

# The conceptual model of organization social responsibility

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## Abstract

With the developing of the research of CSR, people more and more deeply notice that the corporate should take responsibility. Whether other organizations besides corporates should not take responsibilities beyond their field? This paper puts forward the concept of organization social responsibility on the basis of the concept of corporate social responsibility and other theories. And the conceptual models are built based on the conception, introducing the OSR from three angles: the types of organizations, the types of responsibilities and the stakeholders. The models make the concept more specific and easy to understand, also will be the driver of the research of social responsibility.

Key words : Organization; Corporate; Social responsibility; Stakeholder; Conceptual model

## 1. Introduction

Early in the 20<sup>th</sup> century, due to the traditional economic theory, many corporation treat profit maximization as the only goal, and it caused serious social problems. Some far-sighted entrepreneurs and scholars put forward a new idea of corporate management ethic, corporate social responsibility, aimed at the series problems. After the theory being put forward, the whole academic circles have a lively discussion about the CSR, so do the whole society.

After more than half a century of development, the study of CSR is being constantly deepened. And the theory is aimed at requiring the corporate to protect the profit of other stakeholders while pursuing economic profit and achieving its own profit targets. It means the corporate should

avoid negative effect to the society, including avoiding damage to social members and the whole society, respecting others' interest, creating positive benefits for community members, improving and enhancing the overall level of development of human society, and promoting social progress. Essentially, CSR is more on the compliance and consideration of social regulations and social common values, and it emphasizes the responsibility for other stakeholders. For corporate, in addition to pursuing economic benefits and achieving profit target, but also should undertake corresponding social responsibility, both of them constitutes the dual goal of corporate.

But there are some non-profit organizations including non-governmental organizations and governmental organizations in addition to corporate in the social organizations. And the existence of them is not for the pursuit of profit, and we cannot deny that some activities of them will cause some social problems. Parsons and Barnard treat the organization as the social unit of interaction within the environment. So when we focus on the responsibility of corporate, we should not forget the responsibility for other organizations.

And now starting from the CSR, combining with other organizations, we put forward the concept of organization social responsibility. What the defects of CSR? What is the OSR? What the definition of OSR? Theoretical analysis and study of these issues will be able to effectively guide the social organizations to undertake responsibility effectively and also reduce the problems caused by their activities. Therefore, the in-depth analysis of OSR means a lot to both the development of organizations and the development of the whole society.

## 2. Literature review

### 2.1 The concept of corporate social responsibility

Since the concept of CSR is put forward, it's always being focused on, and also one of the focuses of academic debate.

#### 2.1.1 Foreign scholars' opinions of CSR

In 1905, John Davis put forward original views about CSR, and in his opinion that the corporate is created by society, is supposed to return. After then, 1924, American scholar Sheldon had further extended of the connotation of CSR in the book "Management Philosophy". And he advocated that the community service of corporate is beneficial to the increase of the interest of the community.

Joseph W. McGuire, 1963, thought that the aim of CSR means corporate not only have economic and legal obligations, but also have responsibility for society more than these obligations. Davis Keith and Blomstrom Robert L. said that CSR refers to the obligation of protecting and increasing a kind of social welfare while the corporate is seeking the benefit in 1975.

In 1991, Stephen P. Robbins proposed that CSR refers to the responsibility that the corporate undertake for a long-term benefit for the society more than legal and economic requirements. After then, Archie B. Carroll made a precise description on the basis of predecessors, "CSR is the responsibility that the society wants the corporate to undertake. Society not only requires the corporate to realize its economic mission, but also expects it to follow testimonies, value ethics and do public welfare. Therefore, CSR is economic responsibility, legal responsibility, ethical responsibility and discretionary responsibility.

### 2.1.2 Domestic scholars' opinions of CSR

The concept of CSR entered into China after the development in the west, in 1990, the first Chinese scholar who defined the CSR, Jiafang Yuan proposed that CSR means the obligation that the corporate undertake to maintain and increase the profit of society while pursuing the economic benefit.

Since the middle of 1990<sup>th</sup>, more and more scholars in China studied CSR. Honggui Li (1995) thought CSR is that corporate should take the responsibility actively during the procedure of produce, and try to make its behavior meet the social standard, also solve the social problem actively. Junhai Liu (1999), who was the first to brought CSR into the research of corporate management, thought CSR means that corporate could not only treat the profit of shareholders or make money as their only goal, but should increase other stakeholders' interest beside shareholders.

Zucheng Zhou (2005) proposed that CSR is a comprehensive responsibility that the corporate should undertake, and is an object with stakeholders, including economic responsibility, legal responsibility and moral responsibility. Also, Wenmei Guo and Youhuan Li (2007) thought as a responsible corporate should not only seek profit, but notice the interest of stakeholders, such as supplying safe product to consumers, building good relationships with cooperative partners and pay close attention to environment and public welfare. And all of those will meet the requirement of sustainable development. As some leaders confuse CSR with maintenance of corporate image, crisis management and public relations, Mingqi Xu (2008) pointed out that CSR is the responsibility which is recognized and expected by the public beyond the legal responsibility. Then Pei Cao (2012) proposed the CSR is the responsibility that the corporate undertakes during the daily operational activities to make sure long-term profit and development, and it should be responsible for the shareholders, creditors, employees, government and community.

Besides these scholars, some international organizations make their own definition of CSR. WBCSD (2001) proposed that CSR is the ethical behavior that corporate act to society, including shareholders and other stakeholders. In October 2006, the international organization for standardization (ISO) made the definition of CSR in <social work guide> (draft). CSR is the behavior that the corporate take responsibility for the effect of its business activities to the society and the environ-

ment, and such behavior is based on the ethics and complies with the interest of the society and the sustainable development, also complies with the relevant policy and law. And the series of behaviors should be integrated into the corporate in daily activities. Business for social responsibility, the authoritative organization in US that help member companies carry out the strategy of CSR, proposed that CSR is through respect ethical values and respect for people, community and the natural environment to achieve business success. Global reporting initiative (GRI) published <Guide to the Sustainable Development Report> in 2002, it required that it should be from economic, environmental and social aspects to review the performance of the corporate, and all the content and the evaluation index of all aspects are given. The European Parliament also argues that CSR means not only conforms to the law, but should actively improve the human capital, the environment and the interests of stakeholders.

## 2.2 The theory of corporate social responsibility

### 2.2.1 Shareholder priority theory

Led by Adam Smith, classical economists believed that: corporate is the profit institution that pursues the profit maximization, whose primary responsibility is to maximize shareholders' interest, and no other social responsibilities. Adolf A. Berle put forward in 1931: "corporate managers only can be the consignees of the shareholders. And their power shall be established in line with the principle that the shareholders are the only beneficiary. Also, the interest of the shareholders is always superior to the interest of other potential interested party.

The famous economist and the Nobel Prize winner Milton Friedman published "CSR Is To Increase Profits" and "Capitalism and Freedom" in the New York Times, putting forward: "The corporate is private property of shareholders, then the managers' most important responsibility is responsible for shareholders, and do not have to bear the social responsibility for the other."

### 2.2.2 Social contract theory

In 1937, Coase, the first person who puts the social contract theory into the modern corporate theory research put forward: "the existence of corporate is to save the transaction cost; the essential feature of corporate is to replace the price mechanism; the corporate is the replacement of a series of short-term contracts in the market; the trade of factors of production, exactly, is the authoritative long-term contractual relationship of labor and capital."

The master of corporate social contract theory, Donaldson (1982) argued that corporate offered a contract to the society: corporate should take responsibility for the society which provides conditions for its existence, while society should take responsibility for the development of the corporate. Chinese scholar Lin Jun (2004) proposed that the emergence and the development of CSR are due to the changing social contract relationship between the corporate and the society. CSR starts from the

whole society, considering the corporate behavior's influence on the society and the social expectations and requirements of corporate behavior.

### 2.2.3 Stakeholder theory

In 1963, Stanford Research Institute explicitly put forward the concept of stakeholders: the corporate is, in fact, the social tool that helps the government to achieve its public policy objectives, and the goal of corporate is to achieve the interests of all stakeholders, such as employees, community and government, rather than just the interests of shareholders. Then, Ansof put forward in 1965 that make ideal corporate goal should synthesize the conflicting residual claims of various stakeholders of corporate, and the stakeholders may include managers, workers, shareholders, suppliers and customers.

Friedman (1984) pointed out in his book "Strategic Management: Theory of Stakeholders" that: stakeholders are any individuals or group who can affect the achievement of corporate goals, or can be affected by the process of achieving goals." In 1992, Charkha divided stakeholders into contractual stakeholders and public stakeholders according to whether there is a transactional contract relationship between groups and corporate, the former include shareholders, employees, customers, distributors, suppliers and lenders, while the latter include consumers, regulators, government, pressure groups, media and community. Clarkson (1995) pointed out that those natural person or social group who have or claim ownership, rights or interests about the corporate and its past, present and future events are all belong to stakeholders.

### 2.2.4 Corporate citizenship

In the 1970s, Britain's "Civil Society" first put forward the concept of "corporate citizenship", it takes corporate as a public citizen who not only to create profits, but to take responsibility for the environment and the society. Corporate citizenship refers to a company's behavior that integrates social basic value with daily business practices, operations and policies. The elements of corporate citizenship include harm minimization, benefit maximization, concerned stakeholders and take responsibility for them three basic principles as well as understanding and strengthening corporate values, blends into the core of the corporate strategy to form system improved values.

In 2003, the standard of "corporate citizenship" got summary in the WEF (World Economic Forum) of CEO: first of all is good corporate governance and moral values; the second is take responsibility for person; and the third is the responsibility to the environment; the fourth is contribution to the society and economic welfare.

Mirvis (2006) divided corporate citizenship into five stages, these are: the primary stage is that the corporate organize production according to the law and the standards of the industry, rarely think of affairs beside shareholders; the second stage is the involvement stage that the corporate participate in more community and social affairs to get public trust; third stage is the innovation stage

that the corporate take responsibility for the stakeholders; then the combination stage is that corporate combines the social responsibility with economic responsibility and legal responsibility; at last, the transition stage, in which the corporate pay attention to the world poverty and disease, and a series problems, and become a philanthropist.

### 3. The conceptual model of organization social responsibility

To speak of CSR, we require the corporate to consider the interests of other stakeholders while they are finishing their own economic responsibility. Then, to organization, we also require them to consider other stakeholders', such as environment and community, interest while they finishing their own duty. And what is the exact concept of OSR? This paper builds the conceptual model from different angles.

#### 3.1 From the angle of the pattern of organization

Because of the complexity of the organization, combined with the different angles of thinking, there are a lot of differences for the classification of organization. From the perspective of government, organization can be divided into government organization and non-governmental organization. From the angle of market standard, the organization can be divided into profit organization and non-profit organization. From the social function points, the organization, generally, can be divided into four parts, namely political organization, economic organization, integrated organization and culture maintained organization. In order to establishing the conceptual model, this paper classifies organization in nature, divide into political organization, economic organization, integrated organization and culture maintained organization.

Different organization has its own inevitable responsibility.

Government organization is the organization that ensure to achieve the goal of the whole society and to excise the distribution and use of the power. Their basic function is organizing and managing social public affairs and providing services to the nation, such as government agencies, political parties, etc.

Economic organizations, just as its name implies, are social organizations that provide the economic function and through a series of social activities to achieve profit.

Integrated organization is the kind of organization that is used to adjust the internal relationship of the whole society, deal with social conflicts and solve problems, make every part of the society coordinate with each other to maintain society order, such as judicial organ and supervisory organ.

Culture maintained organizations are organizations that through education and cultural activi-

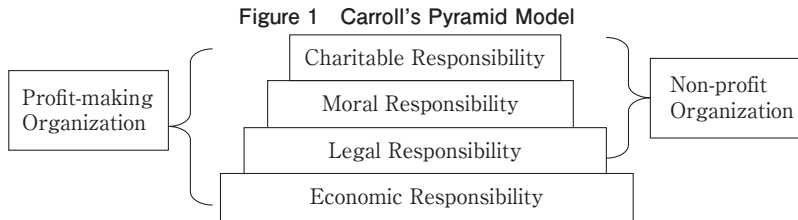
ties to maintain the sustainability of society and culture, like schools and churches.

We can notice with these instructions that organizations have their own unique functions and should bear their own responsibility. But beyond that, do not organizations need to undertake other responsibilities? In 1991, Carroll proposed the pyramid model of CSR, from the bottom to top are economic responsibility, legal responsibility, ethical responsibility and charitable responsibility. The so-called organization social responsibility, that is, to the organizations with different functions, they are should take these four responsibilities while they finish their own.

**Table 1 The responsibility of different types of organizations**

Social responsibility Type of organizations	Economic Responsibility	Legal Responsibility	Moral Responsibility	Charitable Responsibility
Government organization		Yes	Yes	Yes
Economic organization	Yes	Yes	Yes	Yes
Integrated organization		Yes	Yes	Yes
Culture maintained organization		Yes	Yes	Yes

Synthesize each kind of situation, we can summarize that profit-making organization should undertake four kinds of responsibility including economic responsibility, while non-profit organization should undertake legal responsibility, moral responsibility and charitable responsibility.



### 3.2 From the angle of the pattern of responsibility

If we consider from the pattern of responsibility that the organization should undertake, we can divide the OSR into duty responsibility, mandatory responsibility, half-mandatory responsibility and voluntary responsibility. Then the responsibility that organization should undertake all can be included, there are also differences between this model and the pyramid model.

**Duty responsibility:** the responsibility that the organizations undertake to achieve the goal that why the organizations exist.

**Mandatory responsibility:** the responsibility that the government and the state set to make the organizations must undertake.

**Half-mandatory responsibility:** part of the moral responsibility.

Figure 2 The comparison of different classification of responsibility

Economic Responsibility	Legal Responsibility	Moral Responsibility	Charitable Responsibility
Duty Responsibility	Mandatory Responsibility	Half-mandatory Responsibility	Voluntary Responsibility

Voluntary responsibility: the responsibility has nothing to do with the organization, and organization will not receive the legal sanction and moral condemnation if it doesn't undertake it.

From this angle, OSR refers that organization should undertake the responsibilities including those in the Pyramid Model.

### 3.3 From the angle of stakeholders

All kinds of organizations have their own stakeholders, we paraphrase Friedman's words: stakeholders are any individuals or group who can affect the achievement of organization goals, or can be affected by the process of achieving goals. For all the stakeholders, the organization should do something to protect their interests.

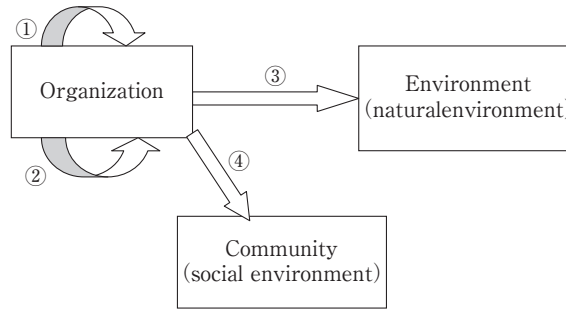
- ①the responsibility for the organization itself: including the employees and other direct stakeholders.
- ②the responsibility for other organization: the organizations which have connections with the studied one.
- ③the responsibility for the environment: natural environment.
- ④the responsibility for the community: indirect stakeholders in the social environment, including the individuals and organizations.

Among those stakeholders, the former two are the main stakeholders, and they are directly related to the implement of the organization goals; and the last two are the secondary stakeholders, which are associated with the organization goals, but have no direct influence.

The same as CSR, OSR means that the organizations should take responsibility of their own duty and also should protect other stakeholders' interest. And to the stakeholders, organization has indirect stakeholders beyond the internal stakeholders, such as environment and community etc.



Figure 3 The conceptual model from the angle of the stakeholders



#### 4. Conclusion

The concept of OSR is based on the concept of the CSR, it is a complement to the CSR. This paper shows the relevant theoretical framework and the existing literature, summarizes the related conceptual model, which illustrated from the content of the responsibility and from the perspective of stakeholders.

Theoretically, putting forward the concept of OSR plays a supplementary role in the development of CSR, and promotes the development of this academic field.

In practice, the definition of OSR and the description of the content are able to effectively guide the organization to undertake the social responsibility, to know what and how to take these responsibilities. And this helps solve many social problems, in the meantime helps to reduce social problems caused by the activities of the organizations. More than that, documented concept of OSR helps people more effectively realize that the organization should undertake the social responsibility, and then help people supervise and urge the organizations' activities.

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