Corporate Citizenship

If society were to fail, how would businesses be able to operate? Imagine a market where the cost to produce rose sharply because of a lack of emphasis on sustainability, there was a smaller pool of educated and qualified employees because of poor advancements in education and training, and a reduced consumer base to purchase the products that businesses make due to decreased buying power. These are but a few of the many pitfalls that await business as a whole if society were to fail.

Many companies now utilize corporate citizenship, otherwise known as corporate responsibility, CSR, etc., as a way to support society\(^1\). Although corporate citizenship does not have one singular definition at this point in its development, ethics are a highly important factor at the core of the concept. Companies have a moral duty to be responsible in all facets of their operations. Not only must corporations comply with the law or spirit of the law, but they are expected to contribute to society. In return, firms receive a myriad of societal benefits ranging from market infrastructure to property rights. A corporation’s most sizeable impact though comes from its day to day operations and interactions in the supply chain to the customers and consumers; therefore, minimizing a firm’s negative footprint on society and maximizing economic wealth and social welfare are key components of corporate citizenship\(^2\).

Corporate citizenship matters because of the unique position businesses are in to effect positive social change. Many have viewed the ineffectiveness of the government’s response to Hurricane Katrina as a sign that the government does not currently have the ability to solve all of the nation’s problems. Comparatively, businesses contributed money and utilized its expertise in a variety of areas like logistics in order to provide the largest
business community relief effort in U.S. history. The government has fewer resources to apply to social programs because of growing entitlements and debt interest payments that are taking up more of the fiscal budget. As a result, market-based activity is expected to be the driving factor for social change.

Implementing corporate citizenship into a company’s business model is not only ethical, but there are far more tangible advantages to the firm itself. Six to ten percent of a company’s total market value consists of its reputation. Being socially responsible can positively affect a firm’s reputation, but doing nothing or not enough can cause substantial reputational harm to a company. Additionally, findings have concluded that employers will have greater success in attracting and retaining employees because employees want to work for a company that is socially responsible. Other benefits for employees include a higher commitment to their work, they connect with the company on a deeper level, and experience more of a sense of meaning with their job. The advantages for firms that adopt corporate citizenship principles are not solely limited to reputation and employees, but the business case for operating as a socially responsible company helps to generate revenue, enhance asset value, and reduce costs.

Although small and medium sized firms do not have the resources to contribute at the same level as Fortune 500 companies, they still have the ability to make an impact on society. The actions of smaller companies have the potential to produce social change because of the aggregate of their efforts across the country. With this in mind, companies have shown over the last century that they are in the best position to bring about social change and innovation in order to have a positive impact, while still remaining profitable.

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2 Googins et al., 19.

3 Googins et al., 68.

4 Googins et al., 223.

5 Googins et al., 12.

6 Googins et al., 148.

7 Googins et al., 149.

8 Googins et al., 33.

9 Googins et al., 227.