Corporate Social Responsibility

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INTRODUCTION

In today's changing world, Corporate Social Responsibility (CSR) is a growing area of interest for academics, practitioners and entrepreneurs, in terms of both theory and practice. CSR is a concept whereby companies integrate social, environmental, and health concerns in their business strategy (policy) and operations and in their interactions with stakeholders on a voluntary basis. The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time (Carroll, 1979). As the world is shrinking due to globalization the concept of CSR has acquired an undeniably high degree of relevance and scope in a large number of sectors. Many academicians and practitioners are developing theory and practices of this concept of social responsibility among entrepreneurs.

An examination of the literature of CSR and corporate reputation has led to the rise of stakeholder management in a complex market environment in the United States, Europe and Asian regions. Today's corporations have paid substantial attention to the three key concepts, corporate reputation (CR), corporate social responsibility (CSR), and stakeholder relations (SR) (Argenti & Barnes, 2009; Argenti & Druckenmiller, 2004; Cees, Riel, & Fombrun, 2007). In an Asian country, many corporations such as multinational corporations (MNCs), government linked corporations (GLCs) and local private companies (LPC) eagerly communicate with their internal and external stakeholders to portray the unique identity of the organizations (Abdullah, 2007). By having a unique identity of the organization, the corporations not only can improve the image and reputation of the organization but also differentiate its strategy development and shape the extraordinarily valuable asset of the organization (Bouchokhi & Kimberly, 2008).

There are numerous studies (Balmer & Greyser, 2003; Fombrun & Riel, 2004; Kitchen & Schultz, 2001; Cees et al., 2007) and increasing debates concerning image, identity, and reputation with the greater emphasis on how the organizations managed their communication systems. Some studies also attempt to focus on corporate branding which is substantially associated with managing reputation of MNCs in a Western country (Money, Rose, & Hillenbrand, 2008; Hatch & Schultz, 2008). However, a few studies in an Asian country (Lines, 2004; Moon, 2005) were found to examine corporate reputation focusing on stakeholder relations and corporate social responsibility. A "West is best mentality" can be daunting thought but it affects a real attitude among Asian society. Chinese consumers downgraded Chinese-branded companies and rated higher reputation to international companies such as Nokia, Intel, BMW, and IBM (Fombrun & Pan, 2006, p. 165). Within this context, one frequently asked question is: What theory or model should be followed or considered for implementation of CSR practices?

BACKGROUND

The days when corporate social responsibility (CSR) was a concept and practice confined to North American and European companies are over. Particularly in the past ten years or so, Asian businesses have increasingly brought to bear their considerable energy and thought to matters of regional and global concern. From climate change

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and other sustainability questions to product safety and global labor standards, Asian business leaders have an opportunity to shape the international response to some of the broad issues facing global society. Not only will Asian business leaders who embrace corporate social responsibility offer their own distinctive approach, but their participation in sweeping worldwide matters can have far-reaching and beneficial impact for all.

Literature Review

The impact of CSR on corporate reputation is shaped by how the firm communicates its CSR activities to its external stakeholders and how its activities are reported in the national media and other communication mediums (Rettab, Ben, & Mellahi, 2008). McWilliams and Siegel (2001) emphasized that consumers consider socially responsible firms to have a good reputation by constantly executing a series of programs of social responsibility. Such CSR programs give a big impact to corporate reputation. A good reputation influences a positive consumer satisfaction. In addition, companies use CSR communication to enhance customer loyalty (Abdullah & Aziz, 2011; Jacob & Kyner, 1973; Keller, 1993). This effort may improve favorable relationships between the organization and its stakeholders. As Grunig and Hunt (1984, p. 6) stated that effective public relations is about "management of communications between an organization and its publics".

McWilliams and Siegel (2001, p. 120) pointed out that positive CSR, "creates a reputation that a firm is reliable and honest". Similarly, Bhattacharya and Sen (2004) argued that CSR builds a reservoir of goodwill that firms can draw upon in times of crisis. Positive reputations have often been linked with positive financial returns, with their value tied to the inability of competitors to imitate the reputation. Roberts and Dowling (2002) found that the value of a positive reputation is, "precisely because the development of a good reputation takes considerable time and depends on a firm making stable and consistent investments over time". Therefore, reputation is arguable the most valuable asset of any firm and thus worth protecting. Banerjee, Iyer, and Kashyap (2003) postulated firms that are under greater scrutiny from a broader stakeholder groups facing greater business exposure.

In addition, Post, Lawrence, and Weber (2002, p. 8) found that stakeholders is "those people and groups that affect, or can be affected by an organization's decision, policies, and operations". Øyvind Ihlen (2008, p. 136) from his research indicated that the organization's success depends on how it is able to manage its relationship with key stakeholder groups, such as customers, employees, suppliers, communities, politicians, owners, and others. Similarly, Werther and Chandler (2006) quoted that the stakeholder relationship occurs as a consequence of business activities and such groups might be local communities, the media, business support groups, state and local government, social activist groups and so forth. To ensure the organization's success, the company have "to keep the support of all these groups, balancing their interest, make the organizations a place where stakeholder interests can be maximized over time" (Freeman & Philips, 2002, p. 333).

According to Abdullah and Aziz (2011), however, defined CSR as a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments. Business in the Community (BITC) defined CSR as "a company's positive impact on society and the environment through its operations, productions or services and through its interaction with key stakeholders such as employees, customers, investors and suppliers" (Katsoulakos & Katsoulakos, 2006, p. 13). On the other hand, Carroll (1979, p. 500) states that businesses that practice social responsibility attend to "economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time". Hence, the CSR concept relates closely to its family terms such as corporate citizenship (Bowen, 1953; Carroll, 1979; Mason,

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