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Social and Environmental Responsibility of Organisations Towards Community Development

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INTRODUCTION

An organization exists in the context of a complex commercial, economic, political, technological, cultural and social world. According to Johnson and Scholes (1993), changes in the environment have made organizations realize the importance and awareness to focus upon the complexities that encompass their activities. Based on this realization, the understanding of the effects of environment is of central importance to strategic analysis. The historical and environmental effects on business as argued by Johnson and Scholes (1993) must be considered as well as the present effects and the expected changes in environmental variables. Many of these variables will give rise to opportunities of some sort, and many will exert threats upon the firm. Apart from recognizing the resources that are available and fully using these resources in carrying out its activities, the organization also needs to consider the expectations of different stakeholders as decisions that are made need to be acceptable in terms of the strategies advanced by management. The question that arises here is how would they plan and develop the most effective and appropriate strategy?

Therefore, an area that has received an increased focus of attention is social responsibility or the 'Corporate Social Performance' (CSP) of an organization (Caroll, 1979; Wartick and Cochran, 1985; Wood, 1991). Business success cannot be defined solely in terms of earnings, growth and the balance sheet. A truly successful company should be defines solely in terms of all those on whom it depends; investors, employees, customers, trading partners and the countries and communities in which it does business. Hence, companies should attempt to measure and evaluate the social impacts of their activities which include what is termed as the 'corporate social performance' by some authors. This paper is an attempt to discuss among others, how companies should measure and evaluate the social impacts of their activities and what steps to be taken subsequently. In addressing these issues, we would refer to a company which we are familiar with, that is the Kedah State Development Corporation (KSDC).

Several researches have suggested that a talented, quality workforce will become a more important source of competitive advantage for firms in the future. Drawing on the social identity theory and signaling theory, firms can use their **corporate social performance** (CSP) activities to attract job applicants. The signaling theory explains that a firm's CSP sends signal to prospective job applicants about what it would be like to work for a firm. Social identity theory suggests that job applicants have higher self-images when working for socially responsive firms over their less responsive counterparts (Greening & Turban, 2000).

Many firms now realize the importance of attracting and retaining highly skilled, quality employees as a necessary component of their competitive advantage (Pfeifer, 1994; Teece, 1998; Turban & Greening, 1997). The increased importance of employees to competitive advantage in the Strategic Management field has been accompanied by an emphasis in the Business and Society field on the importance of an increasing number of both internal and external stakeholders to a firm's success. Some visionary firms have promoted their **corporate social performance** (CSP) as a way to attract a large number of quality employees. For example, firms such as IBM, General Motors and Microsoft are putting information in their recruitment brochures touting their responsiveness to the community, natural work environments, their diverse workforce, and the quality of their products and services to attract a larger number of prospective job applicants.

Companies are one of the dominant social institutions of our time. The revenue of some already exceeds the Gross Domestic Product of many nations. The exercise of these enormous economic powers can inevitably exert a profound influence on the quality of life in societies all over the world. This power for social good or ill is accompanied by responsibilities and therefore provides an opportunity for companies to ensure continued success by accepting and discharging these responsibilities. Businesses can make major contributions to societies over and above the satisfaction of customers and shareholders needs. It is in companies' interest to do so, because such contributions improve the quality of the economic, social and physical environments in which they trade.

Besides existing to achieve its main objective that is profit, it is also essential for a firm to make efforts to associate itself to societal well-being and being environmentally friendly. Some of the activities of a company are explained in table 1.0 below.

Table 4.1: The activities of a company

Activity	Definition
Charity	Gifts of cash and other forms of support in response to appeals to the company by community organizations or by its shareholders and employees, who with company support, help good causes of their own choosing.
Social Investment	A policy of sustained involvement in resolving a few social issues carefully chosen by the company in order to protect its long term corporate interests and enhance its reputation.
Commercial Initiatives	Activities in support of the commercial success of the business, directly promoting its brand in partnership with charities and other organizations.
The Business Basics	The core activities of the company in providing the goods and services society needs and wants, in an ethical, cost efficient manner with due regard to the interests of all stakeholders.

Source: Grand Metropolitan, Report on Corporate Citizenship, 1997.

Therefore, in general, the social activities of KSDC can be represented as follows:

Philanthropy

Corporate philanthropy is at the tip of the pyramid. It is the most visible social activity, because the company is linked directly to the main political players of the state. The Kedah state Chief Minister, as incorporated in the Act, is automatically the Chairman of the KSDC. Gifts of cash and other forms of support in response to appeals to the company are the prerogative of the Board of Directors who may through their collective choices help toward a good cause. KSDC's charitable activities are mainly done through various charitable foundations, usually in response to requests from the Chairman.

Strategic Social Investment

KSDC is committed to a number of carefully selected social investment initiatives. These are mainly in the areas of education and enterprise to address social problems such as unemployment, exclusion and homelessness. A policy of sustained involvement in resolving a few social issues are carefully chosen by the company in order to protect its long term corporate interest and enhance its reputation. One priority programme implemented by KSDC is the poverty alleviation programme for its community. The Poverty Eradication Programme focuses on the three key needs, i.e.:

- (b) Employment: to enable poor households to obtain a basic income, necessary for improving their lives, ; and
- (c) Education and training: to help the poor get knowledge and skills that will equip them for the labour market, and change their outlook to make them more self-reliant.

As the company realizes that employment is the key to overcoming poverty, therefore training holds the key to employment. Training for the poor focuses on skills which can be applied to generate income. Teachers, generally the most educated people in a village, have a special role in fighting poverty. This role is not merely limited to education, but includes also shaping attitudes that are more conducive to develop children and adults. Special training and incentives may be required to use this potential. Therefore, some specific actions were taken to make the hard core programme more effective. Some of them included:

- Inter-agency programme coordination and selective evaluation
- Attitudinal change through community action, change agents and teachers
- Education and training for the rural poor
- Establishment of the Poverty Eradication Foundation and the involvement of the private sector
- Programme development to suit the needs of the target 'household' and communities.

Indirect programmes and projects were also included in the plan. These were likely to have a major impact in terms of poverty eradication. Some of these programmes and projects included idle land development, fruit development, the one-village one product movement, the diversification of marginal uneconomic land, livestock development and aquaculture for agricultural activities; as well as industrialization programs and projects such as the development of SMIs and Human Resource Development activities such as training, counseling and coaching services to improve the educational performance of the rural population.

Commercial Initiatives

The company has also been involved with activities in support of the commercial success of the business, by being directly involved in partnership with charities and other organizations. KSDC has undertaken socially-oriented commercial initiatives. A few major economic initiatives, which will create many business opportunities for subcontractors, suppliers and 'downstream' activities, are being undertaken by the company has initiated programs to prepare suitable Bumiputra business people. The programs include

- the establishment of Perwaja Steel in Gurun, which makes it possible to create a whole range of ‘downstream’ activities by transforming Perwaja Steel’s product into different parts for the construction and engineering industries.
- the growing tourism industry, especially in Langkawi, creates an increasing demand for a variety of goods and services. Business opportunities exist in supplying tourist accommodation, transportation and tour services, food and catering services, sale of selected agricultural and fisheries products, souvenirs and handicrafts, sports and entertainment services.
- the development of the various industrial parks in the state and currently the Kulim High-Tech Industrial Park have created opportunities for local businesses in supporting activities with the coordinated efforts of KSDC in bringing together the industrialists and bumiputra entrepreneurs.

In each of the selected opportunity areas, a tailor-made support program will be designed for spearheading Bumiputra presence in the sector. Support programs have focused the selection of suitable Bumiputra entrepreneurs, training, assistance in product development and marketing, the setting of quality standards and other measures as required.

The Business Basics

Apart from the main activities of the company mentioned above, the core activity of the company is providing the goods and services society needs and wants, in an ethical, cost efficient manner with due regard to the interests of all the stakeholders. Therefore the strategic imperatives of the company are to grow, deliver quality financial performance, primarily through organic growth, manage for economic priority to increase shareholder returns, develop competent human power and demonstrate collective senior management leadership.

Social Responsibility

The company believes that it should involve itself in the community it operates in. This is just one the principle of corporate citizenship that embraces all aspects of conduct, from environmental performance to employment practices. Community involvement is a natural activity for the company as incorporated citizens who, like other citizens have social responsibilities, defined partly by law and partly by custom. Much of the initial discussion on these issues centre on the social responsibility of the company and is reflected in policies inclined towards corporate social responsibility. However, these objective are not helpful unless they can be measured and achieved.

MEASURING THE SOCIAL IMPACTS OF THEIR ACTIVITIES

KSDC has a role to play towards the enhancement of economic development in the implementation action of the National Development Policy that places emphasis on ensuring public sector efficiency, eradicating poverty, reducing regional imbalances and creating a viable Bumiputra and Industrial Community (BCIC). Therefore the purpose of measuring and evaluating the social impacts are in line with its original intention in providing societal well-being. It also has to show its performances and role of public accountability and being a good corporate citizen in providing the best necessary facilities that can be offered. Therefore, the company has to measure and evaluate the social impacts of its activities.

KSDC does this by:

1. measuring both the community and business impact.
2. benchmarking the effectiveness of other corporations by comparing 13 other corporations within the country where each state has its own State Economic Corporation which is monitored by the Ministry of Entrepreneurial Development.
3. getting feedback from political leaders, state government officials, business councils, local councils, customers and the general public.
4. forming special sub-committees in the board to look into these matters.
5. forming specific divisions or expanding of the public relations/ communication division to monitor and ensure that policies are being implemented within the aspired intentions.
6. checking reports in the directors' reports, annual reports or separate annual reports and periodic reporting depending on the frequency and magnitude of decisions and implementations carried out.
7. assessing the achievement of community relations visions and objectives as well as ensuring that resources are being used as efficiently as possible and the results are shown by various case studies and reports.
8. conducting consumer surveys and studies of its consumer attitudes towards its marketing practices and strategic positioning in setting a national benchmark.
9. conducting an Opinion Leader Survey to investigate the level of endorsement of key benefits to be derived from the corporate community involvement. Opinion leaders were asked to rate a number of possible benefits that companies may derive from being involved with corporate community involvement and the results seem to be very consistent with the benefits related to corporate image, supported by benefits in terms of employee motivation.

10. conducting employee surveys to foresee employee responses and volunteering. For instance the running of employee communication focus groups which has indicated strong support for community involvement and request feedback on the company activities.

Apart from these procedures of evaluating and measuring its social impacts, the company also has to adopt social auditing of on-going process controls such as environmental audits. The company uses social audits on its related businesses to create a broader measurement and evaluation reporting, by producing a 'balance sheet' of activities and impacts. In the first step, it has to develop and use quantifiable measure of activity and performance in a manner analogous to financial accounts. Then it has to provide a means similar to financial audit to give an independent assessment and evaluation of performance by recognized by outsiders. However, we suggest that the company can adopt the Corporate Citizenship Measurement which was based on a sample of US corporations using impact coefficients and regression analysis demonstrating correlation between quality community involvement and bottom line profitability.

What is the purpose and use of these lengthy report and case studies to the company ? Generally what the company hopes to achieve, and this might be true also for other companies and organizations, is firstly, to create more awareness of how and why every action can touch the community and make a difference. Secondly, it is a means and can provide knowledge of the corporate environment and the support available. Thirdly, it can stimulate feedback on how a company could do better, in particular the effective use of resources and funds.

However, in carrying out the process of measuring and evaluating the social impacts of the company's activities we wish to point out here that it can be done effectively by a systematic and phased approach as adopted by Grand Metropolitan of the United Kingdom. These steps taken can provide a checklist for developing countries such as Malaysia and for the Kedah State Development Corporation (KSDC).

Grand Metropolitan Checklist (Grand Metropolitan : Report on Corporate Citizenship, 1997).

Step 1 : Initial Business Review With Management

Identify business goals, long term vision, areas of problem or opportunity, likely barriers, key audiences and agree on planned steps forward.

Step 2 : Community Needs Assessment

Research cultural and economic issues, critical community needs and activities being undertaken by other companies, NGOs and government agencies.

(Informal appraisal by the company itself or more comprehensive research by consultants).

Step 3 : Social Audit of Business Impact

Identify key issues, responses and effects of the company's business presence (positive or negative), including the company's business partners and areas where value to the community and business can be enhanced by community involvement initiatives.

Step 4 : Define Community Vision

Agree what we want to be in the future and brainstorm activities to help reach a country's vision of the company's business in the community.

Step 5 : Assess Community Investment Options

Evaluate costs and benefits of community involvement issues.

Consider social planning with community stakeholders by seeking their advice on company's focus. Define company's limitation and agree international and local budget parameters to be able to prioritise resources and avoid setting up unreasonable expectations. Carry out partner selection of individual projects with well respected self-managed charitable organization, including objectives, evaluation and basis of partnership. Proposals/feasibility studies of individual projects.

Step 6 : Local Management Decision and Implementation

Country management to make final decision on balance between economic and social returns and selection of specific projects to ensure local buy-in and project appropriateness.

Step 7 : Evaluation

Evaluation process to measure effectiveness of programme and identify any vulnerabilities. This may include longitudinal research on both project and business impact on community.

Step 8 : Communication and Appropriate Local Visibility

Clear plan of how to be marketed to key audiences with a consistent, developed message. Ensure communication is in culturally acceptable fashion of community involved and project visibility is based on real value and achievement. Grants and projects launches may be timed to coincide with other business related news releases.

Step 9 : Locally Managed Community Relations

Local management will be encouraged to establish a local community relations programme, including such elements as designated budgets for local giving, personal community involvement, employee volunteerism and involvement in grant-making decisions.

MEASURING CORPORATE SOCIAL PERFORMANCE

In discussing issues of measuring and evaluating the social impacts of a company's activities, the area that has received an increased focus of attention among scholars, academicians and economists is the concept of corporate social performance (CSP). Rowley (1998) has indicated that the concept of CSP has evolved over the past twenty years. We wish to highlight this concept in particular as it may be relevant in addressing the issues of measuring the social importance of the Kedah State Development Corporation (KSDC).

There are various definitions of CSP and the variables that can be used in analysing the corporate social performance. Carroll (1979), for instance, proposes that CSP is comprised of three components which are; the level of social responsibility, the commitment of social issues and the philosophies of social responsiveness of the firm. On the other hand, Wartick and Cochran (1985) further extend the definition of CSP by proposing that CSP is based on the firm's integration of the principles needed for social responsibility, the processes used in developing social responsiveness and the policies created to confront social issues. However, according to Wood (1991), CSP comprised three major components. The first component is the level of corporate social responsibility. Corporate social responsibility is based on legitimacy within society, public responsibility within the organization, and the managerial. Corporate social responsiveness is the second component of CSP. Corporate social responsiveness includes environmental assessment, stakeholder management and issue management. The third component relates to the outcomes of corporate behaviour and includes factors such as social impacts, social programs, and social policies. Therefore, CSP is considered to be a critical factor for all organizations since CSP components such as social issues, environmental pressures, stakeholder concerns are sure to affect corporate decision-making and behaviour far into the future. Hence, CSP refers to a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs and observable outcomes as they relate to a firm's societal relationship.

Previous research's have used a number of different variables to measure Corporate Social Performance. Bowman and Haire (1975), and Anderson and Frankle (1980) have included the level of social responsibility and pollution issues. Chen and Metcalf (1984), and Freedman and Jaggi (1981) have used the measurement of pollution releases. However, previous researches have supported the belief of a multiple dimension measurement of CSP. Hence, previous studies as indicated by Rowley (1998) have examined the relationship between CSP and various stakeholders which include corporate philanthropy, employees, the natural environment and stockholders.

CONCLUSION

In theory, one can envision a wide range of means and mechanisms by which a company can evaluate and measure the social impacts of its corporate social performance. The nation is now far more competitive, and arguably, far more productive than it was in the 1980s (Reich, 1998). This allows our society to achieve a whole range of social objectives that it could not otherwise achieve. Moreover, many companies have taken an active role in improving their communities and have given their employees a share of their newly found prosperity. Therefore, by measuring and evaluating the social impacts of the company's activities, in particular the KSDC, it can provide a way to the society, but as well as an indication how it of should be responsible. Thus this raises some important questions such as, is there a new meaning for corporate social responsibility, consistent both with the greater need for corporate responsiveness to employees and communities and with the greater demands from investors for performance?

In conclusion, we would like to point out here that companies should make an attempt to evaluate and measure its social impacts as at this point of time, most companies have not been performing the evaluation procedures in an effective and systematic manner. In view of the growing and more competitive economy in the state, a much effective community evaluation and reporting is very much needed and anticipated and should be done vigorously. Parallel to this issue, more recently, the debate has widened somewhat and is now generally described as business ethics (Johnson and Scholes, 1991). Hence, in the attempt of evaluating and measuring the company's social impacts, the company concerned should bear in mind and be aware that ethical issues concerning businesses and public sector organizations exist at three levels:

- At the macro level, there are issues about the role of business in the national and international organisation of society. These are largely concerned with assessing the relative virtues of different political or social systems such as free enterprise and centrally planned economies. There are also important issues of international relationships and the role of business on an international scale.
- At the corporate level, the issue is often referred to as corporate social responsibility and is focused on the ethical issues facing individual corporate entities when formulating and implementing strategies.
- At the individual level, the issue concerns the behaviour and actions of individuals within organizations. This is clearly an important matter for the management of organizations.

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