

ROLE OF INTEGRATED CORPORATE SOCIAL RESPONSIBILITY APPROACH IN PROMOTING CORPORATE SOCIAL PERFORMANCE

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The concept of Corporate Social Responsibility (CSR) has a varied history. Over time the concept of CSR has received considerable attention from the academicians as well as business organizations. The extant research on Corporate Social Responsibility focuses on a range of issues, viz. introduction of policies, programs, making profit with social consciousness etc. It is important to go beyond introduction of CSR policies and programs and emphasize assessment of the same. Corporate Social Performance (CSP) is one such tool that requires firms to act and report the effectiveness of the program and policies implemented. The paper recommends a shift in ideology from just CSR to CSP for organizational performance. The paper further seeks to develop an approach to help organisations periodically measure the impact of their CSR activities on CSP as well as on the stakeholders. A framework linking CSR and CSP through Integrated CSR approach is developed. The framework will explain how stakeholder demand and communication system are two critical elements of Corporate Social Responsibility for developing an integrated Corporate Social Responsibility approach which also have an effect on CSP.

Key Words: Corporate Social Responsibility, Corporate Social Performance, Integrated CSR approach, Stakeholder demands.

Introduction

Giving back to the communities in which we live in is not a new concept for Indian organizations. There are a number of large Indian organisations that have made a mark through contribution to development of society, such as the TATA group and BIRLA group of companies, to name a few. These organizations have been engaged in societal development for several years. Engaging with activities focusing upon the “good” of the society benefits the society, but it also has an important role in improving corporate reputation, employee engagement and employer brand. Today, CSR has become an integral part of the business strategy of every organisation, be it the multinationals, Public Sector or the Private sector firms. The organisations are making every effort to engage themselves with the communities. The general belief among the public is that private companies are more engaged in the CSR activities than the public sector enterprises. The public-people-private partnership also known as ‘the golden triangle’ should be strengthened. Public sector companies like NTPC, NHPC, BHEL, BPCL etc. are taking many initiatives which are part of their CSR strategy. But, the social development process is not only the responsibility of government; rather every member of the society has to play a role in this process. Indian organisations need to know that in the environment of modern economic development, the corporate sector can no longer function in isolation. They must behave and function as responsible members of society, just like any other individual. It is very important to have a ‘social vision’ for the success of ‘business mission’. The CSR bill being mandated by the government is one such step to provide social values to companies.

These developments in our society have ensured that social responsibility of organizations becomes a reality. CSR and sustainability have started gaining huge prominence among the companies. The reporting mechanisms on corporate responsibility have increased thus emphasizing the importance of well-being, trust and ethics within the companies. Now it is time for organisations to understand the context and advance further towards an ethical structure which could potentially be helpful to add value to business and create sustainability.

Various metrics and measures have been developed to understand the social performance of corporations. But little effort is done to unlock the secret of achieving good business conduct. The companies must ensure that the ethics of the company is governed well and managed effectively. . Ethical performance is an effective tool to measure the impact of corporate responsibility and therefore organizations need to focus their attention on managing ethics and ethical conduct. Integrating CSR initiatives in business is one of the great challenges facing firms today. Societal stakeholders require much more from the firm than pursuing profitability and growth. CSR initiatives are discrete undertakings, intended to improve societal welfare and being supported by corporate resources (Bhattacharya, 2009). Porter and Kramer (2006) observed that the prevailing approaches to CSR are so disconnected from business and strategy as to obscure many of the greatest opportunities for companies to benefit society. They added that” the more closely tied a social issue is to a company’s business, the greater the opportunity to leverage the firm’s resources- and benefit society”. The implication is that companies should apply their distinctive strengths valid in their particular competitive context to select specific CSR initiatives.

Integrated CSR approach

The World Business Council for Sustainable Development defines CSR as “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workplace and their families as well as the local community and society at large”. CSR mainly considers the business and society relationship and also have a major focus on how the business behave with their key stakeholders, such as employees, customers, suppliers etc.

Among other dimensions of social responsibilities (Carroll.A,1991) philanthropy and ethics are the major ones representing the concept and evolution of CSR. Both philanthropic and ethical perspective of CSR has taken a strategic position in the firms today. Corporate philanthropy has evolved from charity, cash donations to more strategic philanthropy where donations are based on some theme which is related to the core business of the firm (Weeden, 1998). In the same sense, ethics have moved from mere compliance to laws and employment opportunities to a more productive approach where moral code of conduct and ethical culture are the norms of the firm (Nelson, 1996). Recently, there have been increased concern for the social consequences of the firm activities where the corporation besides financial and legal performance are required to move their focus on the needs of various stakeholders (particularly non-shareholding stakeholders) (Coombs and Gilley, 2005, Collison et al, 2008). The stakeholders presently are requiring companies to go beyond the notion of strategic philanthropy and international codes of conduct (Brien, 2001). The investors (stakeholders) want to see financial gains from the firm’s investment towards the

CSR initiatives. Amidst the economic crisis which has affected the business world, the concern for such CSR initiatives have increased, from the point of view of business benefits received from supporting the stakeholder demands (Chiu, Sharfman, 2009). The corporations are undertaking the demands of these diverse set of stakeholders including government, NGO's, community etc. and are also trying to enhance stakeholder company relationship. While few companies are responding successfully to these diverse stakeholder expectations, the majority are still struggling with these issues. The major problem which is being encountered is the 'misalignment between the business and CSR strategies and functions'. According to the review of the prevailing approaches, the companies take to CSR revealed that CSR is so disconnected and fragmented from the business strategy so as to obscure many of the greatest opportunities for the companies to benefit society (Porter & Kramer, 2006, p4). Such a fragmented approach of CSR in companies results in allocation of scarce resources in such CSR initiatives which provides minimal benefit to the beneficiaries.

There are two primary reasons for why the CSR initiatives have yielded only minimum benefits;

1. CSR managers are given a fixed budget and are encouraged to allocate these funds to various community based CSR activities, diluting the real benefits of those initiatives.
2. The projects on which the cash resources are allocated do not directly benefit the business objectives as it is unplanned and not connected with the non-financial assets of the company.

It is very important for the firms to understand the consequences of this misalignment and focus towards a more integrated and aligned approach of CSR with the business. According to Porter & Kramer, 2006 the economic objectives of the firm and the objectives of CSR initiatives should not be separate and distant. The companies shall not focus on the tension between business and society, rather must understand the interdependence between the two so as to initiate the CSR activities in their company specific strategies. This will strengthen the company and business relationship and will also discover that CSR can be much more than a cost, constraint or a charitable deed- it can be a source of opportunity, innovation and competitive advantage (Porter & Kramer, 2006).

Integrating CSR Initiatives with Business Strategy

CSR initiatives create value for the stakeholders in various ways, but since stakeholders are diverse and are unrelated, managing them effectively is a complex process (Gall & Rasheed, 2004). Company resources are scarce and should be invested carefully. Proper investment of resources to CSR initiatives requires the support of top management. People who are responsible for corporate governance (top management) must determine the priority of stakeholder groups to be considered. (Ruf et al, 2001, Van Beurden & Gossling, 2008).

The prioritized stakeholders must be linked with the preferred CSR initiatives for further implementation of those initiatives. Therefore, it is clear that adapting any new CSR activity can be a complex and risky process and not that easy and simple as assumed by the societal stakeholders. Accommodating any new CSR initiative effectively within the business operations requires paying attention to some process issues.

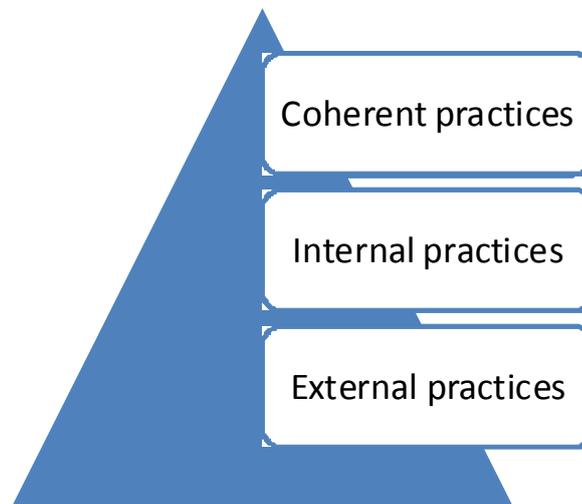


Figure 1: Different mechanisms showing integrating of CSR initiatives into organisation.(Source: *Integrating CSR initiatives in Business: An organizing framework, Journal of Business Ethics, Yuan W, Bao Y, Verbeke A, 2011*).

Only deciding on whether or not to respond to a variety of stakeholders does not solve the process issue, evaluating the ‘fit’ of CSR initiatives with the present business practices is very important. The concept of “fit” must be tested at three levels;

- 1) At the first level (Coherence) it is important to understand the consistency between the CSR activity and within the varieties of CSR activities during any given period of time.
- 2) At the second level (Internal) the internal consistency between an organisation’s overall strategy (prevailing business practices) and the CSR activity (recurring new activity)
- 3) At the third level (External) the consistency between CSR initiatives and societal stakeholder demands for particular CSR activities.

The above level of “fit” issues of CSR activities will determine the credibility and effectiveness of CSR initiative outcomes. Inadequate cross functional coordination and organisational barriers can lead to internal conflicts and ultimately weak performance toward achieving societal and corporate goals (Cordano, Frieze, 2000). The true value of deploying a sustainable strategy comes from ensuring that every element of a company’s business is considered.



Figure 2: Proposed Research Framework (self-made)

Meaning of Ethical Performance

In order to have a conceptual understanding of the term ‘Ethical Performance’, the researcher has conducted various pilot interviews to seek the opinion of experts. A semi structured interview had been constructed to allow a more open ended discussion on the issue of Ethical Performance. Also, a series of statements were presented to experts to describe the importance of Ethical performance in firms.

The term Ethical Performance is not new or something never heard of before earlier. Rather, it has never been adapted in such a way by the Indian organisations which can create value for them. The present literature available in this subject has also not emphasized much about Ethical Performance, lacking the meaning and understanding of this issue in Indian context. Therefore, the researcher’s main task in the pilot interviews was to give clarity about the meaning of Ethical Performance through;

- Identifying the major dimensions of Ethical Performance
- Understanding if CSR, adds value to Ethical performance
- Understanding the relation between social performance and ethical performance.

DIMENSIONS OF ETHICAL PERFORMANCE

Regarding Ethical Performance of firms the general belief which emerged among the experts was that it can only be achieved through the support of top management within the organisation. According to few experts there are some practices which need to be followed for attaining Ethical Performance that is at the first level the firm should adapt complete and transparent practices towards its own people. At the second level, the firm should consider Human Rights while implementing any change.

While there was an expert who believed that “Ethical Performance can be understood at the superficial level as well as below the ocean, that is, one is the tip of the ice-berg and the other is what is causing the tip of the ice-berg”. So, we are searching for Ethical Performance at two levels. Ethical performance is more at below the ocean level. That is, we must find more factors at the causes to make Ethical performance sustainable for long term. Ethics is immediate effect, but Ethical Performance is a long term programme.

The overall picture that emerged for Ethical Performance can be summarized as follows: The ethical performance of firm requires top management commitment to ensure stakeholder satisfaction, firms should not compromise profits for ethics, rather, they should ensure right things to do at all levels for right profits, and should strive for quality of things through ethical practices of transparency and honesty because they believe the biggest threat to Ethical Performance is unethical practices.

While explaining on the term Ethical Performance the experts identified the following as the major dimensions;

- **Organisation value system** – organisation goals are built upon the identified values of a company, and these values / value system is directly responsible for a company’s success. For this reason, if company is impending to perform ethically the organisational leaders have a responsibility to develop the necessary environmental inputs needed to adequately produce the Ethical Performance. So, the experts believe that for Ethical Performance, “ethics should come within the organisation value system which will develop the core values, code of conduct and culture of the firm to disseminate the ethical values throughout the organisation and facilitate ethical interaction between people, process and environment”. They believe “Ethics is full of dilemma; it can only be attained through proper structuring of organisations”. The mind-set of employees is influenced by Organisation Value System, which comes through their transparency and communication methodologies.
- **Personal value system** – as these are a set of principles or ideas that drive/ guide individual’s behaviour. The firms must consider the personal values held by the employees and measure them for the purpose of ethical integrity. A personal value system is held by and applied to one individual only. The personal value system derives self-satisfaction which can make employees happy and ethically responsible. Ethical or ideological values must be embedded in the personal value system of the employees to attain Ethical Performance.
- **Environmental and Regulatory laws** to which compliance is done – the society as a whole uses the political and legal process to specify what people can and cannot do. So, these laws can also specify what sanctions or punishments will follow if those laws are broken. The laws therefore can govern the ethical performance of firms by providing them with the decision about how to behave / perform in certain situations.
- **Human relations** – the organisations must commit themselves to the objective of providing their employees with all aspects of satisfaction, empowerment, and engagement so as to promote professional and ethical behaviour. It will also help them to see development and maintenance of good HRM practices throughout the organisation.

- **Sustainable practices** – organisations must strive for developing sustainability business practices as it is not only critical to the future of the company but also for the benefit of the future generations. Through these, the employees are guided by strong set of ethical principles.
- **Incorporating change** – creating an ethical workplace requires more than simply preventing the widely agreed upon wrongs such as lying, stealing, violent behaviour etc. Promoting ethics in firms requires incorporating change in thinking patterns; also an ethical firm tries to align itself with the spirit not just the word “ethics”. The firm should do the right thing because it is right, benefits aside.
- **Work life balance** – in order to encourage high ethical standards within the organisations, they must first have to provide an environment that is conducive to ethical behaviour. The organisations must not only have politics in place to endorse Work life balance but they must create a culture that advocates these initiatives as Standard Operating Procedure.
- **Actionable goals** – actionable translation of goals improves communication and promotes exchange of ideas which is very helpful to promote ethical outcomes in the firm. The translation can be done at two levels i.e. cognitive and affective. Cognitive domain focusses on immediate topic and revolves around knowledge, comprehension and application. Affective domain describes the way people react emotionally and targets the awareness and growth in attitude, emotion and feelings.
- **Due diligence to work only** – the expert believed that ethical conduct should be part of everybody’s day to day work. They believed that ethics is basics to start and without which nobody can excel in their work. Ethics is not only for specific issue rather it should be a vital component of one’s work. So, the general belief was that, to expect ethical performance one must give due diligence to their work only.

The above section can be summarized as: Ethical performance cannot be attained only through company policies and procedures. The process need to be more voluntary and internalised. It is only possible when the organisation influences the employees with their values and beliefs. The value system of the individuals must find place and should be channelized properly in the work culture. As we understand, that to perform ethically, employees need a conducive working environment which can promote creative thinking and help organisation adapt new practices. Almost every expert believed that for promoting ethical performance organisations must adapt sustainable business practices such as energy conservation, water conservation etc. which focusses on long term growth of the company as well as the employees.

Role of CSR Activities in Creating Ethical Value for a Firm and Society

CSR Activities

Societal stakeholders require much more from the firm than pursuing profitability and growth. CSR initiatives are discrete undertakings, intended to improve societal welfare and being supported by corporate resources (Bhattacharya, 2009). Porter and Kramer (2006) observed that the prevailing approaches to CSR are so disconnected from business and strategy as to obscure many of the greatest opportunities for companies to benefit society. They added that” the more closely tied a social issue is to a company’s business, the greater the opportunity to leverage the firm’s resources- and benefit society”.

The general belief that emerged was that CSR does not have any direct relationship with ethical performance. But, if organisations follow ethical practices the CSR can add a different value to the firm which can definitely influence the ethical performance of firms. So, it is very important that at the first level the organisations take effort to follow transparency and be ethical in their practices. It can follow introducing CSR practices at the second level which can create meaningful reasons for employees to practice them. These reasons will help organisation attain their ethical performance.

According to the experts interviewed the various viewpoints that have emerged regarding CSR creating ethical value for a firm are as follows;

■ CSR can create satisfaction, engagement, but not necessarily it can create ethical value out of it. CSR in itself does not have any direct linkage with ethical value.

■ CSR within organisations gives an indication that all the decisions of that organisation should be socially responsible. While saying that it incorporates fairness and conformance to law. Sometimes it may be possible that the behaviour may not seem to be fair but apparently it has to seem so. Hence, fairness being one of the important components of the Ethical Performance is coming out of the socially responsible context rather the ethical context.

■ CSR activities are action measures of maintaining ethical values. It is believed that the more organisations will engage in CSR activities the ethical reputation of the company will also increase in the same pace. Few experts believed that CSR activities do have a component which can influence the employees to an ethical mind-set.

■ One of the expert asked “How do organisation understand the ethics of employees and other stakeholders?” Ethics is a very subjective and individualistic concept making it very difficult to measure and generalize it for all. Most of the experts believed that organisations do have hidden practices, which would not definitely suffice the accepted moral norms of society. One of the expert said “without compromising profitability if the organisation sets the practices which are transparent – the organisation can be ethical”.

■ CSR is definitely related to Ethical Performance, if CSR practices are designed with such transparency, justifications and commitment that employees are convinced to learn that organisations are doing something valuable beyond profit making and in the interest of the community at large. The experts also believe that the CSR practices should be introduced at all the levels of the organisation to allow the participation and involvement of every employee while being socially responsible.

■ CSR activities certainly have a positive impact on the firm. The firms undertaking various social activities like – donating to an orphanage, creating awareness etc. may be a marketing strategy and not CSR. But, only few experts believe that as long as the firm is involved in doing something good for the society in the interest of the society as a whole it adds value to the organisation.

■ The experts believed that companies must justify their reasons to take up CSR as to return to the society many times than they take from the society rather than something as an obligation to meet the societal needs as they are operating in that community. CSR activities are the first step to be ethical in the

workplace. But, the organisations must prove themselves to their employees through their believe in leadership, gaining faith from them by setting examples, having dialogues with employees to remove ambiguities, selecting the initiatives properly, do just right things without considering the benefits. These can definitely help employees be aware and participate voluntarily in various social initiatives. Participating into CSR activities will surely influence the mind-set of the employees and make them more ethical towards their performance.

- Achieving Ethical Performance through CSR, is effective at three different levels;
 - ◆ One is how stakeholder is revealing it and how it is being given.
 - ◆ Secondly, how the beneficiary at the other end is receiving it.
 - ◆ Amidst the two, there is an intermediary who facilitates the process. That is, the NGO’s who implement this process with proper expertise.

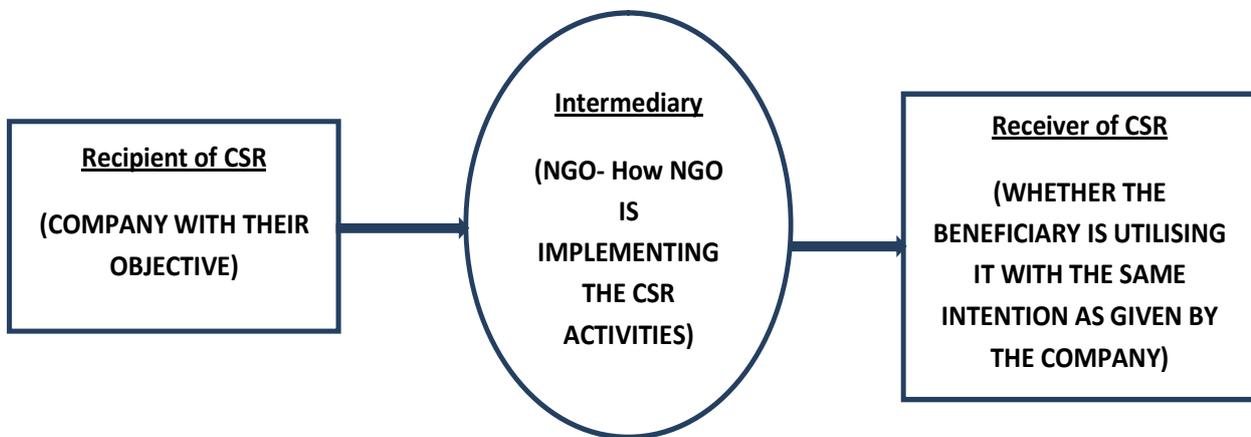


Figure 3: Ethical Performance through CSR changes its definition at these three levels (self-made)

Thus, at the end the discussion on this topic can be summarized as; Indian organisations need to have many deliberations to standardize what is termed as Ethical. Being ethical should not come with stick and rule rather it should come from within, meaning that the practices should be internalized. If the company is following the right practices, it will never go beyond ethics and will always attain Ethical Performance. Mostly, the experts agreed that the company’s core values suggesting right ethical practices will initiate good CSR activities which will definitely make Ethical Performance happen. Almost every expert had a belief that in India, the philosophy of CSR is very different; it is more of doing philanthropy rather than doing right things. So, at the very first outset, the philosophy must be changed to doing right things at all levels for right profits. With this philosophy in CSR, Ethical Performance can surely be attained. Most of the experts argued that there should be something through which a sense of ownership can be created within the employees to increase their commitment towards Ethical Performance. A sense of ownership towards CSR activities can only be possible if employees are aware about the various CSR initiatives and have developed a positive attitude towards sustainability practices of the firm. Mostly, experts agreed that all these can be channelized through proper HRD focus on the issue of CSR and sustainability to attain Ethical Performance. The experts concluded by saying that companies must be very careful while selecting the initiatives. Brainstorming discussion with the local RWA’s, and other mechanisms must be used to ensure that the initiatives leave an impact on the society.

Factors supporting the definition of ethical performance

A series of factors were presented to the experts to describe how much each one of them supported Ethical performance. The factors listed were identified through a review of various research papers and magazines. For each factor, there were five response categories, viz, “Not at all”, “Sometimes”, “Neutral”, “Often”, “A great extent”. The summarization of the expert responses for the listed factors is given below.

S.NO.	Ethical performance depends on;	Not at all	Sometimes	Neutral	Often	A great extent
1	Code of conduct	0	0	10%	20%	70%
2	Ethical leadership	0	12%	0	20%	68%
3	Organisation Culture -(promoting Learning and sharing of knowledge).	0	8%	15%	17%	60%
4	Governance	0	10%	18%	32%	40%

Table: Factors supporting Ethical Performance

The above table gives us an understanding of the concept of Ethical performance. Most of the experts interviewed were of the opinion that a moral code of conduct, or we can say a sense of moral principles and moral science is very important for Ethical performance. The organisation must make efforts to formulate these moral codes of conduct and must also emphasize its proper implementation to avoid unethical practices and promote sustainability further. They believe ethics is all about awareness of moral standards and rules and should be properly integrated within the business objectives of the firm for better performance. The experts viewed code of conduct as one of the dimension of organisation values and thus considered it very important. They argued that “whatever is there in the culture gets a physical shape through Code of conduct”. Regarding other parameters of Ethical Performance the general belief that emerged was that there is a need for leaders to practice *ethical leadership* and better manage ethical behaviour in organisations. Mostly all the experts have considered ethical leadership as one of the most important factors to promote ethical performance of firms. Ethical leadership involves traits such as integrity, honesty and trustworthiness which make them a moral manager to promote ethical performances of firm. The opinion of the experts was split on the factor of governance. Few of the experts believe that control or rule cannot reinforce ethical energy within the employees as it is more of an internal process. But, many experts also believe that a certain amount of regulatory laws must be imposed to decide their framework of operations and accountability of tasks. Few experts also identified that to be ethically strong a firm needs to have *good culture of learning and sharing of knowledge* to increase employee belongingness towards organisation values, culture and system. It was also agreed that through learning and sharing of knowledge employees can understand each other better and may develop interdependency among themselves which may foster good human relations and implement ethical practices.

From the above, it is evident that the two most important factors apart from ‘Moral code of conduct’ contributing towards the concept of Ethical performance are ‘Ethical Leadership’ and ‘Organisation Culture’. Both these factors signify the importance of regulatory bodies and organisation culture in promoting Ethical performance and Sustainability.



Figure 4: Practices promoting Ethical Performance (self-made)

As it is clear from the above that mostly experts agree that if Business is taken in the right spirit by attaining the social responsibility without compromising on the right profits can have a positive link to Ethical performance. It is followed by Ethical leadership and Sustainability concerns. There has to be a belief in the leadership of employees to promote ethical conduct. It is only possible if the leaders practice ethics and display high level of trust, integrity in their participation of various activities. Sustainability is of highest concern these days in almost every organisation. We can see that every other organisation is releasing their sustainability reports telling how much important are these factors and how the firm is having an impact on the Triple Bottom Line. Firms must always strive for sustainable practices as it is ensure long term Ethical performance. Ethics and social causes can only be taken seriously if it finds place in the structure of the organisation. More has to be done than mere verbal commitments. Organisations should not only structure the ethical and social concept within the organisation but should also give financial commitments for effective implementation of those policies. However, few experts also feel that all the employees across levels must be given equal chance to be aware and participate in the various activities organized by the firms. This level of awareness and equal participation can definitely promote Ethical performance within firms.

Ethical performance however is not a one practice shot but a series of efforts and actions but these practices can surely guide organisations to lay the foundation stone for improved Ethical performance and also for being socially responsible.

Major findings of the preliminary study

1. Ethical performance is characterized by moral code of conduct, ethical leadership and a cohesive organisation culture in interpersonal and professional relationships of firms. Ethical performance understands the importance of learning and sharing of knowledge within individuals and group of people. The definition considers the inclusion of moral principles, rules as a key component. The ethical duties of a leader with respect to practice and professional service is given due importance.
2. Ethical performance measures how well the code of conduct has been able to transfer the organisation values into the personal value system of employees considering it as the fundamental dimension of Ethical behaviour.
3. Ethical performance can be defined as the process in which leaders adapt ethical practices and enforce the implementation of necessary laws to govern the organisation values, beliefs and culture for securing the organisation integrity. The organisation integrity and ethical performance share a proportionate relationship giving scope to organisation learning and knowledge sharing with good employee relations. So, the above can be summarized below in Figure2.

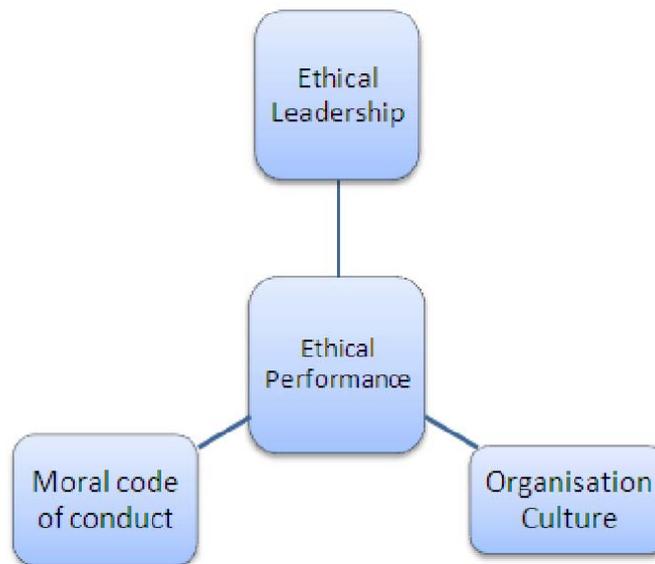


Figure 5: Main components of Ethical Performance.(self-made)

4. Ethical performance and Social performance are both interrelated. Ethics invariably includes the social issues and solve them. Companies must always strive to be ethical by following right business practices with right profits at all levels; compromising profits for social responsibility will never allow businesses to be ethical. CSR activities influence the mind-set of employees towards being ethical and are considered as the first step for expecting the outcome of ethical performance. However the discussion is split in this issue as few identified no direct linkage but through Ethical and right business spirit the CSR activities get improvised which then attain to Ethical Performance of firms. This point can be summarized below in Figure 3.

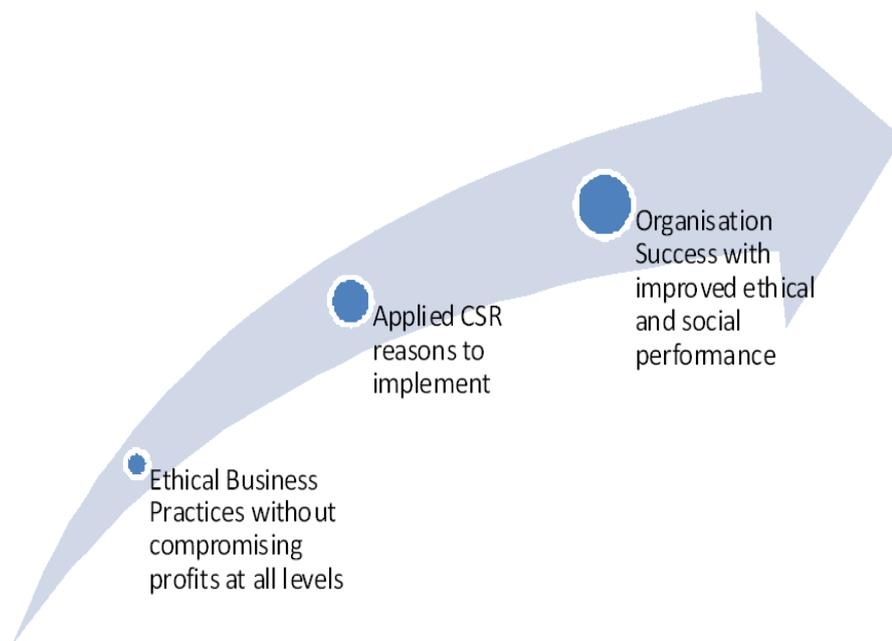


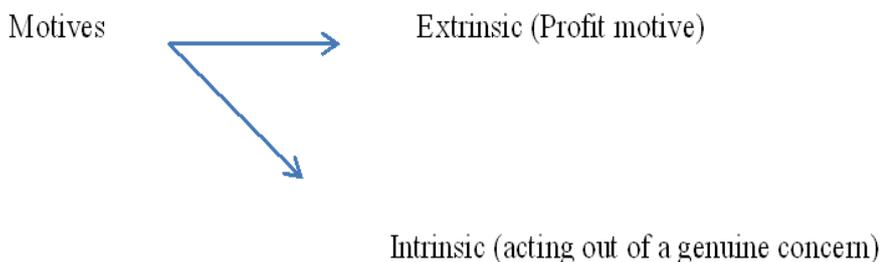
Figure 6: Linkage showing how CSR activities create ethical value.(self-made)

As an understanding derived from the preliminary findings of the study, we came to know that moral code of conduct is one of the most important factors influencing the ethical performance of firms. But the importance of Ethical leadership and Organisation Culture promoting “Learning and sharing of knowledge” cannot be ignored in the process. Besides following some rules, codes and confirmatory issues Ethics can be attained through mutual understandings, interdependency and followership making it more of an inner commitment which can result not only into an ethical but a sustainable performance for firms. The component learning and sharing of knowledge is an action which is only possible if the organisation culture supports the same, citing Organisational culture as one of the four important factors for Ethical performance. Therefore, in this paper Ethical leadership and Organisation culture are the two factors which will be considered not only as an important factor for Ethical performance but also as an important component of Sustainable Development.

Stakeholder demands

Stakeholders respond to CSR initiatives based on the degree to which the individuals derive personal benefits as a result of the company engaging in CSR activity. Stakeholders hold various perceptions about CSR initiatives few of them can be;

1. An important aspect of stakeholder perceptions of CSR initiatives is the degree to which initiatives are seen to be effective in benefitting the society.
2. Second aspect of stakeholder perception of CSR initiatives is ‘Attributions’. According to research, stakeholders respond to CSR based on motives they attribute to the company’s involvement in social responsibility initiatives.



Stakeholders are tolerant of extrinsic motives as long as CSR initiatives are attributed to intrinsic motives as well. According to Carroll, “there is a natural fit between the idea of CSR and an organisation’s stakeholder. The concept of stakeholder personalises social or societal responsibilities by delineating the specific groups. Referring to the work of Jones & Wicks (1999) these authors have listed four main pillars as the core components of stakeholder theory and they are;

1. The firm has relationship with constituent (stakeholder) group.
2. The processes and outcomes associated with these relationships are of interest.
3. The interest of all legitimate stakeholders has value.
4. The focus of stakeholder theory is on managerial decision making.

The above points clarify the fact that not only stakeholders are the group of people who have interest in the organisation activity but also that their presence is very important for the long term survival of the organisation. The authors above have also stressed that stakeholder approach does not aim to shift the focus of firms away from marketplace success to human decency but to come up with understandings of business in which these objectives are linked and mutually reinforcing.

Maintaining stakeholder relationships is very important for the organisation as the stronger and enduring the relationship is, the greater will be the returns from the CSR initiatives for the organisation (Wadelock and Smith, 2000). Stakeholders can be defined as “individuals and constituencies that contribute, either voluntarily or involuntarily to the firm’s wealth creating capacity (Donaldson & Preston, 1995, Freeman, 1984). It is argued about the viability of the stakeholder approach as it emphasizes more of social goals as compared to the sound business objectives (Vinten, 2000). But, the stakeholder theory does not deny the profitability objectives, rather widens the shareholder model by recognising the legitimate shareholders and their rights (Hummels, 1998, Emiliani, 2011). Stakeholders form relationships with the company as they are interested in the company benefits and invest their resource to contribute to the wealth of the organisation for future growth and benefits (Donaldson & Preston, 1995). Therefore, it is very important to understand how stakeholders can improve company performance. Therefore, one of the major challenges of managers is to strengthen this stakeholder – company relationship through some company policies and activities. It is the reason behind including a range of benefits valued by the stakeholders besides generating profit.

In this paper, we try to indicate that the quality of stakeholder – company relationship is improved if the stakeholder’s benefits are considered from a strategic point of view. The extant literature suggests that CSR benefits strengthens the relationship more (Bhattacharya, Korschum, Sen). We propose that not only a CSR approach but an integrated CSR approach which directly finds a place with the business strategy of the firm can result in better stakeholder perception. This perception will influence their acceptance of CSR initiatives from an ethical perspective and will result into an ethical performance strengthening the firms’ social performance. It is important to understand the different stakeholder groups that firms interact with. Stakeholders can be differentiated as;

1. Primary stakeholders
2. Secondary stakeholders

Primary stakeholders are those who are essential to the operation of the business and secondary stakeholders are those who can influence the firm's primary stakeholders (Freeman, 2008). The moment the firms and the managers define and accept responsibility and obligations to primary stakeholders, and have recognized their claims and rights, they have entered the domain of moral principles and Ethical Performance whether it is known to them or not (Clarkson, 1995). Moreover, when the CSR activities are integrated with the core business strategy of the corporation, it is clear that profit is not the only motive of the firm making stakeholder management very important. When the stakeholder issues get connected with the business strategy, the managers deal with them directly and with great concern of ethics and moral principles just as any other matter of strategic importance. Thus, integrated CSR approach strengthens the stakeholder perception of CSR initiatives of the firm and influences their ethical performance to improve the social performance of the corporation. Secondary stakeholders do not typically engage in transactions with a company and thus are not essential for its survival. E.g. - media, trade associations and special interest groups. Both primary and secondary stakeholders embrace specific values and standards that dictate what constitute acceptable / unacceptable corporate behaviours.

Stakeholder Orientation

The degree to which a firm understands and addresses stakeholder demands is referred to as "Stakeholder Orientation". This orientation comprises three sets of activities;

1. Organisation wide data about stakeholder groups and assessment of firm's effect on these groups. Through this, relevant stakeholders will be identified.
2. Distribution of this stakeholder information throughout the organisation.
3. Organisation's responsiveness to this intelligence. It includes activities the firm adapts to ensure stakeholder satisfaction.

Ethics and stakeholders

Ethical issues, concerns and successes revolve around relationships. Building effective relationship is considered one of the most important areas of business today. A business exists because of the relationship between the stakeholders. These relationships are not only associated with organisation success but also with organisational misconduct. The unethical issues arise mainly due to the conflicts in values and belief patterns about right and wrong between and within stakeholders. Stakeholder framework allows a firm to identify, monitor and respond to the needs, values and expectations of different stakeholder groups. Not only, the stakeholder groups can influence the business, but the stakeholders also have the ability to influence the business. Thus, the relationship is two-way.

From the social responsibility perspective, business ethics embodies standards, norms and expectations which reflect a major concern for the stakeholders. Stakeholders have a high concern about what is fair, just or about stakeholder respect and rights. Therefore, companies must set standard of ethics in their

activities and businesses which can reflect that business cares about the well-being of stakeholders. Firms must include ethical concern in their fundamental values and incorporate ethics in their business strategy. An ethical performance of firms will enable to identify significant ethical issues in business thus promoting maximum stakeholder satisfaction.

By saying 'Business' and 'Social responsibility' unintentionally we promote the idea that the two are separate and involve discrete thought, processes and activities. The very first challenge of the business is to promote business in a way which integrates societal needs concern to further promote 'ethics' in the organization. While creating value for the stakeholders, acknowledging ethics and values are very important. The stakeholder relationship with the company enhances and the CSR becomes superfluous in the firm.

CSR communication

Messages about corporate ethical and socially responsible initiatives are likely to evoke strong and often positive reactions among stakeholders. According to various studies, it is often said that there are potential business benefits of the internal and external communication of CSR efforts (Maisnan, 1999). CSR needs to be communicated effectively by the organisations such that people within and outside the organisation is aware about the activities of the organisation. Communication is important because discourses construct reality as they are constituted by the specific firm and is productive, also they may be used for the purpose of enhancing or legitimizing a particular interest such that they are established as facts (Foucault, 1977). CSR communication can be defined as 'a process of communicating the social and environmental effects of organisation's economic actions to particular interest groups within society and to society at large (Gray et al, 1996). So, for organisations to ensure that they are known as a responsible organization not only engaging in CSR is enough but also communicating their CSR activities is important.

According to literature, the more an organization exposes their ethical and social ambitions through standard communication reports, the more likely is the chance to attract critical stakeholder attention (Ashforth & Gibbs, 1990, Vallentin, 2001). Companies must make sure that the communications are based on reality rather than what the stakeholders would like to hear. One should be consistent in the level of transparency and follow up information disclosed depending on situational changes from time to time. It is very important to overcome the information needs of the stakeholders for their effective support in the business. To maintain proper stakeholder orientation companies must undertake this challenge of effective CSR communication. However, it is argued (Mastrandonas et al, 1992) that in the past, companies did not produce information which met different stakeholder expectations because there was corporate reluctance to expand communications with outsiders beyond legally mandated reports. But, today CSR communication should reflect the stakeholder concern and it is considered one of the key elements for an organization to improve its sustainable performance over time (Harrison, 1992). Sustainable CSR communication is considered a results driven process to be used by the organization wishing to benefit from the criterion of long term relationships with the firms' stakeholders (Harrison, 1992, Sobnosky, 2001).

It is important to develop an integrated CSR strategy to promote further sustainable CSR communication. If the organization does not pursue an integrated CSR approach, it loses the ability to reduce risk costs, brand value and profit which are associated with effective CSR communication.

Corporate Social Performance (CSP)

CSP reflects a search for social legitimacy through processes of appropriate responses to stakeholder concerns (Garrisa and Mele, 2004). Stakeholders are providers of legitimacy but they can just as easily withdraw it. Various types of stakeholders place different CSP demands on the firm and vary up to the extent in which they care about CSP (Mackey, Mackey & Barmer, 2007). The more those stakeholders would actively agitate for CSP, the more likely it is to occur (Campbell, 2007). However, there are various activities which stakeholders can use to create pressure on the firms to more actively engaging into CSP activity. One of the most important factors of stakeholders which persuade them to take up CSP activity is the visibility of the stakeholders. Stakeholders become visible to the organization through their CSR communications and reports. The more a firm is into reporting practice, the more will be the stakeholders demand to engage in CSP activity. In the early sections of this paper we have discussed the importance of sustainable CSR communication and its effect on stakeholders. So, it is further argued that firms that are more visible to a higher number of stakeholder groups are more likely to allocate internal resources to CSP than firms who face a lower number of stakeholder groups (Chiu, Sharfman, 2011). The increased expectation from stakeholders motivates firms' managers to perform more CSP in order to address the pressure from important stakeholders.

Method

Although the model proposed in this paper is based on theoretical review of papers. It still needs refinement. The paper was an attempt to emphasize the importance of integrated CSR approach in firms today, the understanding of the concept Ethical Performance and its importance and also reflecting the role of stakeholders in improved organisation performance. However, empirically the constructs have not been tested. Therefore, the proposed framework forms a preliminary study for investigating further relationships between the constructs within a specified scope.

Conclusion

To address the pressures of stakeholders, companies have spent significant resource on CSR programs, which would also have some impact on firm's financial performance. But, the extent to which these CSR activities improved financial performance will not be known and also the real benefits of CSR practices will not be unleashed unless the organisation adapts an integrated approach to CSR and aligns the CSR activities with business strategy. The conceptual development and incorporation of Ethical Performance will further improve the social performance of the firm. Ethical performance and effective CSR communication will provide a distinct stakeholder orientation where firm understands and addresses the stakeholder demands. Stakeholder satisfaction through ethical values, standards and norms along with the high visibility of organisation facts through communication reports increases expectations which motivates firm to engage into more CSP activities. Investing in CSP may help the firm develop new competencies and resources in future.

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