A Capability Framework for Analyzing Corporate Social Responsibility Performance

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ABSTRACT

In the present aggressive world of competition, corporate social responsibility (CSR) strategies are becoming important weapons for organizations to perform well and achieve their goals. In this respect, organizations need to assess their CSR performance and improve their actions for a more genuine approach. We present an insightful framework to explain the effectiveness of CSR strategies by proposing four dimensions - weak versus strong, narrow versus broad, strategic versus genuine, and public relation (PR) profile versus no public relation (PR) profile. The proposed framework can be used to assess organizational CSR performance and as a decision tool for the CSR practices that should be improved especially in the wake of the Coronavirus (COVID-19) pandemic. The framework will also help devise ways and means to assist the nation to combat the repercussions of the slowdown and mitigate the after-effects of the pandemic by evaluating current CSR practices. Based on the proposed tool, a model of CSR management for genuine social change was developed to help organizations define its best practices and improve CSR actions.

Contribution/Originality: The main contribution of our paper is to provide a framework for organizations to access their CSR performance and with the proposed tools, CSR practices can be improved especially in the wake of the COVID-19 pandemic.

1. Introduction

COVID-19 pandemic has halted the functioning of the entire world and has brought unprecedented challenges for both people and community. Several organizations have strived to supplement the government’s effort to combat extraordinary situation foisted on the community. As the COVID-19 shows no sign of ending, it is imperative that the
organizations maintain their serious commitment to CSR and find a way to achieve good CSR engagement. McGuire (1963), one of the renowned scholars during 1960s, defined social responsibility as beyond an organization’s legal and economic obligations. The point was to highlight that CSR has to be accepted as genuine and organization held the obligations towards promoting societal wellbeing. CSR is no longer counted as an idiosyncrasy for organizations worldwide, but the actions performed are often perceived as an ad hoc approach and something nice-to-do add on (Chanakira, 2019). The common issues of CSR are inefficient government policies (Liao et al., 2017; Chang et al., 2015), lack of internal resources (Liao et al., 2018; Duman et al., 2016; Arevalo & Aravind, 2011), lack of awareness and knowledge (Liao et al., 2018; Elmualim, 2017) and lack of evaluation tools (Zhou & Mi, 2017; Loosemore, 2016; Shi et al., 2015). In fact, in most cases, the community is perceived as a passive recipient depending on the generosity of the companies. And for this reason, CSR is almost equated with charity or giving alms (Amrulloh et al., 2020). Organizations’ enthusiasm for CSR initiatives has many times met with cynicism as their social approaches are directed to commercial dictates and political benefits. With the significant barriers limiting the effectiveness organizational initiatives to promote CSR practices, multiple versions of CSR are created.

Despite these shortcomings, the practice of CSR still has room for improvement, even though there is still much to be improved to bring changes in the approaches and awareness among the organizational bodies in order to take proactive steps towards performing genuine CSR. To address the aforesaid dilemma, organizations need to prove their genuine commitment by adopting the right strategy to improve the quality of life of its communities. Still, donations for instance, albeit laudable, should not be treated as the only approach because such practice is perceived to be a too easy-way-out-option. Despite the positive movement of organizations in upholding social values and creating heightened opportunities for community empowerment, these efforts, however, need to be developed with appropriate indicators pertaining to genuine CSR evaluation. Referring to the CSR dimensions, this study aims to shed new light on CSR by developing tools and concepts that can be used to analyze organization’s CSR practice. The tools may be beneficial for organizations from various industrial backgrounds worldwide that wish to evaluate and upgrade their CSR practices.

2. The component of CSR

Performance of a company had been traditionally measured against business imperatives set by themselves. Whether or not they were able to achieve goals set through pre-determined business imperatives was used as a gauging tool of their success. However, this is no longer sufficient. Corporate social responsibility is now viewed as an equally important instrument for measuring the success of a business. As a matter of fact, the early years of CSR that we have now stemmed around the 1950s and 1960s with Howard Bowen being regarded as the father of modern CSR due to his works focusing on social responsibility (Carroll, 1999). Similarly, scholar such as Keith Davis in the 1960s highlighted the importance of businessmen to restructure their roles in the community and the ability of social involvement to bring financial returns to businesses (Davis, 1960).

Most models share the basic four components of CSR namely economic, legal, ethical, and discretionary. Carroll’s pyramid of CSR as proposed by Carroll (1999) emphasized
on the economic social responsibility of a business. Only through sustainability, a business can give back to the society. In other words, a business needs to be profitable before anything else to be able to contribute to the society. As the Committee for Economic Development pointed out “Business enterprises, in effect, are being asked to contribute more to the quality of American life than just supplying quantities of goods and services. Inasmuch as business exists to serve society, its future will depend on the quality of management’s response to the changing expectations of the public” (Committee for Economic Development, 1971).

In Carroll’s model of CSR, the second and third most important component is legal and ethical social responsibility (Carroll, 1999). A law-abiding business is more likely to be supported by consumers. From something as simple as providing safe working environment, fair wages, health benefits to workers and using ethical sources, business responsibilities are intertwined with legal and moral obligations. Nevertheless, some scholars have criticised this model as the money-making mindset may prevail over legal responsibilities. The profit driven business ethics violations by business giants such as WorldCom, Enron and Arthur Andersen are an example has been termed ‘teleopathy’ (Goodpaster, 2007). Due to this persisting issue, Carroll (1999)’s arrangement of economic social responsibility over legal and ethical social responsibility is often criticised.

The fourth component of CSR was revised to philanthropic social responsibility and later good corporate citizen after some time. Philanthropic responsibilities are actions that a company takes in response to feed the desires of a community. As highlighted by Salifu (2020) “A firm’s discretionary responsibilities generally entail voluntary social involvement, including activities such as contributions to support the community by providing programs or engagement in volunteerism, actively engaging in acts or programs to promote human welfare or goodwill” (Salifu, 2020). Companies usually take up philanthropic responsibilities that are close to their hearts and meaningful to their industry. For example, a business involved in the food industry may choose to contribute to stop hunger amongst children. According to Carroll (1999) through the continuous development of his model of CSR will allow effectiveness in the implementation of CSR.

3. Types of CSR Activities

Corporate social responsibility (CSR) is known as a business responsibility to do good for the community and company itself. Generally, the four types of CSR activities consist of environmental responsibility, ethical responsibility, philanthropic responsibility, and economic responsibility. These responsibilities are all complementary to each other. Besides that, seven domains covered in CSR are community, diversity, employee relations, environment, corporate governance, product, and human rights (Bhattacharya et al, 2009). CSR activities must have the correct types and categories to achieve all the program objectives directly. Peng et al. (2022) studied on the three types of CSR (product development, in-kind donation, and CSR commercial). They claimed that CSR practices should follow the goals. For example, if the goal is to enhance the corporate image of being socially responsible, both product development and in-kind donation are better than commercial CSR. All the CSR activities allow development, good relationship with customers and sustainability in society.
4. A framework for Analyzing CSR

This section proposed tools and concepts that can be used for further analysis. The purpose of this framework is not focusing in finding the best way of performing CSR, instead, it can be seen as a novel attempt to gain insight into the CSR domain by differentiating various aspects of CSR. Four dimensions are identified to which organizational performance may differ as shown in Figure 1. For a quick understanding and decision making, dichotomous concept was applied and only two categories were chosen in terms of binary opposition. Some indicators were determined in each of the dimensions to evaluate the CSR performance by the organizations. It is also important to note that the main reason not to provide exact measurements of the framework is due to the indicators not being quantified and evaluation of the CSR performance is based on practical reasonableness rather than on accurate estimations. These four dimensions together with description of the proposed indicators are further elaborated as follows:

4.1. Weak versus Strong CSR

There is a difference between donating money to a good cause and actively pursuing CSR projects for various social reasons. Involvement in CSR might not be a voluntary but rather a strategy to boost corporate image. Zu and Song (2009) highlighted how top management in companies want CSRs to be interrelated to performance. At times, good CSRs are used to cover up bad practices of a company. Passive involvement in CSR is one example where the organization has less or no control over its projects. While active involvement implies a higher degree of control over CSR programs. This is somehow representing an implicit relation in the weak – strong dimension as well as distinction between active and passive CSR. Weak CSR can be determined as a passive approach to CSR when the organizations' social contributions are limited to monetary donations as it has been mentioned by previous studies such as Choi and Aguilera (2009) and Öberseder et al. (2011) whereas strong CSR indicates active involvement in CSR with a higher degree of control in the CSR projects. For instance, projects that are fully initiated by the organizations indicate a high degree of control, thus signifies a strong commitment to CSR. Also, the number of resources assigned to CSR projects in terms of personnel and financial support help to determine the level of commitment towards CSR. In terms of specific budget dedicated to CSR (Zeimers et al., 2018; Xue et al., 2019; Zeimers et al., 2021), some organizations have fixed allocations and spend large amount on activities while some may not have fixed budget and less was spent for CSR. Furthermore, some organizations have a well-organized function with CSR specialists working on the issues (see for example, Habek & Wolnjak, 2015; Ramón-Llorens et al.,
while others leave their CSR in the hands of one person. Thus, three indicators are proposed that explain the weak-strong CSR dimension:

i. Organization of CSR function,
ii. Degree of control over CSR activities; and
iii. Budget

4.1. Strategic versus Genuine CSR

This dimension is used to determine the main reason for engaging in CSR. Strategic CSR directs to assist community in the medium to long horizons that includes bigger commitments in resources as well as affecting organizations’ operation and structure (Panagiotopoulos, 2021). CSR is not seen as an end in itself but as means to promote self-interest of the organization. Indeed, an organization engages in CSR to achieve its own goals. According to the theory of strategic CSR, organization deliberately chooses to involve in the issues that fall within its business area where it can reap the greatest business benefits (Porter & Kramer, 2019). Genuine CSR, on the other hand, views CSR as end in itself in order to promote common good. Fatma and Khan (2022) assert that CSR authenticity (inauthenticity) is determined when the CSR action of the company is (not) seen as meaningful in terms of its ability to resolve social issue at hand and the contribution is (not) large compared to its size and profit. Unlike strategic approach, no strong link is formed between CSR activities, business area and organization’s vision, in fact, genuine CSR is performed for its own sake.

The classification of genuine aspect of CSR is based on three identified indicators. First, the extent to which an organization engage in projects with little or no benefit to the organization, instead, has potential benefit to society and environment signifies genuine approach to CSR. Secondly, organization’s perception on CSR is significant to be considered to reflect genuine commitment towards CSR. Besides, organization’s long historical background in performing CSR is also geared towards an indication of genuine approach. Hence, five indicators suggested are as follows:

i. Business area
ii. Vision
iii. Potential benefits
iv. Project with no potential benefits
v. Views on CSR and reasons for engaging in CSR

4.2. Narrow versus Broad CSR

It is well understood that in most cases, CSR activities encompass more than a single issue. This range can be classified as narrow or broad view. As mentioned by Anastasia (2016), business leaders and shareholders regularly narrow CSR into different business activities which do not have any connections with sustainable development of business. For instance, an organization with broader scope of CSR will prefer to focus on a range of activities within various issues while others may choose to limit their contributions to support only few beneficiaries. The plurality of activities represents the broader scope of CSR. This dimension can also be measured based on geographical coverage. Organization will either choose to support regional projects or international projects.

Some organizations already understand the significance of global issues, and armed with these reasons, they are more involved in the global socio-economic and environmental drift. They acknowledge that as agents of change, CSR practices will not only influence capitalization of the company but also the level of quality in people’s lives. Some of the
leading organizations who practiced broad CSR are General Electricity, Patagonia, Walt Disney Company, The Body Shop, Ben & Jerry’s, and Unilever (Anastasia, 2016). Similarly, Anastasia (2016) asserted that, many organizations are now trying to express their engagement in global trends in which they are starting to practice charity, being sustainable, incorporating reports, sponsor sports or cultural events while donating to local communities in order to ensure their organizations work actively in deliberating the concept of shared value.

Moreover, according to Anastasia (2016), many organizations are narrowly interpreting CSR to include only loud, bright, and demonstrative actions that lead to an asymmetrical set of socio-economic and ecological initiatives. Organizations that wish to focus on a project as well as limit their recipients and geographical area signify narrow scope of CSR and vice versa. Thus, to evaluate an organization performance on CSR according to narrow-broad dimensions, two indicators are used.

i. The spreading of CSR activities

ii. Geographical areas

Many organizations narrow down their CSR activities to the most recognizable activities, and charity is one of the most dominant. On the other hand, helping the poor is better done without media coverage and regularly. Additionally, the exposure in the self-congratulatory annual corporate practice should be eliminated. Interestingly, high-profile organizations commonly catch much attention from the public as the organization’s operating events have the potential and likelihood of dealing with the welfares of the wider public. High-profile organizations are supposed to engage in more CSR compared to low profile organizations because its operations impact environment the most and that they have the ability to be involved with more complex stakeholders (Nainggolan & Handoyo, 2019).

4.3. PR Profile versus No PR Profile

CSR demonstrates a companies’ obligation towards the environment, society, and its shareholders by being complementary to businesses’ interests such as shareholders’ concerns and social environmental issues. There are many ways that business operation has affected the environment, society, and shareholders (Matten et al., 2020). Corporate reputation can be measured as the main intangible asset of a company which is halting from the companies past positive communications with shareholders (Aledo-Ruiz et al., 2022; Argenti & Druckenmiller, 2004). Beside reputation, corporate image is also an imperative intangible asset that represent a respected component in increasing the reputation in the management of universities (Maduro et al., 2018). Building a corporate image by communicating with various shareholders and stakeholders can be achieved through effective CSR activities. CSR activities are key devices to ensure proper shareholder communication, warrant better corporate transparency and a higher level of engagement with different shareholders (Aledo-Ruiz et al., 2022; Golob & Bartlett, 2007). Several researchers have discussed that positive image and satisfaction of customers are the results of CSR (Ali et al., 2020; Mulki & Jaramillo, 2011). Through CSR, corporate image can enhance and surge up the loyalty of customers (Ali et al., 2020; Navickas & Kontautiené, 2011). Having a positive image will help companies to fascinate new customers and increase confidence of shareholders on companies (Ali et al., 2020; Flavian et al., 2005).
Another researcher stated that social engagement activities can enhance corporate culture that would raise up its know-hows skill and contribute to positive reputation (Mahmood & Bashir, 2020; McWilliams et al., 2006). According to the company outline, corporate image correlate with company physiognomies which is decomposed with corporate aptitude and CSR initiations (Lee et al., 2019; Brown & Dacin, 1997; Barich & Kotler, 1991). Even though corporate ability is extremely associated to the company’s expertise to convey products and services, CSR critically affects a company’s image and the whole reputation present to consumers the insights of the company’s value (Lee et al., 2019; Turban & Greening, 1997).

As it has been mentioned above, the PR effect also known as reputational effect of CSR is a much-discussed topic in scholarly writing (see for example, Gill, 2015; van den Heijkant & Vliegenthart, 2018). The purpose of this dimension is to analyze the person responsible for CSR and the unit or department involved to communicate the CSR efforts. A strong PR profile indicates that an organization engages in CSR mainly to promote themselves as good citizens and boost their reputation. The PR effect of their CSR activities is considered more important than the impact to community, thus, these organizations often choose CSR projects with high profile but fewer benefits to the community. Organizations with a strong PR profile often rely on marketing instruments such as sponsorship and promotions to communicate their CSR efforts. Despite the nature of CSR activities, allocation of responsibility is another indication for this dimension. CSR is seen as a matter of PR when the responsibility to oversee the activities is assigned to marketing, PR, or communication department. Another important indication to evaluate the PR effect is on the organizations’ own views on CSR capabilities as reputation enhancing tool. Measuring an organization performance can be done by looking at their PR profile-No PR profile dimension, thus, three indications are drafted:

i. CSR activities with strong PR profile
ii. Allocation of responsibility
iii. Views on the PR effect of CSR

5. Recommendation

In order to promote more sustainable livelihood opportunities, organizations need to plan for its long-term CSR project and develop capacity and skills of its employees with essential practical assistance training. This decision will aid organizations who are closer to strategic CSR to take an active role in addressing social issues more genuinely. Besides, an organization with strong PR profile needs to place less emphasis on the reputation aspect by not putting CSR in the spotlight.

By using Deming cycle as a guidance, Figure 2 illustrates a model of CSR management for genuine social change. Five main steps of management method are proposed for organization to control and improve its CSR process starting from policy level, planning level, implementation level, checking and corrective action level and improvement level of CSR strategy.

Addressing the confusion over the meaning of CSR is crucial at the policy level. In fact, the role of government, ISO 26000, and other institutions such as National Mirror Committee (NMC) and media are the key players in realizing and align CSR understanding in Malaysia. While at the planning level, this study emphasizes the
importance of having a high level of commitment and participation by each department and its employees.

Figure 2: Model of CSR Management for Genuine Social Change

Managerial capabilities, and efficient communication approach are needed at the implementation level to create close connections among employees and other stakeholders. CSR activities and projects are evaluated based on organization’s goals at checking and corrective action level. At this stage, continual monitoring of CSR progress by an internal team should be conducted. While at the improvement level, it is important to evaluate cases and impact from CSR activities. Learning from trials and errors will lead to the crystallization of the best strategies being applied in the organization.
As illustrated in the model, it is a continuous process. Valuable feedback from each level is required to rectify failures in order to determine measures for further improvements of CSR performance. Interestingly, this model has been developed and transferable to and is applicable across different industries.

6. Conclusion

The four proposed dimensions presented in the framework illustrate the heterogeneity of the CSR field and may be fruitful for organizations to gain deeper understanding of the various ways in which CSR can be performed. In our dynamic world, especially during the pandemic emergency, organizations are expected to be more agile in planning their CSR budgets towards benefitting the affected local communities. If appropriate measures and indicators are not taken into serious consideration to rectify fundamental weakness, genuine development of CSR would be a missed opportunity for an organization’s success and growth.

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