

Issue Briefing Note:

# Perceptions and Definitions of Social Responsibility

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This is one of three Issue Briefing Notes produced by a partnership of six sustainable development-oriented non-governmental organizations, including three international organizations and three organizations based in developing countries.

The partners are the International Institute for Sustainable Development, the International Institute for Environment and Development, IUCN – The World Conservation Union, the African Institute of Corporate Citizenship, Development Alternatives and Recursos e Investigación para el Desarrollo Sustentable.

The Issue Briefing Notes present a general overview of three issues that deserve particular attention in discussions on the possible development by the International Organization for Standardization (ISO) for international Social Responsibility standards. They address issues related to small and medium-sided enterprises (SMEs); stakeholder capacity to engage in corporate social responsibility (CSR); and national differences in CSR definitions and priorities. While written with an international focus, the papers are drawn particularly on insights from Chile, India and South Africa. For more information, please visit <http://www.iisd.org/standards/csr.asp>

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### ***Summary of key points***

- This paper does not seek to describe in detail what “social responsibility” (SR) means in different countries. Instead, it demonstrates that conceptions of what constitutes a “responsible” organization or enterprise inevitably differ between and within countries, and outlines the fundamental reasons for this.
- Conceptions of SR differ according to national social and economic priorities—which are themselves influenced by historical and cultural factors—and according to the different types of social actors that are demanding action on these priorities.
- The terminology used to refer to social responsibility is important, having particular connotations in different locations and constituencies.
- Awareness of and interest in SR vary widely between and within countries, and the drivers for engagement with the agenda apply more in some locations and sectors and to some types of organizations than others.
- There is a risk that an international standard on SR is seen as a tool for a narrow subset of business organizations, and as a market entry requirement for their suppliers. It will be rejected by other stakeholders unless it leads to real social and environmental improvements within an organization’s local context.
- Significant progress is hampered by some key unresolved issues, such as the philanthropy-core activities divide; the voluntary-regulatory divide; the integration of social, environmental and economic issues; and the question of harmonization of specific national SR agendas.
- The development of an international standard on SR must take into account the need for flexibility, which allows space for different national priorities and themes; ensures wide applicability, particularly for organizations of varying size and influence; and allows for evolution over time. Flexibility will be necessary in terms of content as well as implementation.

### ***Introduction: the terminology of social responsibility***

What constitutes the “social responsibility” (SR) of enterprises and other organizations is difficult to define. The ISO Strategic Advisory Group on Social Responsibility (SAG) recognizes that there is no single authoritative definition of the term “corporate/organizational social responsibility,” and does not seek to provide one. However, it notes that most definitions emphasize the inter-relationship between economic, environmental and social aspects and impacts of an organization’s activities, and that SR “*is taken to mean a balanced approach for*

*organizations to address economic, social and environmental issues in a way that aims to benefit people, communities and society.”* The SAG goes further to suggest some characteristics and underlying principles of social responsibility, and issues pertaining to it.<sup>1</sup> It should be noted that this definition does not go as far as the advocates of the “corporate accountability” agenda would like, as there is no direct reference to organizations *taking responsibility* for their impacts.

The language used to refer to SR is important—some terms are more commonly used than others, and some have particular connotations, depending on the location and constituency. For example, the most common way of referring to SR in Chile is the Spanish expression “Responsabilidad Social Empresarial,” which might be translated into English as “Entrepreneurial Social Responsibility.” Other expressions, such as “corporate citizenship” and “corporate sustainability” are seen as expressing similar objectives but are less well used. Various terms are used in relation to SR in South Africa, including corporate social responsibility (CSR), sustainable development, corporate citizenship, corporate social investment, and sustainability. In the U.K., the term “CSR” is most commonly used, but some people are increasingly adopting the shorter “corporate responsibility” instead. In India, and to some extent in South Africa, the term CSR has suffered criticism on the grounds that it exaggerates the business sector’s “responsibility” for society’s problems.<sup>2</sup> “Corporate citizenship”—and “socially sensitive corporate” in India—appear to be less problematic, though less widely used.

There is general support for ISO’s notion of “organizational social responsibility,” extending its applicability to organizations other than businesses, as long as the term is adequately explained. The inclusive and broad definition proposed by the SAG appears to be suitable for most contexts, provided that there is flexibility to include locally-specific themes. However, the term OSR—or even SR—is not currently used outside the ISO process. There is, therefore, a risk that using this term will generate confusion and some resentment among those who are familiar with existing terms such as CSR.

### ***Awareness of and engagement with the SR agenda***

A further definitional and operational challenge is that issues within the SR agenda are not always identified as such. For example, the South African notion of black economic empowerment can be seen as an objective that overlaps

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<sup>1</sup> See [http://www.iisd.org/pdf/2003/standards\\_definition.pdf](http://www.iisd.org/pdf/2003/standards_definition.pdf)

<sup>2</sup> In South Africa, this is associated with allegations that business was in part responsible for the injustices of apartheid.

significantly with the national SR agenda, but is also a political concept that exists in isolation from it. Indeed, many individuals and organizations are not aware of the SR agenda as an integrated approach at all, even where they are working on aspects of it. This reflects the tendency for the agenda to be divided into separate themes, e.g., “business and human rights,” “environmental management” or “community relations.” If an SR standard is developed, it will need to find a way to introduce the concept as a whole in an unthreatening and accessible way, taking account of existing practices that are not currently associated with SR.

The drivers for engagement with the SR agenda are similar in different locations (Box 1), although they differ according to issue and sector. In India, surveys suggest that most companies actively involved in SR are either large domestic or public sector companies, or multinational enterprises, a pattern reflected in Chile and South Africa. Many of the conventional drivers for SR—government regulation, brand equity, investors, consumer demand, supply chain requirements, workers’ organizations, civil society and media pressure—are far from uniform, and will inevitably apply to some organizations more than others. For example, the mining sector has been one of the major forces behind SR in both Chile and South Africa, and sectors such as petroleum, forestry and IT are also particularly active in Chile. Even within these sectors, some companies are clear leaders, demonstrating that the drivers for adoption of SR practices—or the response to them—are stronger for some organizations than others, even in the same location and sector.

In the developing country context, the high incidence of poverty, weak civil society and governance failures mean that there are often fewer conventional drivers for SR. The priority for most individuals, whether as customers or employees, is securing a livelihood, and demands for improvements in labour conditions or for socially-responsible products are often of secondary concern. Hence, surveys in India suggest that most companies do not see a direct relationship between adopting SR practices and financial success and, therefore, view the SR agenda as a low priority or even irrelevant. Any SR standardization process needs to consider how it can address this, particularly in relation to small enterprises<sup>3</sup> and companies that serve domestic, rather than international, markets.

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<sup>3</sup> See the accompanying paper in this series on SR and small and medium-sized enterprises for further discussion of this issue.

**Box 1: Drivers for engagement with the SR agenda**

Chile	India	South Africa
<ul style="list-style-type: none"><li>• tradition of philanthropic and charitable practices</li><li>• presence of transnational corporations</li><li>• requirements of international markets and international investors</li><li>• consumer demand (currently relatively insignificant, but there are signs that this is changing)</li></ul>	<ul style="list-style-type: none"><li>• tradition of philanthropic and charitable practices</li><li>• state regulation (particularly in relation to pollution and other environmental issues)</li><li>• cost savings (e.g., in relation to energy use)</li><li>• supply chain requirements (particularly where these become <i>de facto</i> entry requirements for export markets)</li><li>• desire to be seen as a responsible company (particularly for large companies or in sectors with high social or environmental impacts)</li></ul>	<ul style="list-style-type: none"><li>• tradition of philanthropic and charitable practices</li><li>• listing requirements on international stock exchanges</li><li>• corporate governance developments in the Johannesburg stock exchange</li><li>• national legislation (particularly in relation to occupational health and safety, environmental issues and black economic empowerment)</li><li>• culture and institutions dedicated to interest-based negotiation</li><li>• pursuit of long-term business viability (e.g., responses to HIV/AIDS in the workforce)</li><li>• Market expansion, through a “bottom of the pyramid” approach (e.g., extending access to financial services for the poor)</li></ul>

The national standards bodies of the three countries covered by this paper do not yet appear to have developed their own specific views on SR. Chile’s Instituto Nacional de Normalización (INN) argues for definitions and concepts of SR that are simple and easily understandable by all.

***Different conceptions of social responsibility***

It is appropriate that the SAG has not attempted to develop a narrow definition of SR. From an initial look at just three countries, it is clear that there are many different conceptions of SR (Box 2). Importantly, there is often little consensus even within each national context, and there may be explicit tensions between the different approaches. And there is by no means consensus that SR is a useful or desirable concept at all—some people argue that the only social responsibility of the enterprise is to create wealth and employment, with all other social objectives dealt with by the state or other mechanisms.

## Box 2: Multiple conceptions of SR in Chile, India and South Africa

Chile	India	South Africa
<i>Philanthropic SR, proactive with broad societal objectives</i>	<i>Business perspective, recognizing the importance of reputation capital for capturing and sustaining markets</i>	<i>Corporate social investment,<sup>4</sup> or philanthropic initiatives</i>
<i>“Instrumental” SR, proactive with the aim of making the organization more competitive and prosperous</i>	<i>Eco-social perspective, recognizing that social and environmental stability and sustainability are important prerequisites for the sustainability of the market in the long-run, thus emphasizing accountability to stakeholders</i>	<i>Broad understanding of CSR as the net impact of business operations on society, referred to as corporate citizenship or business and sustainable development</i>
<i>Receptive SR, reactive with the aim of satisfying the expectations society has on the firm</i>	<i>Rights-based perspective, that stresses accountability, transparency, and social and environmental investment</i>	<i>Black economic empowerment, a state-led drive to broaden the participation of black South Africans in the formal economy</i>

To a large degree, national SR agendas are the result of historical and cultural factors, and they continue to mature according to current economic and political priorities. For example, the SR agenda in India has its roots in philanthropy, but is now increasingly influenced by market liberalization and increased exposure to international competition. Likewise, in South Africa, it was common for businesses to make charitable donations and to seek patronage from traditional chiefs during the apartheid era. But in the run-up to and following the 1994 elections, the business community started to develop a more holistic SR strategy, and this was reinforced by a legislative drive. The agenda is now strongly shaped by the need to respond to the legacy of apartheid, which means that certain issues (among them affirmative action and skills development) are given priority.

In developing countries in particular, SR initiatives are often identified with long-term national development priorities, and defined by current capacity gaps. In

<sup>4</sup> This is distinct from the more widely used term “socially responsible investment,” which refers to that section of the investment community that seeks to provide finance to socially responsible companies or projects and/or avoid investments in sectors deemed “unethical” such as tobacco, arms, etc.

this context, it is usual for a national SR agenda to include a focus on solutions for social problems that in developed countries would be the clear responsibility of government. For example, in South Africa, there is a strong sense that SR should include targeted support for the state to enable it to fulfil its development planning role. More generally, large companies operating in remote parts of the world or where host country government capacity is lacking, often find that they are expected to provide public goods such as healthcare, education or infrastructure. Future SR standardization must allow for these different needs and expectations, as reflected in national or local SR agendas. Attempting to use an international standard on SR to define the boundaries between the responsibilities of government and the private sector at a generalized level would, therefore, be misguided.

But as Box 2 shows, even within a single national context, there are often very different and sometimes conflicting conceptions of SR. Inevitably, there are different conceptions of SR within the business community, according to the company's size, location, sector, brand visibility, legal constitution and corporate culture, and its distance from and contact with the contemporary SR debate.

Beyond the private sector, perceptions of SR differ even further. There is an emerging critique of SR practice from civil society organizations in many countries. For example, in Chile and South Africa, there is a widespread view (outside the private sector) that there is a large gap between the discourse and practice of SR, due to a response from enterprises that is often superficial and reactionary rather than strategic. Likewise, surveys in India indicate that senior managers commonly lead SR initiatives, without necessarily translating and internalizing them across their organizations. In the U.K., some NGOs and commentators appear to be on the verge of withdrawing from the SR debate, arguing that it is being used as a fig leaf while companies continue "business as usual."<sup>5</sup> Unless an SR standard leads to real social and environmental improvements within the organization's local context, many civil society stakeholders will reject it as ineffectual. ISO must, therefore, resist the temptation to develop SR standards or other deliverables that simply meet the needs of certain sections of the business community, without taking into account the interests and concerns of other stakeholders.

Indeed, the different conceptions of SR mean that it is essential to consider who should be involved in defining an organization's social responsibilities. An

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<sup>5</sup> See for example Christian Aid's report *Behind the Mask*, at <http://www.christian-aid.org.uk/indepth/0401csr/>



integral element of the SR agenda is the notion of responsibilities to a wide set of stakeholders, and hence engagement with those stakeholders. Even when two organizations are essentially carrying out the same activity (e.g., mining), if this is in different locations they are likely to face different sets of stakeholders, with quite different expectations and priorities. These may diverge from apparently “universal” norms derived from international Conventions or other widely recognized standards. An SR standard must strike a balance between rigid definitions and a stakeholder-led approach to defining social responsibility in particular contexts. At the very least, guidance on approaches to stakeholder engagement will be necessary.

### ***Key outstanding issues in the SR agenda***

Central to the different conceptions of SR are a number of unresolved issues, which any standardization process needs to take account of.

- **SR as philanthropy or core business**

In many countries, there are attempts to distance SR from philanthropy. In Chile, it is common for industry leaders to talk of switching from traditional, paternalistic and philanthropic activities to more “instrumental” SR, which focuses on tools to make companies more competitive. In South Africa, corporate social investment is criticized for its “add-on” nature, with little relation to companies’ core business. This was especially problematic during apartheid, when philanthropic activities co-existed with obvious human rights violations. But in India, there is a strong view that SR activities can include not only a direct responsibility for core activities and impacts (e.g., use of natural resources, pollution, social impacts of products), but also an engagement in social and/or community issues, including philanthropic activities. The latter is viewed as a means to improve the acceptability and image of the organization, and to make employees better managers by exposing them to the realities of society. In general, there is a need to allow space within the SR agenda for such non-core business activities as well as a more strategic approach. Otherwise, there is a danger that these activities are devalued and discouraged, despite the significant social and environmental benefits that they can bring.

- ***SR as voluntary or regulatory***

It is often assumed that SR relates to voluntary commitments that go beyond compliance with legal obligations, adopted in response to a variety of market-based drivers. For example, in Chile, the divide between

voluntary and obligatory SR is very clear and most, if not all, actors prefer it to be voluntary. This is sometimes contrasted with calls to strengthen “corporate accountability” through mandatory regulations. But this dividing line is unhelpful. Voluntary and regulatory approaches have too often been treated as exclusive to each other, rather than as options within a balanced approach to eradicating bad (socially irresponsible) behaviour while encouraging responsible activities. For example, in South Africa, although there is a common assumption that SR is primarily about voluntary initiatives, new laws in relation to black economic empowerment (BEE) and other social issues have been crucial in shaping the national SR agenda. In part, this is due to the gap between state policy and its implementation, which makes compliance a voluntary issue in some cases.<sup>6</sup> BEE entails a prominent role for the state in defining and enforcing SR among companies. In India, ISO 14001 is applied not only to meet buyers’ (voluntary) requirements, but also to demonstrate compliance with the Central Pollution Control Board’s (regulatory) standards. At the implementation level, it is of little matter to the organization whether the demands on it are regulatory or purely market-driven—in either case, it means integrating a host of social, environmental and economic issues into the management of the organization.

- ***Integration between social, environmental and economic aspects***

As the SAG has noted, most conceptions of SR refer to both social and environmental issues, in some cases integrating these also with economic aspects. However, there appears to be a greater emphasis on social issues within current SR discourse. In Chile, most firms involved in SR focus on their relationships with workers and communities. This may be due to a general observation that environmental responsibility has progressed further than social responsibility, particularly due to environmental legislation and regulation in the 1990s, and the requirements of international markets. The importance of environmental management systems such as ISO14001 for access to international markets is frequently noted in certain sectors, whereas this is not yet so pronounced for social standards such as SA8000. The situation is similar in both India and South Africa, although there are fears that the current emphasis within the SR agendas of both countries on social challenges may exacerbate an implementation gap in terms of environmental legislation.

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<sup>6</sup> This suggests that it would be worthwhile considering whether “compliance with local legislation” should form one element of any future standard.

There are clear differences of opinion concerning the value of integrating social, environmental and economic issues into a single standard. In Chile, for example, some commentators welcome this prospect, as it could help Chilean companies develop a more strategic approach to SR, supporting their participation in the global economy. But others, including the national standards office INN, are more cautious, warning of the potential hurdles that this may cause small firms and the danger of discouraging their existing SR practices. Clearly, any steps towards integration of standards must avoid a situation in which organizations are able to claim that they are socially responsible while only addressing part of the agenda.

- ***Harmonization of distinctive national SR agendas***

The SAG has suggested a list of Social Responsibility issues, noting that this is not exhaustive or in any order of priority.<sup>7</sup> None of the organizations contributing to this paper has noted significant problems with the inclusion of any of these issues with respect to their national SR contexts. However, it is clear that some are currently more relevant than others. For example, worker conditions, environmental aspects, community issues and social development are more firmly established in the Chilean SR discourse than human rights, bribery, corruption and anti-competitive practices. Furthermore, each national SR agenda is likely to have certain themes specific to it, such as the South African focus on black economic empowerment and affirmative action, and the Indian concern for disaster-affected communities.

Clearly, developing an SR standard will require a certain degree of definitional and perceptual clarification regarding each of these subject areas. But standardization should not stifle the development of distinctive national SR agendas, and it should allow for specific local and national priorities. One way to ensure this flexibility is to intentionally develop an international standard with the expectation that it will be refined before being adopted at the national level. The international standard would in effect be a consistent framework on which countries can develop their own, consistent and comparable, national standards. To do so, it would be necessary for each country to run its own, multi-stakeholder consultation process to adapt the international standard to its own specific domestic context before adoption. Given the overriding importance of context in the SR agenda, it is crucial that such a process is taken seriously, where necessary involving capacity building to ensure meaningful stakeholder engagement.

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<sup>7</sup> The list includes human rights; workplace and employee aspects (including occupational health and safety); unfair business practices including bribery, corruption and anti-competitive practices; organizational governance; environmental aspects; marketplace and consumer aspects; community aspects; and social development aspects.

### ***Conclusion: implications for the development of an SR standard***

Given the range of perceptions and sheer number of subject areas in the SR debate, it is understandable that many stakeholders are calling for the clarification of terms and concepts. And given the undoubted procedural and temporal constraints in developing an SR standard, some degree of prioritization will no doubt be necessary. But an SR standard will only be welcomed if it can deal both with global demands and local realities, and if it leads to real social and environmental improvements. Standards should maintain consistency across different categories of organizations and in different countries, but need to be flexible enough to take into account the interests and capacity of those different organizations, irrespective of their size, sector or location, as potential users, *demandeurs* and stakeholders. Any SR standardization process needs to consider how it can address the lack of interest among many organizations in the existing SR agenda, particularly in relation to small enterprises and companies that serve domestic, rather than international, markets.

Where possible, it should allow space for different national priorities and themes, and for their evolution over time. There should also be flexibility at the implementation level, given varying attitudes, norms and capacities regarding processes of stakeholder engagement, compliance with regulation, disclosure, transparency and other procedural issues. This will mean developing meaningful and well-resourced processes for defining the content of the standard at the national level, and finding a balance between top-down definitions and stakeholder-focused approaches.

The terminology of SR is important. Although the broad definition of SR suggested by the SAG appears suitable in most contexts, ISO should be aware of the risk that using this term will generate confusion and some resentment among those who are familiar with existing terms such as CSR. If an SR standard is developed, it will need to find a way to introduce the concept as a whole in an unthreatening and accessible way, taking account of existing practices that are not currently associated with SR. It should seek to accommodate different conceptions of SR, and address some of the problematic dividing lines in the contemporary debate.