

Responsible business

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Abstract. This paper aims to understand the concept of Responsible Business and discusses some of the related theories in the field. Thereby, this paper discusses businesses responsible behaviors and how the government and competitive advantage can influence these behaviors. The paper also debates what drive businesses to adopt more responsible behaviors. This paper concludes that competitive advantage is playing the significant role in motivating responsible businesses more than the government regulations and interference.

Keywords: Responsible Business, CSR, and Competitive Advantage

INTRODUCTION

This paper discusses businesses responsible behaviors and how the government and competitive advantage can influence these behaviors. Therefore, this paper is divided into three parts; the first part looks at the definition and reviewing the concept of Responsible business, including CSR pyramid theory. The second discusses the role of the government in influencing business social responsible behaviours. Finally, this report is going to discuss competitive advantage and its benefits from applying responsible business behaviour, and some suggested efforts need to be improved between businesses and society are also included.

1 WHAT IS RESPONSIBLE BUSINESS?

From reviewing the related literature of 'responsible business', it is full of using other related concepts such as corporate responsibility, sustainability/sustainable business, social enterprise and corporate social responsibility (CSR). Although, some argue that some concepts are part of others, for example, responsible business is part of the journey to sustainability, while some argues that there is no difference between these two terms are used interchangeably (Sweetman, 2013). Therefore, this essay draw on using the concept of corporate social responsibility (CSR), which frequently used in the literature, which is discussed as a concept of the responsible business and sustainable business.

Blowfield and Murray defined the responsible business as, taking into account the needs of stakeholders, employees and customers, as well as being responsible not only for the financial performance of the business but also for the effect of its decisions and activities on the social and environmental (Blowfield & Murray, 2011). Social responsibility practices in a company include employees, health and safety and being able to manage change, while environmentally responsible business practice focus on managing the natural used resources (Commission of the European Communities , 2001). This concept stimulates companies to achieve a sustainable development and manage their operations in such a way to economic growth and develop competitiveness, at the same time encouraging social responsibility and protecting the environment (ibid).

2 CSR PYRAMID THEORY

To understand the different aspect of social responsibility, according to Carroll (1991), creates business organizations responsibilities frame work which meet the wishes of the economic needs, which is providing goods and services that society need in order to make profit. Economically, the business in entitled to be as profitable as possible and keep a strong competition in the market. The legal responsibility of the firm is operating and provide goods and services legally and as expected from the government and law. While, the ethical responsibility required from business is doing what is right, just and fair and respect the norms of the society. At the top philanthropic responsibility, this aspect of CSR looks at the important of charitable and voluntary work and projects by the organization to improve the quality of life if the society (Carroll, 1991). See figure 1.



Fig. 1. Carroll's Pyramid of Social Responsibility.

Applying responsible businesses behaviors have direct and indirect impacts on business; they have positive direct economic affect and making more profit growth. Moreover, developing healthier working environment leading to more committed and efficient workers. In addition, growing attention of investors and consumers is indirect impacts which increase their market's opportunities and their image and brands (Commission of the European Communities , 2001).

3 THE ROLE OF GOVERNMENT

The governmental agencies have challenged role in promoting a responsible business and a CSR agenda. It is significant to create an enabling environment for private market development which reduces risks, costs and obstacles of business, enhancing opportunities and chances and rewards for private and competitive enterprises. In addition, creating support and incentives, raising awareness, and organizing resources from cross-sectoral cooperation (Kitthananan, 2010). The government also can play a crucial role in promote CSR in a country by filling the knowledge gaps and increase awareness about the importance of CSR to

business sustainability and success through establishing CSR value and knowledge for business and the general public (Kitthananan, 2010).

The government can also help businesses understanding the legal requirement such as, labor policy and environmental policy, offering facility building and providing advice and assistance when needed to business and support voluntary work (Kitthananan, 2010). The government can also control business's social behavior throughout strict regulations, laws and penalties on businesses, for instance, set a specific age of labor forces, limited emission values for exacting categories of business productions, or require companies to publish their CSR reports publicly (ibid).

On the other hand, Economist has raised arguments that government regulations are not the best method to handle issues associated monopolistic competition advantage. Almost all monopolistic firms practice irresponsible behavior because they take advantage of the firm position in the market and they think they can get away with these irresponsible practices (Campell, 2007). Porter and Kramer confirm that "property rights are essential for efficiency and innovation. Strong regulatory standards protect both consumers and competitive companies from exploitation" (Porter & Kramer, Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility, 2006, p. 84). Campell (2007) adds that to act corporations in socially responsible behaviors, tough and well-enforced state regulations in place are needed, which are developed based on cooperation with business, government, and related stakeholders.

It is certain that industries often establish their own regulation by setting standards to ensure fair practices, workplace safety, and product quality. However, the relationship between industrial self-regulation and the state is important, because self-regulation regularly fails without state support sufficiently (Campell, 2007).

Kitthananan (2010) also argues that government can drive businesses social practices through facilitation, by affording tax incentives and penalties to promote responsible business. The government can also be as a broker in facing challenging social and environmental issues by joining public sectors agencies, businesses and other stakeholders. For instance, sponsoring for raising awareness, training or conducting research (ibid). Albareda and colleagues (2008) declare that boundaries in the position of businesses in society can be unclear, and "governments may encourage the involvement of the business sector in areas where public services are lacking" (p.360).

Government can support by identifying actual needs, opportunities and constraints locally to classify appropriate types of intervention within the national plan. This is appropriate in overcoming the obstacles through local development process rather than transferring solutions from different countries and contexts. However, international collaboration may support in producing different levels of competition altering which are needed (Kitthananan, 2010).

4 THE COMPETITIVE ADVANTEGE AND ITS INFLUENCES OF APPROACHES TO RESPONSIBLE BUSINESS.

(Kolko, 1963; McCraw, 1984; Schneiberg, 1999; Weinstein, 1968) claim that firms act to in socially responsible behavior depending on the competition they face in the market, therefore, they gave three different scenarios. The first one is the extremely intense competition where survival of the firm is in risk because the profit margins are narrow, businesses in this case tend to act socially irresponsible to save money and survive, and they might negotiate the quality and the safety of the product or cheat and mislead customers (cited in Campell, 2007). In case of a normal competition conditions, with modest profit, companies are more likely to employ in socially responsible behaviors. Where managers are worried about protecting their business reputation (ibid). Lastly, at the other extreme situation where there is no competition (a monopolistic market for example), where the sales and profits are not going to be affected

by customers loyalty or reputation. In this case firms may have little interest in behaving socially responsible where customers have no alternative (Campell, 2007).

Regarding to what competitive business benefits from applying responsible business practice, The Department of Trade and Industry (2004), argues that the closer relationship of a business is from its employees, customers and its stakeholders, the more aware and understandable business is going to meet their needs. This results a competitive in term of quality of the product. Google is a prime example of a business that takes care of its employee, the company provides free meals and several places where employees have the chance to relax and meet. Besides, building a relationships with their employees e.g. trainings, breaks, job security, benefits, health insurance and opportunities (Delios, 2010). This work environment encourage employees them to create and innovate and also build positive attitudes on employees and build organizational attachment (ibid).

The British government considers that CSR is seen as a strategic and competitive opportunity for domestic or abroad companies, because it enhances companies 'reputation and can motivate participants to work in the same area. This same reasoning about CSR applies in Italy, and in Norway, above all for its companies abroad. Although, there is uncertainty in the business world about this association, but, to some extent, CSR is recognized as a potential win-win condition (Albareda, Lozano, Tencati, Midttun, & Perrinin, 2008).

In addition, competitive can be delivered when the cost of addressing environmental regulations by the government is eliminated or minimized. Businesses can come with new technologies and ways to produce products have benefits in terms production procedures such as, less energy utilizing in the production, lower product costs coming from material replacement, and reduce the cost of activities such as transportation and handling waste. In addition, in producing safer product and lower price for the product (Porter & van der Linde, Green and Competitive: Ending the Stalemate, 1995).

Many companies' efforts to improve the social and environmental situation in their activities have not been productive as they expect. Firstly, because they treat business and society as if they are against each other, where in fact they are interdependent. Moreover, companies are thinking of CSR in general way not according to what appropriate to their strategy (Porter & Kramer , Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility, 2006). Any successful business needs a productive workforce and a healthy society, safe working conditions to attract customers, and affective use of natural resources to have a productive business. On the other hand, a successful business is also needed by a healthy society, people need jobs and money from businesses and governments also need them to provide jobs and pay taxes. This is why there is an interrelationship between society and businesses (Porter & Kramer , Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility, 2006).

Porter & Kramer (2006) argue that to enhance CSR, the interrelationship between a society and corporation need to be understood broader and forming strategies and activities of specific companies. They also state that **"NGOs, governments, and companies must stop thinking in terms of "corporate social responsibility" and start thinking in terms of "corporate social integration"** (ibid, p.92). They set accordingly their framework to understand this interrelationship some of these strategies will be discussed here.

4.1 Identifying the Points of Intersection

This intersection takes two forms in the normal option of business. First, a company impacts on society through its operations either positive or negative social consequences, which are inside-out linkages (Porter & Kramer, 2006). See the figure “Looking Inside Out: Mapping the Social Impact of the Value Chain”. Therefore, social impacts of the businesses responsible activates varies from location to another. The same manufacturing practice will have significant different social reaction in two different places such as the United States and China (ibid).

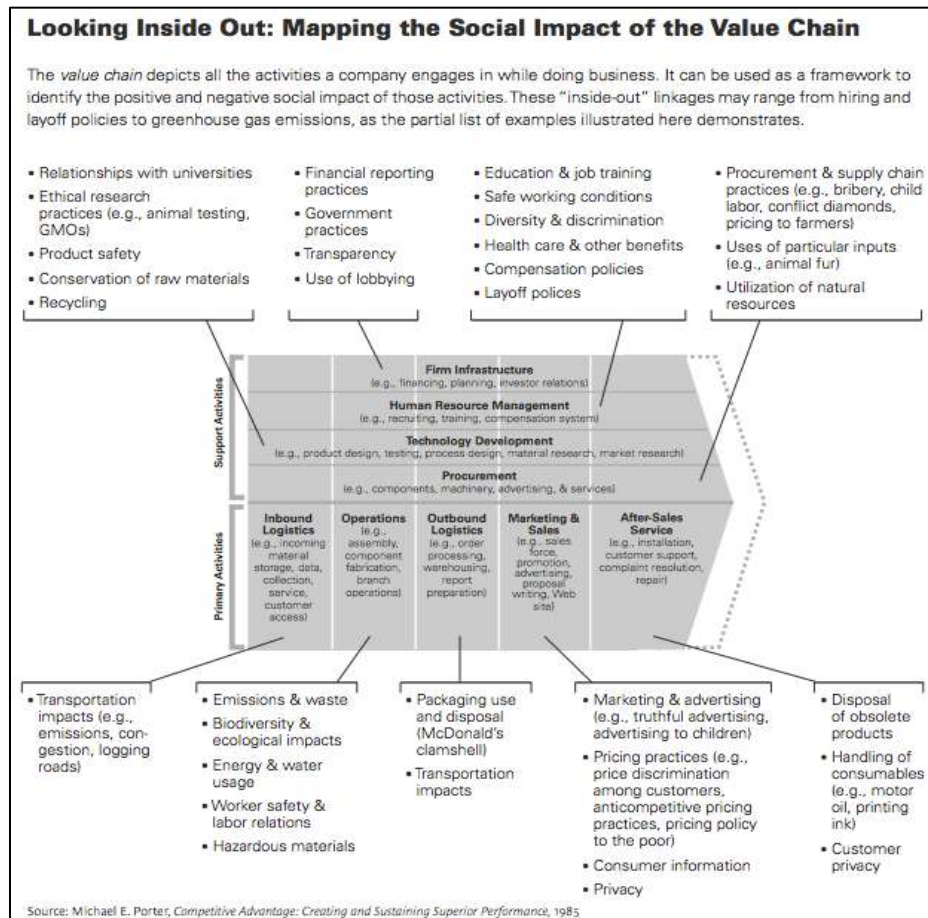


Fig. 2. Social Impact of the Value Chain map.

Second: competitive context includes four broad areas: the quality and quantity of available business inputs, the rules and incentives that govern competition; the size and sophistication of local demand, and finally the local availability of supporting industries. Any and all of these areas can be opportunities for CSR programme. Therefore, for example, recruiting appropriate human resources, might based on a number of social things can influenced by business, such as the local educational system, the housing availability, the existence of segregation and racism (which limits the pool of workers). See the figure “Looking Outside In: Social Influences on Competitiveness”.

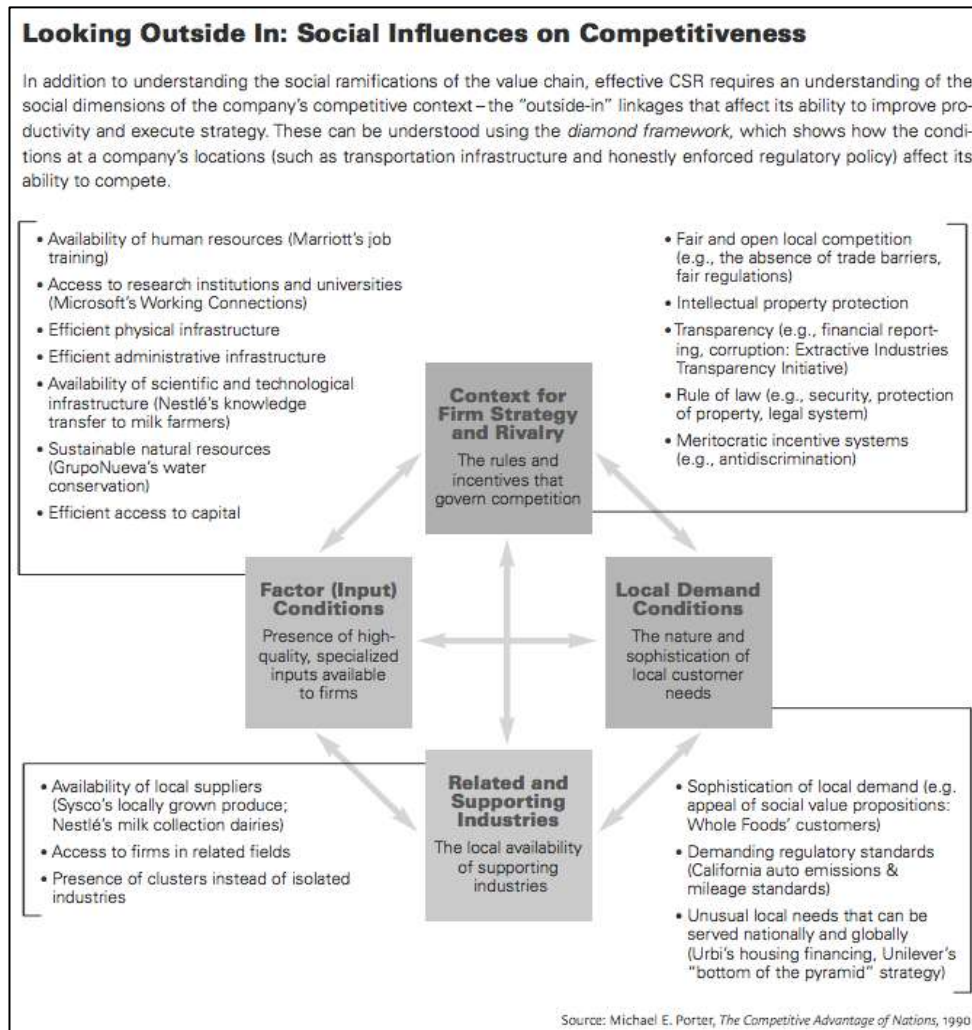


Fig. 3. Social Influences on Competitiveness.

4.2 Choosing Which Social Issues to Address.

It is impossible for one business to solve all the social problems. So each business need to identify one issue to solve that is more appropriate to the firm's strategy and which can help the firm to be competitive. For example, supporting Southern California Edison (a dance company) by American Express which based on the entertainment, hospitality, and tourism groups, therefore, this is an important part of American Express competitive context (ibid). This is lead to create an explicit and assenting corporate social agenda from categorizing and ranking social issues. This agenda looks further to opportunities to achieve social and economic benefits together (Porter & Kramer, 2006).

CONCLUSION

Leaders in business and society often working against each other and not enough efforts have done on the areas of connection between them. However, to understand competition and guide its strategy, this principle needs to be put into practice; a company must integrate a social issues into their strategy. Businesses and society need to know that they are interdependent and to be integrated to capable business to compete in the market in the long run and benefit from applying responsible social practices and the decisions must benefit both sides. It is clear that government can play a role in influencing and ensuring businesses social responsible behaviors, but Government regulations itself is not going to enhance it enough. So, personally, We think that competitive advantages which is playing the significant role in motivating responsible businesses more than the government regulations and interference.

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