Corporate Social Responsibility

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Introduction

The contemporary business culture has continued to evolve and to support the role of the organization in providing better public relations. Every firm is faced with the responsibility of giving back to society. This realization has led to the molding of organizational practices and norms so as to attain the status of an ethical and authentic body which prioritizes public welfare as opposed to the traditional profit-making organization whose only aim is to minimize costs and maximize profits (Blombäck & Wigren2009). Corporate social responsibility (CSR), usually defined as the corporate initiatives and discretionary organizational practices based on the commitment which is meant to instill well-being to the society (Claydon, 2011). The practices can be charitable events, environmental sustainability, buying from local suppliers, providing employment to locals among others. According to Dina (2014), initially, strategic management was meant to lead an organization towards the reduction of costs to gain a charge initiated competitive advantage and experienced a moral dilemma since they did not understand the value of engaging in corporate social responsibility. In light of the need for continued development and internationalization, the vital role of having a culture of corporate social responsibility is evident based on the effects of the business practice both positively and negatively.

Importance of CSR

Morality in business is about managers responding to the call of obligation without particular regard to profit maximizing. The practice of corporate social responsibility poses a moral dilemma to many managers since firms assume they gain nothing from engaging in the practice (Tata & Prasad, 2015). The stakeholder theory by Freeman states that managers are responsible for ensuring maximum organizational behavior and also provide a good balance of relations with the outside world. However, some benefits accrue to firms that value such ethical practices.

The most common benefit is that companies improve the perspective of customers towards the business since the method involve customer engagement and the fact that it is all about adding value to society and creating a positive impact on the community (Tseng 2010). This practice is one of the initiatives used by companies like the coca-cola and Pepsi for product differentiation and customer engagement. The move is believed to make a business unique to its clients thus facilitating customer loyalty which is one of the vital ingredients of sustainable competitive advantage (Blombäck & Wigren2009).

Apart from customer engagement, there is also the employee engagement whereby a team of employees is chosen to formulate a good plan for CSR and implement the plan (Claydon, 2011). The process may involve extensive training programs of interpersonal skills and development that make the employees motivated .one of the forms of CSR is to engage in charitable activities, and this requires exceptional interpersonal skills. When employees are motivated, the outcome will not only be a viable strategy for CSR but also increased productivity (Tata & Prasad, 2015).

CSR creates a culture of long-term strategic planning and decision making since it depicts the impacts of business decisions on the firm’s future and is based on ensuring sustainability. A subset of long-term thinking is innovation and inventions (Dina, 2014). These developments are a perceived benefit of CSR, as much as companies want to improve their social image and impact they are inclined to do so at the lowest possible costs. According to Srichatsuwan (2014), costs are the main reason why CSR creates a moral dilemma for managers. This price increase triggers the need for innovative methods which can reduce the cost of engaging in CSR and having more gain than loss. According to Du, Bhattacharya & Sen (2015), the bottom line theory, CSR enhances sustainability in three forms, environmental, social and economical. According to Blombäck & Wigren,(2009), CSR ensures that companies don’t experience an ethical blow back like in the case of Tesco some few years ago whereby the company experienced poor services and excessive transactional costs due to poor relations with their environment that provoked hostility among their suppliers and customers.

CSR improves and enhances the corporate image of a company and thus increasing customer loyalty since the company is thought of a reliable, responsible and kind. The goodwill value is established (Du, Bhattacharya & Sen 2015). A good image makes a firm avoid constant scrutiny from regulatory bodies laying a good foundation for the attraction of capital inflow and investment. Initiatives of CSR involve environmental sustainability which ensures a clean and safe environment and reduces the adverse effects of globalization (Claydon, 2011).

Disadvantages of CSR

The main demerit of the practice is that the companies cause towards profit maximization are altered yet there is not a guarantee that there will be increased goodwill value. The method enhances the cost of production and reduces chances the chances of achieving cost driven sustainable advantage (Du, Bhattacharya & Sen 2015). Initiatives such a disclosing the significant disadvantages of consuming a companies’ products reduce the customer base and thus may cause reduced profits margins (Dina, 2014). Sometimes customers may want to see the results of business engagement and if they are not immediate then they may dismiss the CSR initiatives as scams to win their loyalty and therefore a company will not have achieved their intended purpose with disinterested customers.

Conclusion

According to Srichatsuwan (2014), the business world of today calls for a more responsible and accountable form of management, who not only organize the internal environment of business but also to the business environment. Engaging in CSR enhances the reputation of a company and even goes ahead to increase the goodwill value and on the other hand ensures a better world (Du, Bhattacharya & Sen 2015). It is normal to be confused as to whether corporate social responsibility is vital for organizational performance and also consider facts such as increased costs of production with no immediate positive returns to investment. However, the long-term benefits hold more weight and: therefore, managers are encouraged to initiate such value adding practices to their companies.

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