

Staying Ethical with the Pyramid of Corporate Social Responsibility



The idea of corporate social responsibility (CSR) was first introduced in the 1950s. However, it wasn't until the early 1990s that CSR became universally accepted and approved. Most of what is considered to be modern CSR is rooted in a concept known as the Pyramid of Corporate Social Responsibility.

What is the Pyramid of Corporate Social Responsibility?

In his 1991 article *The Pyramid of Corporate Social Responsibility*, Dr. Archie B. Carroll, a business management author and professor at the University of Georgia, outlined the four areas he believed were essential in a company's corporate social responsibility. These elements were organized in order of importance and presented visually in what is now known as the Pyramid of Corporate Social Responsibility.

The pyramid is a simple framework which helps organizations argue how and why they could and should meet their social responsibilities. It attempts to balance the self-interests of businesses (profit) with its wider, more virtuous goal of being socially responsible.

Elements of the Pyramid of Corporate Social Responsibility

While there have been several variations and reproductions of the pyramidal model, the main elements remain the same. Carroll highlights four main responsibilities of an organization's CSR program: Economic, Legal, Ethical, and Philanthropic.

- **Economic:** The first and most vital level of the pyramid is a company's economic responsibilities. As a fundamental condition for its existence, a company must be profitable. If this requirement is not met, the business cannot survive, and as a result, the company will not be able to move on to the other levels of the pyramid.
- **Legal:** After satisfying its economic responsibilities, companies must ensure that their business operations are within the confines of the law. At this level, organizations must fulfill their legal requirements. Like the economic requirements, if legal requirements are not met the company's survival may be at stake, preventing them from moving on to other levels of the pyramid. These legal requirements include, but are not limited to, employment, competition, and health and safety laws.
- **Ethical:** The next level of the pyramid is the company's ethical responsibilities. In this stage, the company goes beyond legal requirements by acting morally and ethically. In other words, the company makes a conscious decision to "do the right thing." For example, in an attempt to reduce waste, some coffee shops have started offering discounts to customers who bring their own reusable cups.
- **Philanthropic:** Once the economic, legal, and ethical foundations of the pyramid have been built, the company can move on to the final level of the pyramid — philanthropic responsibilities. At this level, the company goes beyond its ethical responsibilities by actively giving back and making a positive impact on society. For example, financial giant Wells Fargo donates 1.5% of their revenue to various housing, disaster relief, and military-focused charities.

After almost three decades since its introduction, the Pyramid of Corporate Social Responsibility remains highly relevant. It continues to be cited, debated, modified, and criticized by academics, professionals, and politicians. The pyramid's importance and longevity are attributed mainly to its simplistic yet fundamental framework which can be adopted by almost any company.