CORPORATE SOCIAL RESPONSIBILITY IS A VITAL BUSINESS MODEL FOR CORPORATE SUCCESS

Michelle Neeck
Saint Leo University

As business becomes more than just a means to make a living, but something that affects our lives from the moment we wake up till the moment we drift off to sleep there are practices and ethics that will go on challenged and unchallenged. Over the past century there has been an outcry in the way business is conducted and what role it should or shouldn't take. At the turn of the century robber barons were regarded with distrust and fear, many of these businessmen ruled with an iron fist to drive the American economy into prominence with little or no regard for those that stood in the way. After World War 2 many countries felt the economic hardship and a new business model was required. Consumers wanted brands they could trust and were the exact opposite of the tycoon businesses that ran wild and unregulated. As the millennium approached business again began to evolve in a most peculiar way, no longer did consumers want businesses to offer them quality products, but now many consumers wanted to know what where these businesses doing for the community. In business the world is not viewed as round in the scientific sense, but flat and easily accessible and easily influenced. Companies began having a greater effect on the world around them and their business practices and monetary worth were not going unnoticed by the public, out of this, the idea of corporate responsibility was born. Corporate social responsibility as defined by Argenti states "Is a corporation's social and environmental obligations to its constituencies and greater society." (Argenti, 109)

Corporations are no longer being looked at as intangible concepts, but rather have taken an almost human like persona. Corporations are now viewed as doing good or bad, knowing right from wrong, and because the general public or constituencies have now come to view business with human like characteristics with a moral compass and therefore should be subjected to the same type of judgment, moral standards, and responsibility. The corporal view of a business is a current perception and to the likes or dislikes of many large corporations does not look like this view is going to be changing within the next decade, so in order to be successful companies must develop plans to be more socially responsible. Many corporations have enlisted help from other companies or employees with strong communication or environmental backgrounds to remain conscience of what consumers are looking for in a
company and because of this willingness to invest corporate social responsibility many companies have found loyal consumers and steady profits. A company's success in the modern economy depends largely on the amount of corporate social responsibility a business is willing to acknowledge, promote, and take action on to ensure profits for its constituencies and moral obligations towards its consumers.

The effects of corporate social responsibility on a company’s success have garnered a wide variety of attention from many different academic journals over the last decade as many consumers are choosing to purchase products from companies they believe not only offer quality goods, but give back to the community as well. Recently, an article has been published in the Journal of Business Communication by Line Schmeltz, a professor at Aarhus University, entitled Identical or Just Compatible? The Utility of Corporate Identity Values in Communicating Corporate Social Responsibility explores the relationship between two different studies of corporations embracing corporate social responsibility and adjusting their business model and its impact on the companies. Schmeltz first explores the notion that corporate social responsibility cannot take place if it is not currently present in the corporation's identity, indicating that unless has established itself as socially responsible from the beginning there is very little chance for success in order to maintain this type of identity with constituencies. Schmeltz explains further that in order to establish corporate social responsibility in the identity of the company it is best executed under what Schmeltz identifies as the CSR Implementation and Communication Model. (Schmeltz, 243) In the Implementation and Communication Model three stages exists in accordance to the level of integration between a corporation and its link to social responsibility. In the first stage known as the ‘Caring Stage’ in which corporate social responsibility exists, but is completely separate from the company's other activities. The second stage is referred to as 'Strategizing Stage' in this stage more integration exists between corporate social responsibility and other activities, but there is still a distinct separation between the two. The final stage of the model is labeled 'Transforming Stage’, this stage is the pinnacle that all companies should strive for because this is the only stage in the model that not distinction exists between corporate social responsibility and other corporate activities, the identity of the company includes its corporate social responsibility work and the more transparent the communication between stakeholders and other constituencies is on the notion of corporate social responsibility. (Schmeltz, 243) Taking this model Schmeltz went a step further and applied this outline to six different Danish
companies. The companies that were chosen came from a variety of backgrounds and had been in business for at least 50 years and all claimed to be willing to embrace the concept of corporate social responsibility. The study conducted by Schmeltz analyzed each of the company’s mission statements, values via the corporate website, where most consumers and stakeholders would look to find information on the company’s social role. The mission statements were then tested against Schmeltz’s model to determine how integrated was corporate social responsibility within the company. Subsequently interviews were conducted with managers from each of the six companies who were in charge of carrying out corporate social responsibility to further analyze the depth that corporate social responsibility had within each established business. Schmeltz found that after much data collecting and analysis many of the companies had as Schmeltz calls it ‘fragmented’ approach when it came to corporate social responsibility. (Schmeltz, 246) When categorizing each company based on the Implementation and Communication Model many companies fell within the Caring Stage which suggested that the idea of corporate social responsibility was a distinct part of the business and there was an obvious lack of integration despite all six companies stating that the emerging role of corporate social responsibility is something their respective companies have embraced. Clearly, the ability of a company to fully integrate corporate social responsibility into its mission poses a great challenge to many companies; the ability to seamlessly provide stakeholders and other constituencies with a mission statement and actions that are both profitable and socially aware is an issue that will plague most companies if they do not act quickly. The ability to adapt corporate social responsibility into a business’ mission statement will be an essential skill to continued success for all types of business endeavors.

As many companies struggle to stay competitive in an ever changing market where consumers and stakeholders are quick to act to make important impactful decisions about which companies they choose to do business. As a result, businesses often find themselves questioning what type of business practices will attract most consumers. Recently businesses have found that the growing desire to purchase from a company that is socially responsible is a factor in choosing which companies do business with, but this new business model is not easy for companies. Recently managers wanted to know how much if any impact is made by a company that advertises its role in corporate social responsibility. A recently published article in The Academy of Management Perspectives proceeded to determine if there was a positive, negative, or no impact on companies that used corporate social
responsibility and how leadership within the company impacts the relationship and outcome of corporate social responsibility. In the previous statement authors Christensen, Mackey, and Whetten in their article *Taking Responsibility for Corporate Social Responsibility: The Role of Leaders in Creating, Implementing, Sustaining, or Avoiding Socially Responsible Firm Behaviors* state that a small, but positive link does exist for companies who choose to implement corporate social responsibility in the work place, but what the authors have determined is that a company that implements corporate social responsibility will only see this positive trend if the individuals within the company who are in charge of the actual process of creating corporate social responsibility policies and not the company as a whole are truly the ones that create a positive relationship between corporate social responsibility and profits. Hence, the focus on leadership within the idea of corporate social responsibility is what really drives a company to success. According to their research Christensen, Mackey, and Whetten found that companies whose CEOs had been influenced by personal service such as missionary work before their career with the company found the company to have a stronger corporate social responsibility model than those companies that had developed a social responsibility model after the creation of the company. Furthermore, the authors suggest that these early traits or predispositions to corporate social responsibility are long lasting and the personality traits of the leader will have an effect on the attitude and vision of the company and other employees. Therefore, in order to enact corporate social responsibility throughout the company it is imperative that the individuals responsible for policy making and implementation possess quality leadership traits that are positive in nature and are more likely to induce corporate social responsibility behavior because of the willingness of other employees to work and carry these policies based on effective leadership. Corporate social responsibility can have a lasting impact on a company. Regardless of what the company chooses to implement social awareness from the conception of the company or if they choose to expound upon it later in the company’s life. Leadership and other outside forces can affect how much or how little corporate social responsibility plays a part in the company, but what is steadfast is the continuing success companies are experiencing with the openness to corporate social responsibility.

Corporate social responsibility is not just a business phenomenon occurring within one country, but it is happening on a global scale. Countries from all over the globe are experiencing a greater need of social and ethical responsibility from their constituencies as there is a growing general awareness that the natural resources of the Earth are in dire need of maintenance and renewal in order to sustain such a large population. Australia is one such country that is experiencing the need for its businesses to become more socially responsible. In the journal article
Corporate Social Responsibilities: Alternative Perspectives about the Need to Legislate, authors Deegan and Shelly have brought to light the notion, should corporate responsibility be legislated. Deemed to have fallen behind when it comes to corporate social responsibility, the question being raised by the Australians is should the government take a more active role in demanding that companies become more proactive in being social responsible by preserving the environment and following ethical guidelines. Deegan and Shelly conducted research into this provocative question by analyzing the responses of more than 200 submissions by various groups including corporations, individuals, and nongovernment organizations and the results varied. Many corporations felt that the government should not regulate the need for corporate social responsibility that it should be up to the company if they chose to participate in such causes and how much resources they should use on this particular paradigm. In contrast, many consumers and other constituencies agreed that companies should be regulated and held accountable for some measure of corporate social responsibility. (Deegan, 519) Overwhelmingly, the idea to regulate corporate social responsibility in Australia has hit a road block. Corporations feel that it the primary role of the business is first and foremost to its stakeholders, to whom the promise of economic success is deemed first and foremost. Businesses as the corporations argue, should be able to voluntarily provide or demonstrate corporate social responsibility as they see fit, not be required to carry out unnecessary businesses practices without first upholding their commitment to their stakeholders. (Deegan, 519) Corporate social responsibility is still a new and daunting concept to many companies and its importance is not always put in the forefront of a company’s plans. Although, many companies such as those in Australia feel that should not have to been forced to provide a minimum amount of social responsibility it is hard to ignore that many of the constituencies are searching for just that from a company and would gladly appreciate some regulation in regards to ethical and social practices. Only once when a company abides by the demand for stronger presence of corporate responsibility will it begin to see greater success.

One of the most important questions the companies ask themselves is, are the practices being following making them money. The goal of business at its most basic function is to make money. There are constantly new business ventures being created in order to make money, not business ventures, but also new business models as well. One of the new business models that companies are beginning to take notice in is the idea of corporate social responsibility. This model has been influenced mostly by constituencies looking to invest in companies that take part in being more socially and ethically responsible. As more constituencies are looking for more socially responsible companies it is of the upmost importance that a company can find a way to be both socially inclined and financially
sound. Another article from the most recent publication of the *Journal of Business Ethics* seeks to answer if a company can indeed have both qualities. In the article: *Which Dimensions of Social Responsibility Concern Financial Investors?*, the authors have researched the effects of and the risks associated with investing in a company that is traditionally non corporately social and found it to have a higher rate of return than a company who tends to focus more on corporate social responsibility. However, since more companies are trending towards using corporate social responsibility in their business practices further research was conducted by the authors. The results conclusively found that many financial advisors would advise against a company with strong social responsibility focus unless the company carried out social responsibility roles with the business and financial stakeholders as the primary drive and cause for action. (Girerd, 575) The research conducted by Girerd demonstrates a more economical approach to corporate social responsibility. Corporate social responsibility is a course of action that must fit within all of the inner workings of a company. Many companies struggle to find a balance between social responsibility and the need for profits. Girerd explains the raw decision making that companies must undertake to make corporate social responsibility work for them.(Girerd, 575) If a company is able to find financial stakeholders who are invested in corporate social responsibility the company is much more likely to do well and earn a higher rate of return. Corporate social responsibility is essential to successful businesses if the companies are willing to find stakeholders who are just as equally committed to the practice as much as other constituencies.

Corporate social responsibility affects many different factions of a company from financial to consumer, but one of the target groups most often missed are employees on the ‘frontlines.’ Frontline employees are the individuals who have the most face time with consumer and are usually the ones tasked with delivering new messages to the consumers about various new business practices that a company might be experiencing. In *The Journal of Marketing* a new approach was taken by several authors to examine the role of corporate social responsibility on the effects of behavior and performance of frontline employees. The role of corporate social responsibility and the frontline employees has been a cause for great debate. Some companies believe that employees who have a strong sense of corporate social responsibility feel more motivated and deliver better quality of service. (Korschun, 20) Others, however, would tend to disagree believing that the only positive correlation between corporate social responsibility and business lies between consumer constituencies and not the employees. (Korschun, 21) Korschun and the other researchers developed a model to identify if there was in fact a link between how frontline employees viewed corporate social responsibility and how it impacted their interactions with
customers. The findings from the research were quite astonishing than what many people had previously believed about the role of corporate social responsibility. Korschun found that many frontline employees experienced stronger employee-customer identification. When employees felt that not only did they have a personal connection with corporate social responsibility practices of the company, but if management also demonstrated and encouraged the frontline employees to develop and understand their role in the employee-customer relationship and use corporate social responsibility as means to enhance this relationship. The use of corporate social responsibility as a means to enhance job performance is still a new concept and it faces much criticism at the moment from those whose companies do not have a particularly strong corporate social background. (Korschun, 32) Although corporate social responsibility can be used as motivator to increase employee performance it is still important that managers use individualized techniques to promote corporate social responsibility among each employee as not all will be welcoming of the same message. Corporate social responsibility is more than just a business concept, it is a new way of conducting business not only among stakeholders, but within the company as well. The idea of corporate responsibility can have a long lasting impact and can shape the way employees view themselves in the company and how they view role in day to day interactions with the customers. If a strong and positive stance of corporate social responsibility is in place at a company many employees will maintain a sense on personal pride and moral responsibility that they are part of a company that not only takes care of the needs of the environment and its stakeholders, but also the role of employees in regards to corporate social responsibility the company will experience a greater amount of success.

The role of corporate social responsibility has begun reaching beyond traditional business settings; it has gone beyond the business of service and finance and has entered into the world of health care. Health care itself is more than just treating the sick and the dying it is now an operating business that has stakeholders and varied type of constituencies that must not be ignored. Recently published in the Health Care Management Journal researchers Monachino and Moreria published an article exploring the use of corporate social responsibility in the promotion of health care. Monahcino and Moreria have developed a new approach to the application of corporate social responsibility that has yet to be fully evaluated by other researchers. In their research Monachino and Moriera have evaluated several different areas that corporate social responsibility if pursued by health care companies would benefit. The first area includes health protection which would prevent harm to human health. Secondly, health promotion or the ability of people to take control of their own health, and lastly, the social determinants of health which observe the living conditions of a group of people. (Monachino, 53) The three fields again are not concrete
areas of concentration, but predictions made by the researchers of possible areas that will be influenced by the expanding role and use of corporate social responsibility. Monachino and Moreria investigated then the use of corporate social responsibility currently being used by health care agencies and other health related businesses. The findings demonstrate there is a slow, but a definite unmentionable trend towards using corporate social responsibility sighting a shirt towards a more regulated health care system which will further expand the necessity of social responsibility. (Monachino, 55) More importantly, Monachino and Moreria mention that successful corporate responsibility practices where not the traditional practices that have been previously discussed. Corporate social reasonability practices carried out by health care based companies only experienced success if the corporate social responsibility practices were engaging meaning it has a direct impact on the company such as the promotion of providing clean drinking water to an area. Engaged corporate social responsibility has a direct impact on the company in the response to social need versus disengaged corporate responsibility which includes philanthropic activities and never directly impacts the company, and does not demonstrate direct corporate responsibility which is essential in the business of heath care. (Monachino, 55) Although further research is needed in the developing the intrinsic relationship between health care and corporate social responsibility there is a recognizable trend that corporate social responsibility is going to have an immense impact on the future of health care as it becomes more regulated and the need for ethical responsibilities from its constitutes is not fare away.

Corporate social responsibility is a business model that if done correctly can bring a multitude of successes to companies in a variety of fields from health care to financial firms to aviation. However, many companies seem to fall short when it comes to perfecting this current business trend. To fully understand this common problem faced by so many companies researchers Guthey and Morsing have taken an in depth look into what causes so many issues for companies when it comes to corporate social responsibility. Initially, Gunthey and Morsing found an overwhelming problem with even defining what corporate social responsibility is. In 1999 alone there were 25 definitions for corporate social responsibility, leading to a very cloudy understanding of its function between business and the media. (Gunthey, 555) Along with the many definitions surrounding the concept of corporate social responsibility one of the other difficulties for companies is the ambiguity associated with corporate social responsibility. Gunthey and Moring propose a rational explanation for the reason of such ambiguity, the reason they have determined is the various norms and expectations between stakeholders and other constituencies. Because of the variation and needs of a variety of constituencies many companies feel they are forced to not provide enough clarity or detail for fear of offending or causing more harm than good from being socially responsible. Gunthey and
Moring ascertained from their research that two contributing factors aid the ambiguity of corporate social responsibility which is formal and substantive rationality. Formal rationality according to Gunthey and Morsing “Refers to the congruence between means and ends, and more broadly to the insistence that all social and organizational action should be measured and judged according to such an instrumental calculus” (Gunthey, 557)

Conversely, substantive rationality is "Refers to the congruence of actions and behavior with a system of values or higher-order beliefs, regardless of whether or not they contribute to the achievement of any specified ends. "(Gunthey, 557) With these two definitions provided by Gunthey and Morsing many companies and stakeholders feel conflicted as to what corporate social responsibility should do and provide. As a result of increased ambiguity the researchers suggest that a standardized method of corporate social responsibility in regards to moral obligations as well as a universal definition. This view it argues should not be confined to a single market, but it should be held to an international standard. The need for consistency is strongly apparent when it comes to moral obligations by companies. Earlier, Australia had attempted to regulate corporate responsibility without much success, but it seems that further research suggests that this may be what is needed to clearly articulate among companies and stakeholders what corporate social responsibility is doing for each party. Corporate social responsibility, despite its often ambiguous nature still provides many companies with an overwhelming amount of success when carried out, correctly. Further standardization of the process of corporate responsibility will be a guaranteed success platform for many companies and a permanent business fashion over the next coming decade.

Corporate social responsibility has been observed in many different industries, but one of the markets in which there is little research is observing and applying corporate social responsibility in a transitional economy with a possibility of moral degradation. In a transitional economy there are many variables that may change due to a country's need to regain its footing in a more stable economic environment. One of the qualities that usually sufferers are the moral and ethical values, in times of economic hardships some businesses may find it easier to ease their moral obligations in order to turn the economy around, but authors Zheng, Luo, and Wang believe that if there is an established corporate social responsibility system in place it will be more difficult for any type of moral degradation to take place. Zheng and colleagues have observed that while a change in morals or ethics may be helpful in the short term to boost economic success, but the authors believe that without corporate social responsibility established in the beginning to prevent moral degradation there will no future success, only more
corruption on behalf business and society. (Zheng 406) Zheng theorizes there are two types of measurable long term success. The first of these is legitimacy and the second competitive advantage. (Zheng 407) These two concepts go hand in hand; a company cannot develop a competitive edge without first establishing legitimacy. Corporate responsibility plays a role in developing a company’s legitimacy because it can offer a clear and transparent message to its constituencies all the while increasing a company’s competitiveness against other businesses with less developed corporate social responsibility methods. Over a ten year period Zheng and the other researchers noted the changing social trends the economy and society was experiencing and they later observed that the only companies that remained successful over the ten year period where those that followed a strong corporate social responsibility model. High amounts of moral degradation Zheng observed led to increase corruption in both business and society in the long term those companies did not experience long term success as many of their other counterparts did who were less inclined to follow others into moral grey areas. (Zheng 417) Corporate social responsibility can save a business during economic transition. Unlike many other business models corporate social responsibility can deliver long term results despite outside pressures.

While corporate social responsibility can play a role in a transitional economy it too can have an equally important influence on a business and lifestyle that has all, but been forgotten by most of the developed world. Corporate social responsibility has expanded its role to include mining towns. During the mining boom and bust period many towns sprang to life as the prospects for quick and easy money enticed workers from all over. In present day many of those once prosperous towns have long since been deserted, but on the far stretches of the globe where mining is away life mining towns are there as well. A mining town is developed and owned by mining company, and they allow the workers to live there as part of their employee agreement. (Littlewood, 39) Once a mine can no longer produce anything of value many of the employees who live in the mining town are at the mercy of the organization in regards to keeping their house and way of life. The author, Littlewood proposes that corporate social responsibility should deal with the issues that arise from a mining closure. Littlewood observed three different mining towns in Namibia and found that the companies lacked a strong corporate social responsibility program and most was left up to interpretation and often went unregulated because of the remoteness of the towns themselves. Littlewood has proposed several ideas that would help mining communities through corporate social responsibility. Using corporate social responsibility the company should keep the community small; only offer incentives when there is likelihood that the community could sustain itself even without the mine, and using equity from takes and
shareholdings to sustain the community. (Littlewood, 60) Corporate social responsibility can have an overwhelming impact on a company and its constituencies. Often times the term corporate social responsibility refers more to the consumers of a company’s products and not the employees themselves; in this article Littlewood brings awareness to the lesser known side of corporate social responsibility where these very practices can determine the sustainability of a community of employees. Corporate social responsibility is more than just a business model; it’s a corporate lifestyle that should be embraced wholeheartedly to accrue economic success.

One of the most important qualities of corporate social responsibility is the flexibility to be applicable to any and most situations; whether it’s a transitional economy, politics in Australia, the mining towns of Namibia or according author Aleksandra Gawel a university setting. Gawel in her article explores the relationship between corporate social responsibility and a university setting. The university corporate social responsibility system acts like a pyramid. The base represents profits, the middle ethics and legality, and the pinnacle is philanthropy. (Gawel 21) By using this visual it is easy to see where the university spends a lot of its focus and therefore developing corporate social responsibility measures that are in line to assist with the majority if the focus of the university which is profits. Gawel believes that “corporate social responsibility not only generates extra costs but also provides economic benefits to companies. The most important economic advantages of adopting CSR as a business strategy include lowering costs, lowering risks, enhancing the company’s image, building a competitive advantage, and creating a win-win situation” (Gawel 22) By establishing a working corporate social responsibility model the ability to cut costs and achieved the desired outcome from not only the university, stakeholders, but also socially as well such as creating and satisfying different market needs. The use of corporate social responsibility by university has several beneficial effects. One of the benefits of using corporate responsibility is the establishment of outside relationship with business by providing the social need to create a more educated population. In turn many businesses benefit from the students trained at university and the research being conducted which could help benefit many organizations by having access to the most up to date research. By using and adapting corporate social responsibility to fit the needs of many different fields, in the case academia, makes the concept of corporate social responsibility very attainable, universal, and profitable. Without corporate social responsibility many of the
universities and other establishment would not be as successful without this unique business model to be more ethically and environmentally aware.

Corporate social responsibility has begun to make itself known to the business market. Corporate social responsibility was created in response for the need to know more about a company by the constituencies. For many years business were unregulated and did little to help combat social issues. In the modern business market companies are held to a higher standard than ever, publishing in depth reports on current finances and explanations for reasons for not being on target as well as becoming more visible in the community by donating to charity or improving the benefits of the employees. The role of corporate social responsibility extends to reaches of the globe and can be found in many different settings from a university, a mining community, to Danish companies corporate social responsibility can adapt to any environment and offer transparency, effective communication, and increased financial success. A company's success in the modern economy depends largely on the amount of corporate social responsibility a business is willing to acknowledge, promote, and take action on to ensure profits for its constituencies and moral obligations towards its consumers.

Bibliography


