



## CORPORATE SOCIAL RESPONSIBILITY: HOW DO CORPORATES BENEFIT? A CRITICAL REVIEW

Noor Basha Abdul\* Maige MwakasegeMwasimba\*\*

\*Professor, Principal, College of Arts, Commerce and Law, AcharyaNagarjuna University.

\*\*Research Scholar, AcharyaNagarjuna University.

### **Abstract**

*The linkages, relationship and interface between business and society are from their inception. The business if formed by the society and the society depends on the business; therefore, there is mutual matchlessness on the two. The survival and effectiveness of any corporate entity depend on the quality and commitment it gets from stakeholders (here-in-after society). Business needs a stable environment that provides a certainly climate for investments and trade. Corporate charter wisely leaves to stockholders and to the boards of directors the authority to enter any line of business and build any kind of organization they choose. The key to better corporate is more independence, competence, power and compensation for the members of the board of directors. This will ensure more of the benefits of the corporate social responsibility.*

**Keywords:** *Corporate Social Responsibility, Benefit.*

### **Introduction**

The Corporate Social Responsibility (CSR) is also known as Corporate Responsibility, Corporate Citizenship, Responsible Business and Corporate Social Opportunity. All the names denote the relationship between business firms to its stakeholders. It's a concept whereby business organizations consider the interest of society by taking responsibilities for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders as well as their environment (Ismail, 2009).

CSR is tendency where the organizations have to comply with the legislation and by their own initiatives they've to improve the standard of living of their employees and their families without forgetting their local community and society at large. It's a company strategy, which are basically adhering their business in ways that consider ethical issues, society safety and friendliness, and environmental conservation. CSR also looks on working in partnership with local communities, social sensitive investment, developing relationships with employees, customers and their families, and involving in activities for environmental conservation and sustainability (Ismail, 2009).

Major idea behind CSR is shared values. It's seen that the major role of business community is to create value for its shareholders but in such a way it also create value to society, promoting a win-win situation.

### **Motives Behind CSR**

Steiner, (1975) once asserted that, today's business community is far more concerned with social responsibility than ever before in history; yet it is attacked because it is not doing enough. An organization receives inputs from society in the form of skilled/unskilled labor, raw materials and natural resources, and, in turn, offers goods and services to the society (Agarwal, 2011). The business corporations depend on societies for their existence and it's in their interest to take care of the societies around. The provision of employments by industries and hence facilitation of socio-economic wellbeing, it also displaces people and therefore, the industries are to make sure that the infrastructures are well made and maintained. Civil societies and individuals are questioning corporations' fundamental motivations for CSR, affirming that corporate programs to fund social and environmental programs are nothing more than public relations campaigns to boost their brand reputations, often disproportionately to the effort itself (Rangan et al, 2009). This is caused primarily by the basic distrust of a corporation's lawful intentions to do anything more than increase its profits. It's criticized that, organizations are not deemed to do CSR as the main aim of any business is to create financial returns to its shareholders and the company investment. The issue here is the ability of the company to create enough for its shareholders and the society to which the society does not simultaneously create profit for a company is deemed to be a waste of corporate resources (Karnani, 2011). This causes chaos on sphere of responsibility between the working of the would-be partners like government, civil society and the business corporation. According to this argument, if each sector did what it is supposed to do, a prosperous and just society would flourish with optimal allocation of resources (Windsor, 2006). Further worsening the attacks from the beneficiaries, is the absolute lack of pre-known measures to evaluate the efficacy of CSR programs. If an organization is driven and evaluated by its financial returns and total investments, if not agreed at the beginning on the social and environmental returns of money spent on CSR, will utterly cause corporate ethos.

Rangan et al, (2012) assert the fact remains that, despite its critics, a rapidly growing number of companies in the world practice some form of CSR.

In a 2008 Economist online survey of 1,192 global executives, an estimated 55 percent reported that their companies gave high priority to corporate responsibility (ibid) and that the number was projected to increase to 70 percent by 2010 (The



Economist, 2007), demonstrating that a rapidly increasing number of companies across the globe are committed to CSR practice, and many more are increasingly entering the fray. One of the great challenges ahead of companies to practice CSR is either not having strategic approach or a Yet many of them do not have either a strategic approach or being arrogant to a “shared value” conception of CSR. Corporates are mostly practice an ad-hoc style of CSR that has usually evolved through a variety of paths for an untold of reasons.

Its certain that, a company can be well felt by people basically basing on their perceptions on the organization’s CSR. This means that almost half of the firm’s reputation is based on the public feelings about what the business is doing to support the society. If companies have good reputation as they embrace their CSR initiatives, the companies will enjoy stronger stakeholders supports. For business that have excellent CSR have more customers who will buy their products, commend the company, say positive word of mount (WOM or e-WOM), work with it and more likely to invest in the firm. If the firm’s administration knows this, will automatically switch to well-established CSR program as an essential tool for the businesses that want to improve their public image.

Corporate leaders have unique critical driver of CSR practices. Corporations are of different types and work in different dimensions, yet they’re governed and lead by people and secured in the societies in which they conduct their businesses. Corporate social responsibility schemes reflect the human side of corporations, and their leaders’ personal commitments to contribute to the community and society of which they are a part (Goodpaster and Mathews, 1982). Different aims are there for responsible business, some corporate leaders feel obliged to serve their community or society in the course of their business practice, while others sponsor CSR programs to express and support their employees’ community values. Yet, corporate leaders are well aware of the prerequisite to gain generosity and society’s permission to operate within the communities where they conduct their business. Civil society organizations (CSOs) and nongovernmental institutions can often be a compelling force pushing corporations to attend to the social and environmental impacts of their business operations (Smith et al, 2011). Most of the organizations are doing their CSR reactively in response to community concerns, and this is caused by lack of planning of the corporate on the CSR programs in their organizations. Nevertheless, once CSR are launched, often there is a citizenry of supporters within a company that will demand its continuation.

Private companies, large and small, they all have much greater freedom in deciding how much to spend on CSR than the public companies are. During the growth period of a company, many of them may need a more disciplined approach to its activities, either through the creation of a formal foundation to oversee the company’s charitable contributions or the creation of a “community affairs” liaison within the company to direct its activities (Rangan et al, 2009).

In CSR there are also some diverse motives whereby the corporate initiatives falling to do the CSR have a bigger scope which includes and not limited to funding of community activities, grants for nonprofits/NGOs, environmental sustainability programs to reduce energy and resource use, and comprehensive efforts to remake a business’s entire value chain. CSR is characteristically natural, as companies both respond to societal expectations and define CSR in terms of their own organizational and social motives for generous giving and civic engagement. Raggio, 2010 narrates that many initiatives originate in the field or from the staff in a bottom up approach, while some are top-down initiatives from executive management. Some programs may have compelling business logic, but they may have little or no connection to the corporation’s business strategy or core competencies (Smith, 2003). Chief Executives are supposed to play great role stop the disparate range of activities to align CSR. Chief Executives are obliged to bring coherence to their CSR programs and must solicit the measurements and reporting on the social and environmental value of their doings in an authentic manner. After all, much of Milton Friedman’s oft-cited critique of “socially responsible corporations” is founded on the daunting challenge for corporate executives of deciding where and how to spend corporate profits in a way that can contribute to social or environmental value (Friedman, 1970 as cited by Rangan et al, 2009). This actually is not removal of CSR, but a clear call for more robust and strategically designed CSR initiatives that have real meaning. Rangan et al 2009, insist that inconsistencies in CSR practice and the absence of standards for measuring and reporting on CSR should neither be a reason for corporations’ benign tolerance of CSR programs, nor a reason to abandon them. Instead they should be catalysts to companies to considerably improve strategic CSR practice.

More and more, managers, especially in large companies, are becoming aware of the fact that the success of their enterprises depends upon the way in which they adjust to their environment. The attention is therefore shifting dramatically from methods of improving the internal allocation of resources to developing strategies that will best adapt their companies to changes in society. And the subject of interrelationships between business and society has moved from very low place on managerial priority lists to the highest position for many top management

#### **How do Corporates Benefit?**

All of the economic consideration in the world constitutes the main driving forces and hence there is growing resistance against the conventional view and that business is chiefly a means for only improving the economic condition of an

individual or a group. According to Agarwal, (2011), The KPMG International Survey of Corporate Responsibility Reporting, 2005 (www.kpmg.co), identified the following drivers of corporate responsibility in the order of their importance:

- Economic considerations
- Ethical considerations
- Innovation and learning
- Employees motivation
- Risk management or risk reduction
- Access to capital or increased shareholder value
- Reputation or brand
- Improvement in market position (market share)
- Strengthening supplier relationship
- Cost saving
- Improved relationship with governmental authorities
- Other factors

There are benefits that are associated with the CSR in the world of corporations. The intensity differs basing on situations and applications. Some of the benefits are demonstrated in direct link with business benefits while some are only be felt. The following are some of the benefits:

i. CSR Improves Financial Performance and Reduce Operating Costs

With all the fact that CSR uses financial and other organizational resources, it has a significant and far-reaching impact on financial performance, which results on increasing revenues and reduce operating costs. Performing CSR involves institutions and individuals who are sensitive to and careful on whatever they're doing and that they affect their community direct or indirect. If well planned and practiced, CSR in organization brings the sense of responsibility, which at the end becomes a habit among the employees and organization. Cost reduction is dwelt on proper use of materials and creation of awareness on how to save tome and conservation of environment. Adoption of sensitive attitude towards the community forces businesses to strive for environmental improvements, for adopting eco-friendly measures using less energy and materials, for re-organizing production process, material flows and supplier relationships. Berman et al. (1999) argue that managing community relations may also result in cost and risk reduction. This is through the attainment of tax advantages and decreasing amount of regulations imposed on the firm because the firm is perceived as a sanctioned member of the society (Carroll &Shabana, 2010). In additional companies reduce costs by more efficient staff hire and retention, implementing energy savings programs, managing potential risks and liabilities more effectively and less investment in traditional advertising (Mushi, 2015).

ii. CSR Enhances Brand Image and Reputation

Several pols have been conducted in organizations about the impact of CSR on increasing brand equity of a company. According to Agarwal, (2011) reports that the online poll conducted by The Economic Times on 5-6 January 2007, 75% of respondents opined that CSR activities increase the brand equity of the company. Any advertisements with social messages have confirmed to have larger and deeper appeals than general advertisement. Good brand image leads customers to loyalty and this cannot be made overnight. The consumers, the industries and governments have found themselves on one platform through the issue of environmental protection to which each stakeholder has to play diligently his own role. Studies on consumer behavior have confirmed that there is growth on market for environmental-friendly product than others.

iii. CSR Increases Customer Loyalty and Sales

Consumers are always comfortable with good and safe products, and need to know that their product are produced socially and environmentally friendly way. Sometimes customers are even ready to pay more for products produced in socially responsible manner. Consumers are usually loyal to products and change brands infrequently. The accrual of business benefits of CSR in terms of increased sales and customers loyalty has given birth to a new concept called "cause branding" or "cause-related marketing" (Agarwal, 2011).

iv. CSR Increases the Ability to Attract and Retain Employees

The average employees feel pride in being associated with good corporate citizens to which CSR helps in talent management. Always the employees feel secured to work with society responsible employers. This gives confidence to the employee that the employers are there whenever the crises occur.

CSR creates a dedicated workforce with high level of self-accomplishment people who take pride in themselves and their company (Agarwal, 2011). CSR always encourages a spirit of volunteerism amongst colleagues and boosts morale, builds self-worth, and fosters team spirits.

For youngsters to be attracted to an organization, one should consider value of corporate house and its social environmental behavior. While working, their earnings go up after certain number of years, their families enjoy

secured some financial security through multiplier effects, and increase number of professionals who are committed to do substantial things

- v. **CSR Leads to Reduced Regulatory/Activists Oversight**  
Business caring for their community responsibility get more cooperation and less queries from regulators, be it the administration or taxation officials or social and environment activists. If the corporate shows greater commitment towards CSR, the government with its bodies becomes more lenient towards the company. The corporate gets some preferential treat when in need of a permit or license to undertake any project.
- vi. **CSR Reduces Risks Thereby Facilitating Easier Finance or Access to Capital**  
To get this advantage, an organization needed to show an environmental and social responsible. This make it to be seen as being less risky than those that do not, and this translates into cost prevention, lower insurance premiums, reduced interest rates, reduced legal and regulatory costs, greater investors appeals and others.
- vii. **Jacoby, (1973) in his book titled Corporate Power and Social Responsibility says that; if ownership is broadly based among people, a fuller popular understanding and support of the enterprise system is likely to prevail than if the ownership is base remain narrow. This means the management of company must be dispersed to various people to create the capacity and wide sphere of business and reap society around. Jacoby continues to narrate that a defuse ownership can also ass equity in the distribution of income, as well as to efficiency in corporate operations.**
- viii. **The role of media in highlighting good cases of successful CSR initiatives is welcomed as it spreads good stories and sensitizes the local population about various ongoing CSR initiatives of companies. This apparent influence of gaining visibility and branding exercise often leads many nongovernmental organizations to involve themselves in event-based programs; in the process, they often miss out on meaningful grassroots interventions.**

Gupta, (2010), advices that, the success of CSR initiatives, in future, will largely depend upon the relationship between the corporate system and the social and political system.

### **CSR Challenges**

Civil Society advocates question corporation's fundamental motivation for CSR, asserting that corporates programs to fund social and environmental programs are nothing more than public relations campaign to boost their brands reputations, often disproportionately to the effort itself (Rangan et al, 2012). Many of the stakeholders believe that CSR done by corporate is nothing but branding themselves to increase their profits. The policy behind the CSR is primarily based on creating financial returns for its shareholders and large economy.

There seems little doubt but that people are dissatisfied with all major institutions, including business, because they are frustrated in resolving today's big social problems. There are several problems that could be solved by business organizations through CSR like, pockets of deep and abject poverty; malnutrition among poor; racial strife; unemployment among minority groups, wide spread water, air and noise pollution; traffic congestion; general social unrest; and a shortage of energy, just to mention a few.

Another challenge is on how to assure that society is self-renewing, innovative, and capable of exerting the required consensus in achieving its objectives and solving its major problems. Business societies must engage themselves in identifying and giving solutions to societies around for betterment of the relationship among the groups. Criticisms on business activities like product safety, product labeling, advertising honesty, and pollution and worker safety have been raised by societies toward individual business corporation.

Local agencies are lacking consensus regarding CSR projects. This results in duplication of activities by corporate houses in areas of their intervention and implementation. There would be collaborative approach on issues rather than competing between them during implementation of the projects. This factor limits company's abilities to undertake impact assessment of their initiatives from time to time.

General communities in most cases are lacking interest in participating and contributing to CSR activities of companies. This is largely attributable to the fact that there exists little or no knowledge about CSR within the local communities as no serious efforts have been made to spread awareness about CSR and instill confidence in the local communities about such initiatives. The situation is further aggravated by a lack of communication between the company and the community at the grassroots. In rural area there is non-availability of well-organized nongovernmental organizations in remote that can assess and identify real needs of the community and work along with companies to ensure successful implementation of CSR activities. This also builds the case for investing in local communities by way of building their capacities to undertake development projects at local levels.



There are no clear-cut statutory guidelines or policy directives to give a definitive direction to CSR initiatives of companies. It is found that the scale of CSR initiatives of companies should depend upon their business size and profile. In other words, the bigger the company, the bigger is its CSR program.

### Conclusion

Corporate Social Responsibility (CSR) is the initial and consistent path to which connection between the corporate organization and the society is connected. The projects and services offered by the corporate are to be the ways which benefits both parties viz., corporate and people hence the value the organization gets from community are well spent and some are returned back. The corporate business must have well defined policy and guideline to service the CSR, yet the community must have clear understanding of the projects.

Of current, there is growing appreciation among leadership companies in world that their board's role is steering a middle course that while protecting and enhancing shareholder's wealth would also ensure that the real stakeholder's aspirations are factored in. It is also evident that corporations in pursuit of their profits can ill afford to ignore their impact on the two dimensions of their interface with the environment and the society in which they operate.

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