

European Journal of Business and Management
ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online)
Vol 4, No.4, 2012

www.iiste.org



Corporate Social responsibility – Competitive Advantage or Social Concern

Nita Choudhary* Niranjan Kumar Singh

Dept. of Management Studies, Jain University, Bangalore – 560038, India

* Email of the corresponding author: xiss12@gmail.com

Abstract

Corporate Social Responsibility (CSR) which was seen as corporate “Philanthropy” till 1990s is considered as a buzzword today. Business bodies are seeing it as a strategy for coping up with uncertain, turbulent environment. Tata and Birla group of industries are considered pioneers in this field. Business bodies have realized that they may gain competitive advantage when society supports them strongly. Business firms have to make arduous effort to align CSR with competitive advantage, thus balancing the interests of all stakeholders. There is a “need for balance” – companies must address the long term equitable growth issues on which prosperity and human progress depend. Today private capital accounts for 50 percent of all net long term capital flow to developing states. Along with this, pressure has been increasing on business towards social responsibility previously handled by government. Companies have to pay attention to all stakeholders if they have to achieve their business goals.

In this paper, the pillars and model of Corporate Social Responsibility has been proposed. Also a survey is conducted to know employee’s perception towards CSR whether CSR is for competitive advantage or social concern or both. The responses obtained from the respondent would help to gain more insight into this topic.

Keywords: Philanthropy, Strategies, Governance, Competency, Code of conduct, Ethics

1. Introduction

In the early 20th century, business firms were dominated solely by the objective of profit maximization. In the 1970s, social activists began questioning business firms of their sole objective of profit maximization, since very firm gains its existence and momentum from society. Hence firms have certain duties towards the society to perform.

Corporate Social Responsibility (CSR) which was seen as corporate “Philanthropy” till 1990s is considered as a strategy today to gain competitive advantage. Also turbulent, complex and competitive business environment urged business bodies to dive into CSR. Today CSR is seen as a key to long term success, reputation and brand image. Corporate books have understood that without healthy and prosperous society the business bodies cannot excel. One of the main objectives of any business activity is to serve the society apart from making profits. A business serves the society by providing employment, raising the standard of living, playing role in civic affairs, providing basic amenities like healthcare and education facilities. Tatas and Birlas are pioneers in this field.

Corporate leaders say that companies must pay attention to the well being of the societies in which they function if they wish to flourish. This means companies must identify social trends, behave constructively and work with local communities to promote growth and development. There is a “need for balance” – companies must address the long term equitable growth issues on which prosperity and human progress depend. Today private capital accounts for 50 percent of all net long term capital flow to developing states (Passline, 2010). Along with this, pressure has been increasing on business towards social responsibility previously handled by government. Companies have to pay attention to all stakeholders if they have to achieve their business goals.

1.1 Theoretical concept of CSR

The phrase Corporate Social Responsibility was coined in 1953 with the publication of Bowen's 'Social Responsibility of Businessmen'. The World Business Council for Sustainable Development in its publication "Making Good Business Sense" by Lord Holme and Richard Watts, used the following definition. "*Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large*". (www.sbcscd.com, 2000).

As per European Commission (2001) CSR is "A concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment.

According to Business for Social Responsibility (2003) CSR is "Business decision making linked to ethical values, compliance with legal requirements, and respect for people, communities, and the environment around the world".

The operational definition of social responsibility is "Social responsibility contends that management is responsible to the organization itself and to all the interest groups with which it interacts. Other interest groups such as workers, customers, creditors, suppliers, government and society are placed essentially equal with shareholders"

2. Literature Review

Business firms have realized that they can gain reputation only when society supports them strongly. The 2002 World Summit on Sustainable Development (WSSD) marked the crowning of CSR. Carroll's (1979) classic definition of CSR included four parts: economic, legal, ethical, and voluntary or philanthropic. Good ethics can have a positive economic impact on the performance of firms ([Brendar](#) and [Dinah](#), 2002). CSR depends on the relationship between business and society and how businesses responds towards their key stakeholders such as employees, customers, investors, suppliers, communities, and special interest groups (Hick, 2000). Businesses have a moral obligation to give back to society and enhance it, as they draw their resources from society, (Barnett, 2007). According to Burke and Logsdon (1996), tougher competitive conditions in recent years have put pressure on firms to examine their philanthropy and social responsibility activities. If companies can shift one-time philanthropic donations into a focused program of community partnering, it can be a good first step to develop a comprehensive approach to social responsibility (Tapan & Ravneet, 2007). Over the past decades, CSR has grown to a complex concept which is increasingly central to today's corporate decision making (Cochran, 2007).

It's sometimes asserted that corporate social responsibility is a luxury that is just too expensive for companies and consumers in the developing countries to create jobs and boost GDP. CSR is considered as a secret weapon to acquire more market share. Investors are seeking financial gains from their firms' involvement in CSR initiatives (Dan O'Brien, 2001). Competitive strategy is the means by which companies increase profitability. While strategic decisions are long-term in nature, managers tend to focus on short-term profitability to meet the expectations of analysts and institutional shareholders. As Friedman (1970) wrote in New York Times, the social responsibility of business is to increase its profit. The only social responsibility of business is to use its resources and to engage in activities designed to increase its profit so long as it stays within the rules of the game, (Friedman, 1967, 1996). The company should operate in ways that secure long term economic performance by avoiding short term behavior that is socially detrimental or socially wasteful (Porter & Mark, 2006). According to Abigail & Donald Siegel (2009), CSR has a neutral impact on financial performance of firms. A company's core competencies allow it to adapt quickly to new opportunities and integrate production and technology processes to develop new products cheaper and quicker than competitors (Prahalad & Hamel, 1990). Davis (1973) says that long-run self interest is one of the most prevalent reasons to practice CSR to remain profitable in the long run. The integration of SACs (Socially Anchored Competencies) can directly benefit business by increasing profitability (Hill, 1999). There is a competitive advantage that companies believe they can reap by being

2.1 Global Reporting Initiative (GRI) implications on CSR

The Global Reporting Initiative (GRI) produces one of the world's most prevalent standards for sustainability reporting. As of January 2009, more than 1,500 organizations from 60 countries use the Guidelines to produce their sustainability reports.

2.2 GRI reporting framework

This framework sets out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance.

The cornerstone of the framework is the [Sustainability Reporting Guidelines](#). The third version of the Guidelines – known as the G3 Guidelines - was [published in 2006](#). It facilitates transparency and accountability by organizations and provides stakeholders a universally-applicable, comparable framework from which to understand disclosed information.

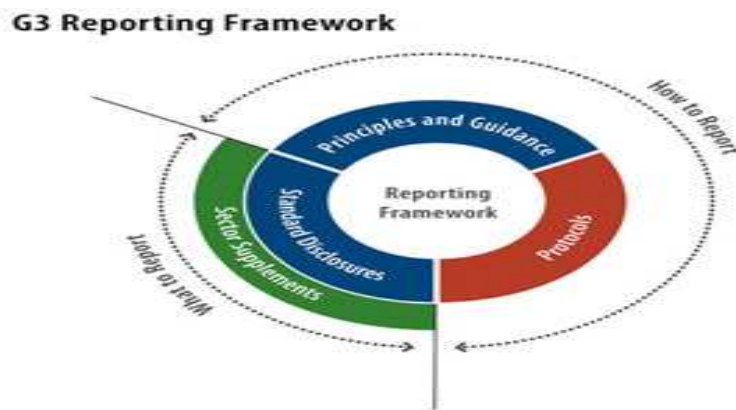


Fig. 1: G3 Reporting framework

Source: www.globalreporting.org/ReportingFramework/ReportingFrameworkOverview/

2.3 [Rising expectations around CSR in India](#)

The [data](#) on attitudes towards CSR in India suggests that nearly two-thirds (63%) of the Indian public say they want their government to force companies to go beyond their traditional economic roles and work to improve society, even if this means higher prices and fewer jobs. They're more demanding in this respect than the Japanese (55%), British (50%) or Americans (39%). Consumer attentiveness to CSR communications by companies also looks to be on the rise in the subcontinent. Consumers, in other words, are conflicted - economic growth is transforming the lives of so many, but this doesn't mean that they're blind to the social and environmental costs that accompany it.

With faith in corporate leadership on the decline in India, companies are going to need to demonstrate credibly what they're doing to meet these heightened expectations, or risk government stepping in and enforcing a responsible approach to business.

3. Problem statement

The purpose of this study is to find out "Employees' perception towards CSR - whether CSR is for complete advantage, social concern or both".

3.1 Objectives of the study

1. To gain insights into the concept of CSR like:-
 - Whether a company can survive without practicing CSR
 - Whether company's CSR is linked with financial benefits
 - Whether company's CSR is linked with building favorable public image
 - Whether CSR increases motivational level of people
 - Whether CSR protects shareholder's interests
2. To know employees' perception towards CSR – whether it is for complete advantage, social concern or both.
3. To propose the model and pillars of CSR.
4. To create a conceptual management framework for corporate social responsibility.

3.2 Proposed pillars of CSR

- 1) Code of conduct – It is a set of [rules](#) outlining the responsibilities of or proper practices for an individual or organization. It consists of practices, principles and values.

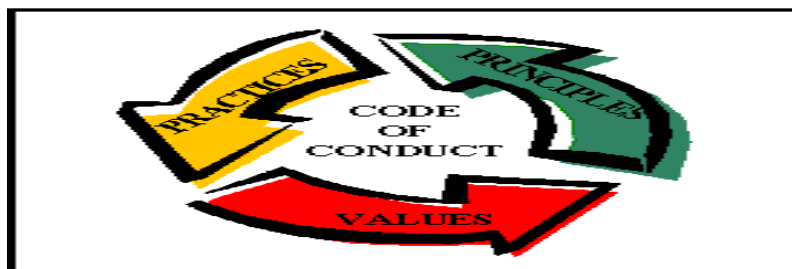


Fig. 2. Elements of code of conduct

Source: www.solihullarts.org.uk

2) Society – Organization functions within a social system and draw their resources from it. The management of business bodies has to preserve and enhance the well being of the members of society. For eg. Dabur has initiated some significant programmes for ecological regeneration and protection of endangered plant species. The company is also involved in reforestation in the Himalayan ranges.

3) Good governance – Corporate governance is a term that refers broadly to the rules, processes, or laws by which businesses are operated, regulated, and controlled. Good corporate governance is a key to the integrity of corporations, financial institutions and markets, and central to the health of our economies and their stability.

For eg. ITC's Corporate Governance initiative is based on two core principles. These are:

- Management must have the executive freedom to drive the enterprise forward without undue restraints; and
- This freedom of management should be exercised within a framework of effective accountability.

4) Philanthropy – Corporate philanthropy or corporate giving is the act of corporations donating some of their profits, or their resources, to nonprofit organizations. For eg. IBM gives millions of dollars each year to nonprofits through its corporate philanthropy programs.

5) Customer satisfaction – Business firms have understood the importance of keeping customers satisfied and happy. Unless the customers are satisfied, the business bodies cannot prosper.

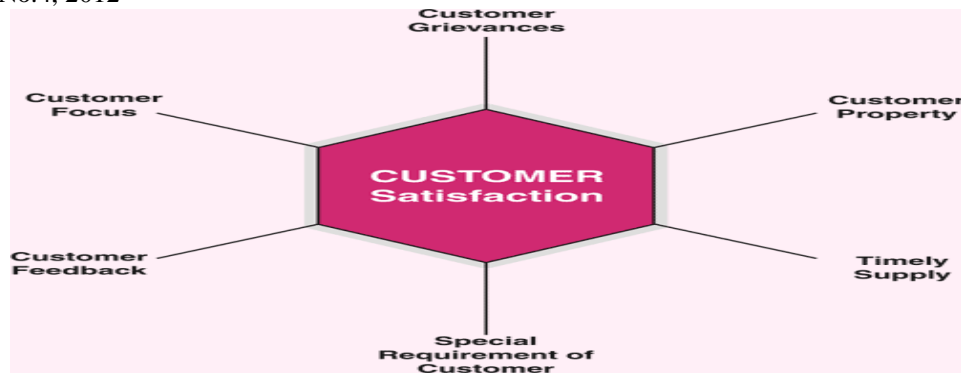


Fig 3: Elements of customer satisfaction

Source: www.kiwipumps.com

6) Stakeholders' interest – The primary responsibility of any business is to safeguard the interests of its stakeholders as they pride the crux of business ie. Capital.

7) CSR programs – The Corporate Social Responsibility Program promotes corporate responsibility by engaging publicly held companies to adopt more progressive social and environmental policies - using the power of ownership to promote positive change.

Proposed Model of CSR

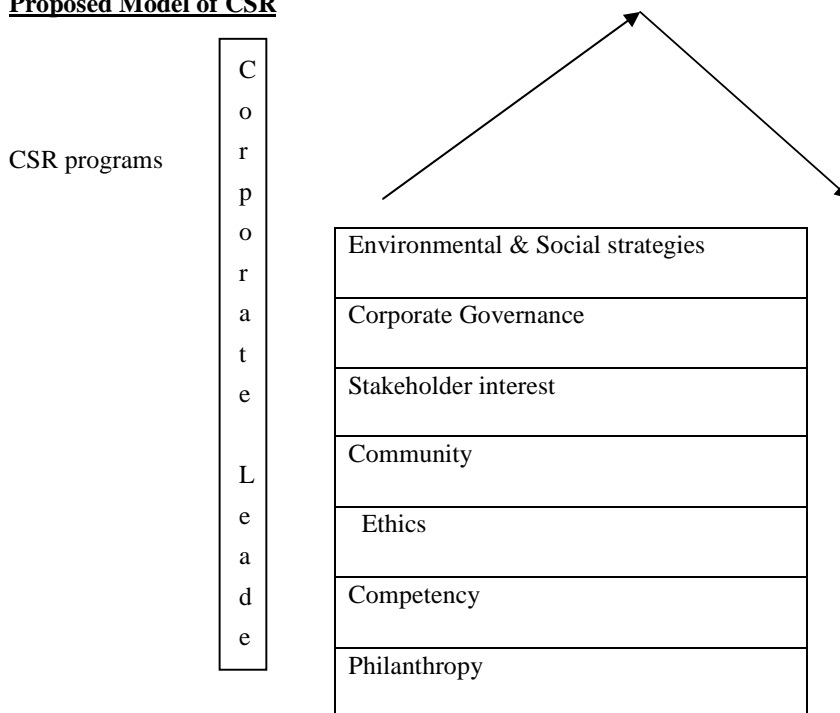


Fig 4: Proposed model of CSR

Groups	CSR elements
Foundation	Philanthropy, Competency, Ethics, Community and Stakeholder interest
Building Bricks	Corporate Governance, and Environmental and social strategies
Binding Mortar	Corporate Leadership
Roof	CSR programs

4. Methodology

The study started with the literature survey via journals, websites that helped to comprehend the various facets of CSR in industries. Hence the questionnaire was designed based upon the objectives of the study.

4.1 Tools of Data Collection and Analysis

The study employs primary data collected by the executives of the organizations with the help of a structured questionnaire. The respondents were from both public and private sector comprising of manufacturing, IT, Pharmaceutical, FMCG, banking & insurance, education and telecom sector in Bangalore. The survey was carried out in Bangalore City during September 2010 – June 2011. The study employed non-probabilistic sampling. 800 nos. of questions were distributed by the way of personal contact and email but finally 124 nos. of responses were received. In the sample size of 124, working executives were surveyed from different companies. The analysis of data was carried out using Mini Tab software.

The questionnaire consists of nine closed-ended questions and one open-ended question for the purpose of data collection. The perceptions on various issues selected for the study were collected on a 5-point Likert scale (1 – strongly agree; 5 – strongly disagree). The information and data collected were organized using simple statistics (e.g. frequency distribution, percentile ranking, etc.) and graphical presentation.

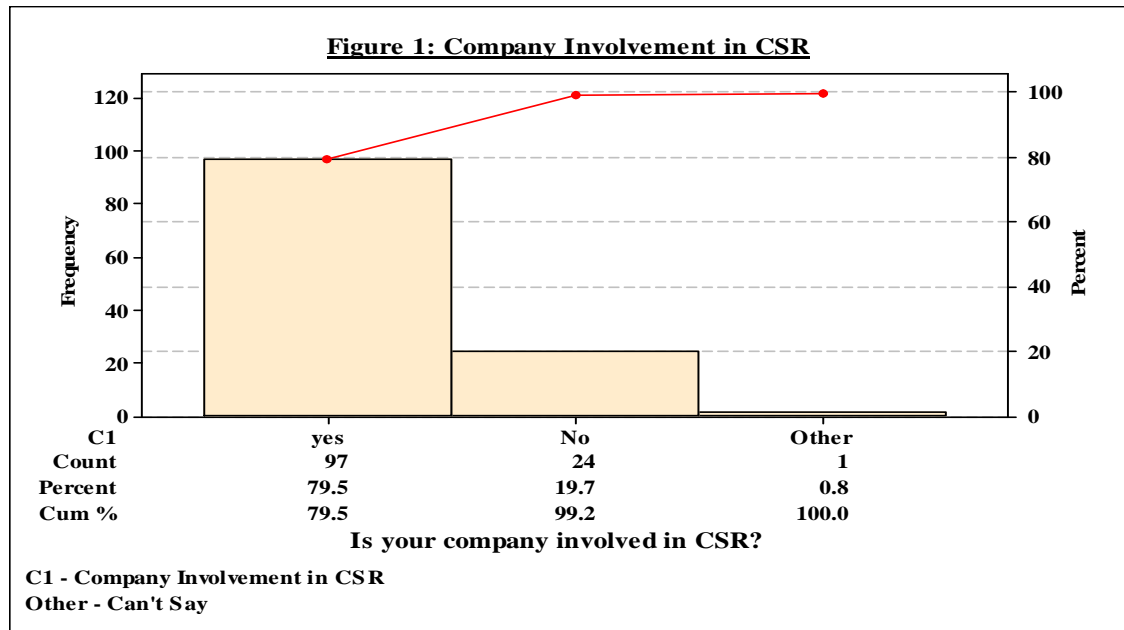
4.2 Analysis of Data & Results

People awareness about CSR

100% of the executives are aware of the CSR.

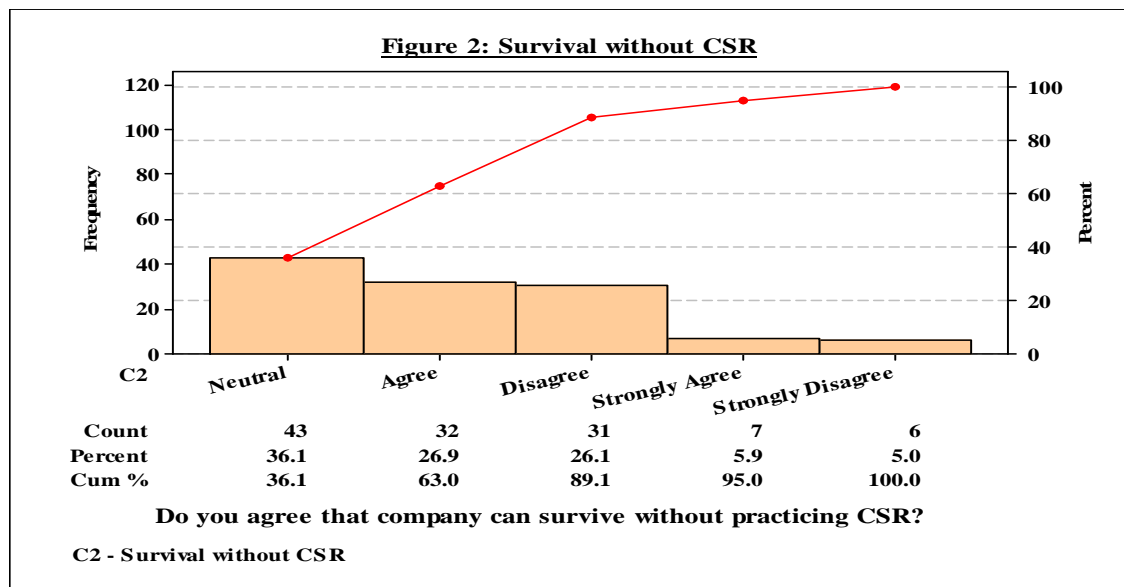
Company Involvement in CSR

Figure 1 summarizes the findings of company's involvement in CSR. All the companies are not involved in CSR activities. 79.5% of the executives say that their company is involved in CSR and 19.7 % say "No" to it.



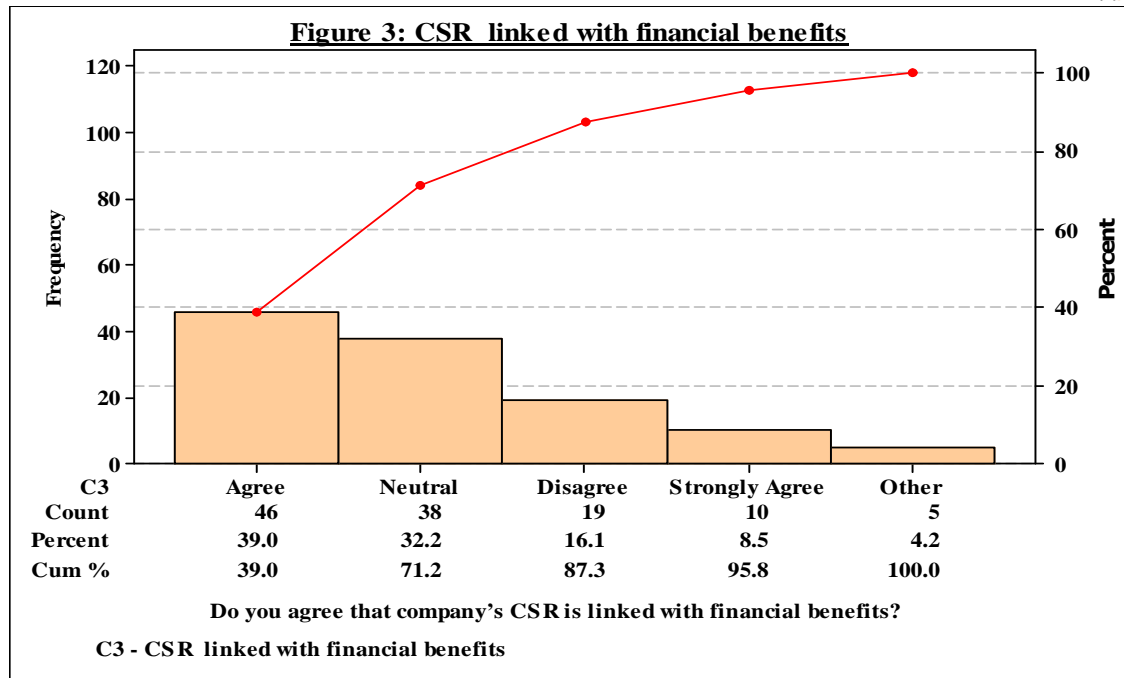
Survival without CSR

Figure 2 summarizes the findings of company survival without practicing CSR. 32% executives agree that company can not survive without CSR whereas 31% executives disagree and 36.1% executives are neutral.



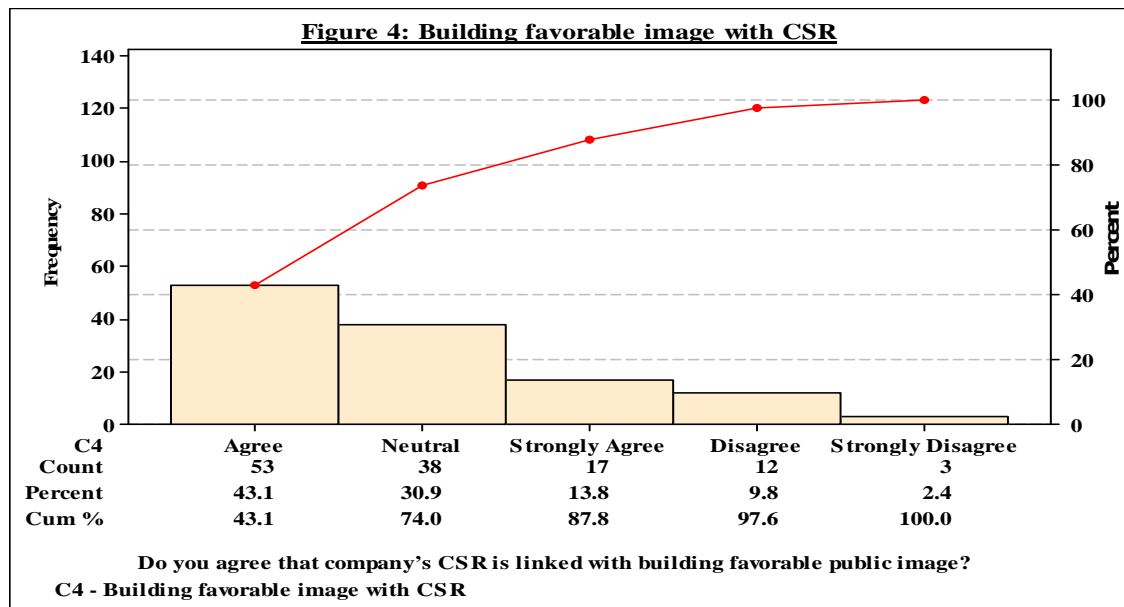
CSR linkage with financial benefits

Figure 3 summarizes the findings of CSR linkage with financial benefits. 35.3% of executives are neutral for this case and 29.4% agree.



Building favorable image with CSR

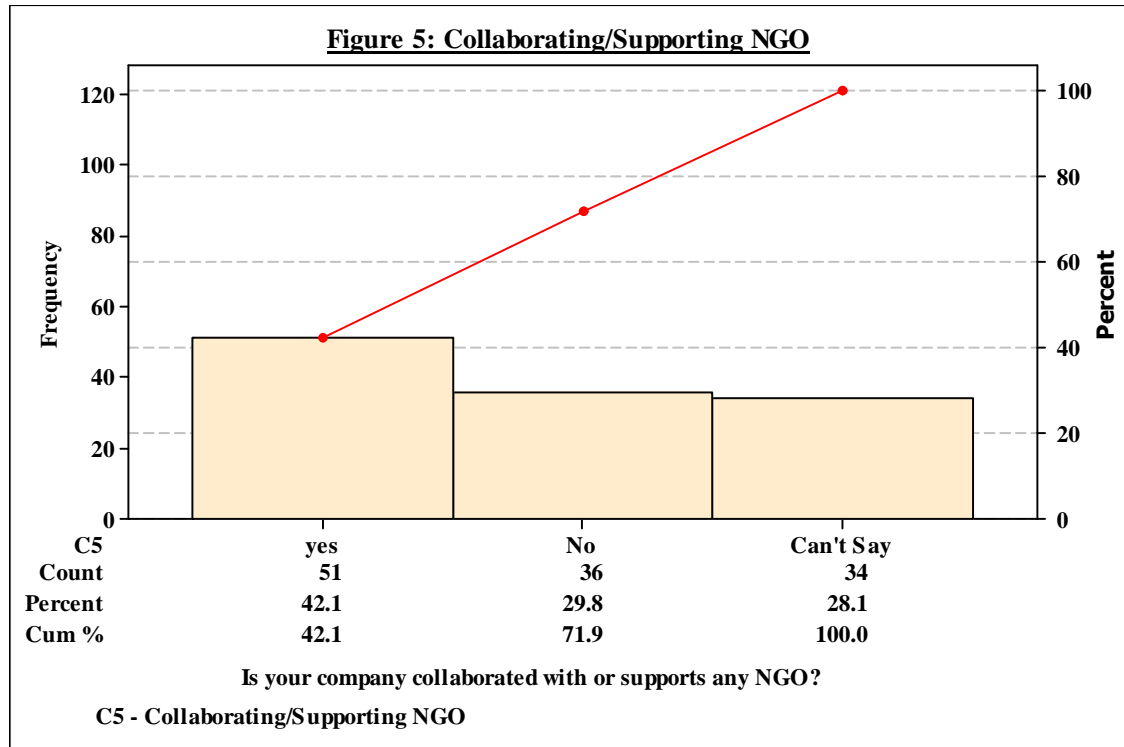
Figure 4 summarizes the findings of building favorable image with CSR. 43.1% executives agree with the fact that CSR is linked with favorable public image and 30.9% executives are neutral.



C1: Building favorable image with CSR

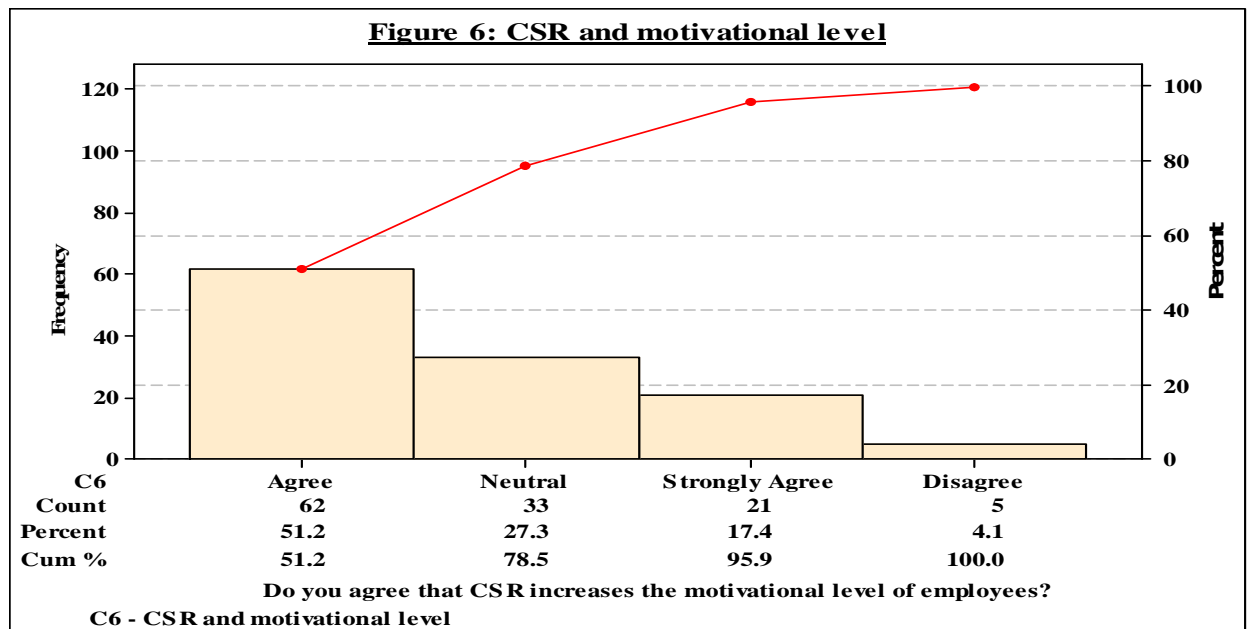
Collaborating/Supporting NGO

Figure 5 depicts whether companies are collaborated with or supporting NGOs. 42.1% executives believe that their companies have been collaborated with or support NGOs



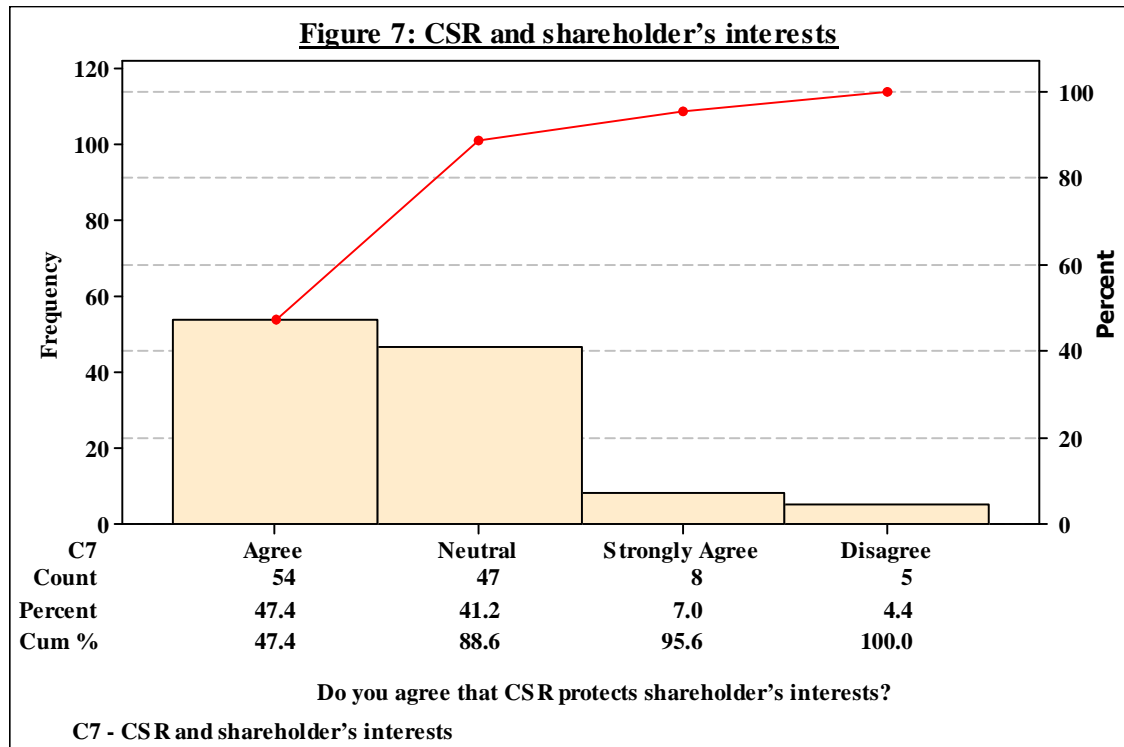
CSR and motivational level

Figure 6 summarizes the findings of CSR & motivational level of the employees. 51.2% executives agree that CSR increases the motivational level of employees while 27.3% are neutral.



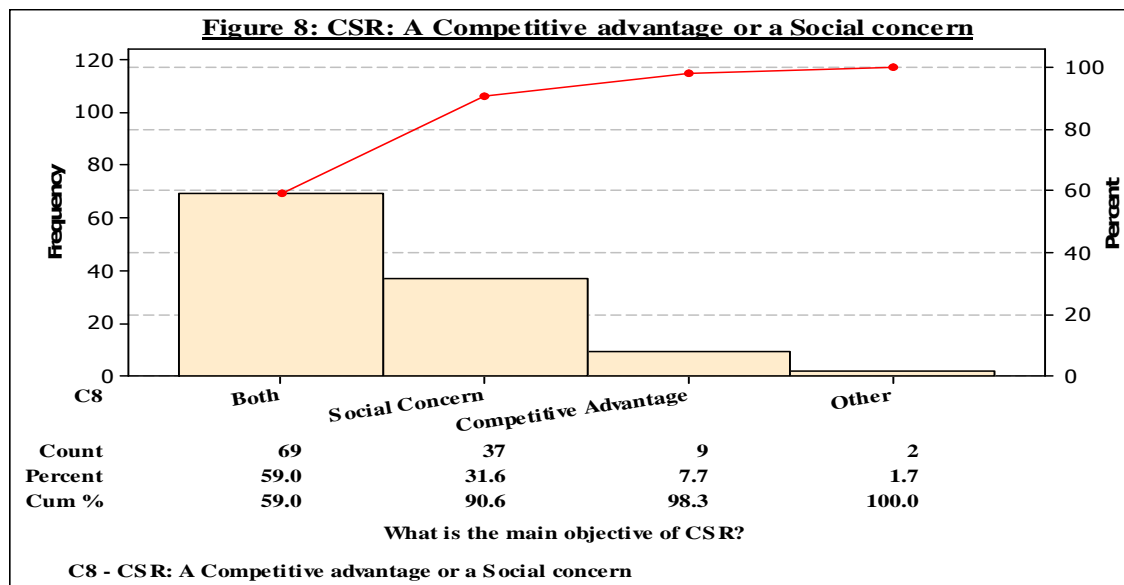
CSR and shareholder's interests

Figure 7 depicts people perception about whether CSR protects shareholder’s interest. 41.2 % of the people are neutral and 47.4% people agree for that.



CSR: A Competitive advantage or a Social concern _____

Figure 8 summarizes the findings of CSR as a competitive advantage or social concern or both. 59% or majority of executives think that it is for both the purposes and 31.6 % think that it is for social concern.

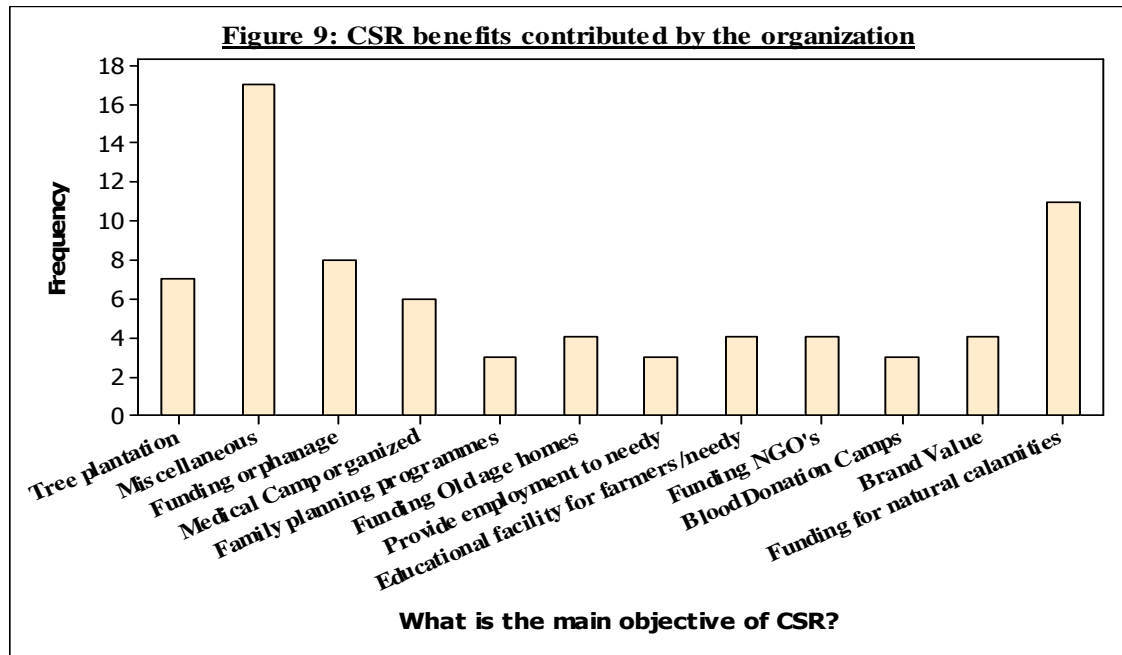


C8: Objectives of CSR

CSR benefits contributed by the organization

Out of 124 respondents, only 73 people responded to this question. Contributions given by the organization towards CSR are as follow:

Figure 9 summarizes the possible CSR benefits contributed by the organization. Three major contributions are funds raised for orphanage, natural calamities and old age homes.



5. Conclusion

Companies have realized that in order to survive and prosper, they have to contribute to the society as a duty. Companies are contributing a significant share for the upliftment of the society in which they live. CSR is now not seen as a philanthropic act but as a strategy for long term success. Business bodies are now merging the profit earning goal with well being of society. For this they are collaborating with NGOs to lay their hands on CSR. Improving society helps in improving the performance of companies and results in enhancing the shareholders value.

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ANNEXURE

Name: _____ Organization's name: _____

1) Do you know about Corporate Social Responsibility (CSR)?

a) Yes No

2) Is your company involved in CSR?

a) Yes

3) Do you agree that company can survive without practicing CSR?

Agree	Strongly agree	Neutral	Disagree	Strongly disagree
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4) Do you agree that company's CSR is linked with financial benefits?

Agree	Strongly agree	Neutral	Disagree	Strongly disagree
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5) Do you agree that company's CSR is linked with building favorable public image?

Agree	Strongly agree	Neutral	Disagree	Strongly disagree
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6) Does your company is collaborated with or supports any NGO?

a) Yes c) Can't say

7) Do you agree that CSR increases the motivational level of employees?

Agree	Strongly agree	Neutral	Disagree	Strongly disagree
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8) Do you agree that CSR protects shareholder's interests?

Agree	Strongly agree	Neutral	Disagree	Strongly disagree
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9) According to you what is the main objective of CSR?

- a) Competitive advantage b) Social concern c) Both a & b d) Others

If others, please mention -----

10) What are the CSR benefits contributed by your organization?

- a) _____
 b) _____
 c) _____

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