your actions and decisions and accepting responsibility for mistakes. An employee or executive may have to answer to coworkers, superiors, customers and outside auditors or regulators. Ideally, it is a two-way street: Employers and CEOs must answer to the people below them for their decisions too.

Ethics and Accountability Examples

The basics of ethics and accountability are the stuff we learn as kids: Be honest. Do not cheat. Own up when you make a mistake. Do not push the blame on someone else. In a business organization with a hierarchical structure and levels of power and responsibilities, you can draw up a longer list of ethical responsibilities and issues:

- Is it ethical to lay off a worker without giving him any warning so he will keep working hard right up to the last day?
- Is it ethical for an employee to quit without giving notice? What if she is taking time away from work to job hunt?
- As a team leader, do you look out for the welfare of your team members, or do you put maximizing profits ahead of any burdens or stress it places on them?
- Do managers at your company treat their subordinates fairly?
- Will employees speak up if someone else is acting unethically?
- Will managers react to stop unethical behavior in their department?

It is important to share your views and ethical principles with employees. One common reason employees act unethically is because they did not realize they would crossed an ethical line.

Why Accountability Matters

A list of ethical responsibilities is not enough to create ethical responsibility in your company. You have to demonstrate that it is more than just talk by holding people responsible when they do the wrong thing. If employees see cheaters and liars getting ahead or sexual harassment going unpunished, they will assume the company does not care about ethics.

- Suppose you learn employees are lying or acting unethically to meet their sales quotas. If you turn a blind eye, the message employees hear is that winning is more important than ethics.
- If you expect loyalty but do not give it or call for respect but bully your subordinates, employees will assume your list of ethical responsibilities is a sham.
- If an employee reports a star performer for sexual harassment, and you take no action, employees learn there is no point in reporting wrongdoings.

The Culture of Silence

Most employees witness unethical behavior in the workplace, but only about half of the incidents get reported. Employees routinely turn a blind eye to coworkers filching office supplies or fudging their time cards, which makes them reluctant to speak up about serious breaches of ethics. If you never hear about the problems, your company's culture can turn toxic.

There are multiple reasons employees stay silent instead of holding each other accountable:

- They are afraid that speaking up will damage their career.

- If they blow the whistle, and the offender keeps his job, it will be hard to keep working with him.
- The employee does not think the company will listen.
- They do not know how to bring up their concerns.
- They are afraid of management retribution, especially if the person they report outranks them.
- They feel a loyalty to their teammates and do not want to report them.

Showing that you value ethics and accountability can create a climate where employees speak up. This includes making your ethical views clear, walking the walk and responding to both ethical and unethical behavior in the workplace. Your team will learn from your example.

List of Ethical Issues in Business

Even in the 21st century, businesses are run by people, not computers. Being people, they face ethical challenges and sometimes flunk them. The ethical issues in business take different shapes than in schools or the home, even though they stem from the same impulses. It takes effort to keep a company ethical, but it's worth it. Going to the dark side can destroy a firm's reputation, and even lead to lawsuits or criminal charges.

Ethical Challenges and Cash

Most business owners see themselves as honest people. When money gets tight, however, it can trigger lots of ethical problems in business.

- Do you cheat on environmental or safety compliance to keep the lights on?
- Do you pay your workers late or hold off paying vendors?
- Do you let some bills go unpaid because your cash flow is low?

Even a business that doesn't engage in wage theft or fraudulent accounting may skate along the thin edge of ethics at times.

Harassment and Discrimination

Sexism and bigotry can crop up anywhere. In the working world, they're particularly toxic because of the power some employees have over others. Harassment not only makes employees miserable, it can affect their pay and their career. Movie mogul Harvey Weinstein, for example, has been accused of harassing and assaulting dozens of women. Women who resisted say Weinstein worked to blacklist them and ruin their careers.

If harassment and discrimination happen, that produces added ethical challenges: how does the company deal with the problem? Companies such as Fox News and MGM have "solved" harassment problems by covering them up or discrediting the victim. Seems they'd sooner protect the corporate image or its high-ranking employees than do the right thing.

Playing Favorites

It's perfectly normal for managers to hire people from their social network. It becomes an ethical issue if the social connection becomes more important than actual ability. Nepotism– hiring a relative – and favoritism are despised because they tell other workers that job performance is less important than blood, or being buddies with upper management. Even if the choice is a good one, it can alienate workers and raise doubts about the manager's decisions.

Protecting Client Privacy

It seems every week another company announces that customers' confidential data has been exposed or hacked. Sometimes it can't be helped: hackers are very good at what they do. Other hacks are preventable and only happen because of corporate negligence. For example, some security experts told Wired magazine in 2017 that Equifax could probably have prevented its massive data breach with better security.

If companies are negligent about security it becomes an ethical issue. It's also an ethical issue if they don't notify customers promptly. Equifax waited two months after learning of the breach.

Keeping Employees Safe

There are millions of workplace accidents and illnesses reported each year. According to the Bureau of Labor Statistics, there were 2.9 million non-fatal workplace injuries and illnesses in 2016. Some of those accidents were due to negligence with employers ignoring the legal requirements for keeping the workplace safe. Common problems often include not using guards on sharp cutting equipment, and not taking steps to prevent falls or electrical accidents.