

# Chapter 15

## Corporate Social Responsibility in the Digital Age

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### **ABSTRACT**

*This chapter is about corporate social responsibility. Corporate social responsibility is defined as the actions and decisions taken for reasons at least partly away from the company's direct technical or economic interest. This chapter highlights the definition of corporate social responsibility, the objectives of corporate social responsibility, the benefits of corporate social responsibility, and the limitations of corporate social responsibility. The chapter concludes with some of the best practices.*

### **INTRODUCTION**

The ways companies interact with individuals have changed dramatically due to web based social media. At present companies are entering into virtual corporate social responsibility (hereafter CSR) dialogs where technologies like social media are used to ensure that the stakeholders can design and instrument CSR activities with the company. The main objective of firms' CSR efforts is to ensure that their reputation is maintained through well documented communicative practices (Aguinis & Glavas, 2012; Servaes & Tamayo, 2013). Social media is used by companies as a source of information dissemination since it takes less time to reach a greater audience with minimum cost. According to Cowen (2012) social media is being used by companies to communicate their messages and to establish a strong relationship with the various stakeholders, by doing that it helps companies to develop a competitive advantage in today's digital age. A survey conducted by SMI-Wizness Social Media Sustainability Index 2011, the results revealed that more than 287 prominent companies are using social media to communicate their messages and majority of the companies have their own blog, youtube channel that is committed to sustainability (Tetreanova, Patak & Kyrylenko, 2019; Du, Bhattacharya & Sen, 2010).

During the last two decades concerns about corporate social responsibility (CSR) have grown significantly. CSR is a circumstance where firm goes beyond compliance and engages in act that benefits the society (Cortado & Chalmeta, 2016; Lee, Oh, & Kim, 2013). The government officially recognized

DOI: 10.4018/978-1-7998-3201-0.ch015

that the environment, employees, and consumers as official stakeholders of national public policy. Accordingly, company executives had to fulfill their obligations and their commitments to an expanding group demanding both legal and ethical rights (Porter & Kramer, 2006; McWilliams & Siegel, 2001).

Media, Activists, and the Governments have become expert at making companies liable for their activities which has social consequences (Kesavan, Bernacchi, & Mascarenhas, 2013; Boyd, McGarry & Clarke, 2016). The rankings given by rating agencies on the performance of their corporate social responsibility (CSR) on the methodologies adopted by them are often questioned. Hence business leaders across each country are giving CSR a top priority (McWilliams, Siegel, & Wright, 2006; Cochran & Wood, 1984; Jamali, & Neville, 2011). Some companies have already taken a lot of precautions to improve the environmental and social consequences of their activities, even then their efforts have not fetched them much results because of two reasons. First, the business is pit against the society even though they are interdependent. Secondly, they force companies to think about CSR in accordance with their firm strategies. The current path to CSR are very disconnected and fragmented from strategy and business as to ambiguous many of the greatest opportunities for companies to benefit society (Carroll, 1999; McGuire, Sundgren, & Schneeweis, 1988). If companies evaluate their prospects for social responsibility using the same frameworks that guide their core business choices, they would act as a source of competitive advantage (Matten, & Moon, 2008; Carroll & Shabana, 2010; Lee, 2008; Rahman, Castka, & Love, 2019).

Companies by engaging in CSR activities can not only generate favorable shareholder attitudes, but also, over the long run, build a strong and credible brand image (Du et al., 2010; Fieseler & Fleck, 2013). An effective communication of CSR actions to investors increases their level of involvement and credibility with the company and turns them into company's advocate on social media. The communication through social media is more transport and helpful in shaping investors behavior including consumer (Nunes & Park, 2017). The latest developments in communication technologies and the revolution in the information technology have forced companies to use new communication strategies to express their important messages to engage investors (Galati, Sakka, Crescimanno, Tulone & Fiore, 2019). The traditional communication strategies are less effective in today's digital age. So, companies need to engage in consumer's conversations. Companies can express their CSR activities to their stakeholders and receive prompt feedback and have a dialogue with its stakeholders to build strong relationship.

## **BACKGROUND**

### **Definition of Corporate Social Responsibility**

Researchers and practitioners have been trying to define the term CSR (Corporate Social Responsibility) for the last 40 years. According to Davis (1967) social responsibility refers to the actions and decisions taken for reasons at least partly away from the company's direct technical or economic interest. Carroll (1979) defined CSR as the issues that occur when corporate enterprise casts its silhouette on the social scene, and the ethical values that govern the relationship between the society and the company. In 1971 three concentric circles was coined by the Committee for Economic Development to explain CSR (Manne, 1972). The outer circle "consists of responsibilities that business should assume to become more actively involved in improving the social environment" (Manne, 1972) The intermediate circle refers to the economic functions which companies must exercise in order to create awareness of changes which

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