Strategic Corporate Social Responsibility: Literature Review and Value Chain Activities Filter

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Abstract—In today’s era, it is no news that organizations should demonstrate honest conduct as well as ethical administration. Therefore, the concept of corporate social responsibility (subsequently CSR) has created its tag upon the company’s focal point as well as marketing communications, and will continue in the future. The importance of CSR has increased in the last decade, and this concept has attracted global attention. The notion of CSR has strategic significance for many organizations. However, businesses are not adapting the activities of CSR that benefit to all of its stakeholders (including society). The main reason is the practitioners are unfortunately unable to comprehend its importance; and therefore, the activities of the CSR are so detached from the business activities. Hence, it is required to develop an understanding that the activities of CSR are not only beneficial for the society but it also benefit to business. This paper focuses on the concept of strategic CSR, and develops a theoretical framework that will help practitioners to filter and chose the activities of CSR that are strategic in nature.

Keywords—Economic responsibility, ethical responsibility, legal responsibility, philanthropic responsibility, strategic corporate social responsibility, value chain activities filter.

I. INTRODUCTION

The role of business in society has been a concern both of scholars and practitioners for a long time [1]. In addition, governments, social advocates, and media are playing their role to push the organizations to comply their activities in line with social benefits [2]. It is one of those challenges that organizations will face as CSR considered to be the future trend and challenges with regards to implementation of CSR could be approached through various ways in new century [3]. According to [2] companies are ranked on their corporate social responsibility performance outcomes by numerous organizations and this helps companies to gain publicity in the market. Though, this is particularly subjugated by the conception of corporate social responsibility [4]. Consequently, CSR emerged as being an unavoidable concern for company front-runners in every country [2].

The term corporate social responsibility developed in the international milieu, so the number of articles being published on this topic has increased every year [5]. Initially the term social responsibility was used instead of corporate social responsibility, which assumes that companies should consider responsibility towards society in addition to their legal and economic obligations [5]. Reference [4] argued that the concept of corporate social responsibility has moved from just complying with moral obligations to the accountability of the companies with regards to social welfare and this standard is being raised gradually since past half century. This development in the concept of CSR leads to further arguments, most importantly in the management of business and economics. Although in 1950’s and 60’s the framework of corporate social responsibility has been developed [5]. And in the early 1960s, social advocates gave a practical and realistic opinion that implementation of CSR will not only recuperate and improve the reputation of the organization, but limit the regulations [1]. Further broadly acknowledged model of [6] conceived and categorized CSR into four forms: (1) the economic responsibility to be profitable; (2) the legal responsibility to abide by the laws of society; (3) the ethical responsibility to do what is right, and fair; [5], [4] and (4) the philanthropic responsibility to contribute to various kinds of social, educational, recreational, or cultural purposes [6].

The implementation of CSR in the organizations is dynamic, due to numerous reasons such as types and dimensions of organizations, nature and volume of business, the demands of the stakeholders, culture and demography that effect on decision making [7]. For instance, some organizations focal point is to choose particularly one activity of CSR that is observed vital for them; since, it provide the maximum outcomes; for example, environment, while others incorporate CSR in all business operations. Therefore, it is essential that CSR philosophy is part of the organizational strategic planning and further management and employees are devoted to them. According to [2] despite the fact that numerous organizations have effectively done to enhance the environmental and social results of their activities, so far these deliberations are not as successful as they could be because of two ground realities: (1) pit business against society, when undoubtedly they are mutually dependent; (2) forcing businesses to consider CSR in common ways rather than creating its fit with business strategy [2].

There is consensus among researchers that business strategy should be linked with CSR that creates a win-win situation for both business and society. However, authors argued that the industrial world is unfortunately unable to embrace corporate social responsibility due to researchers have not focused to present the conceptual framework that can help managers to understand and incorporate the activities of the CSR into their
operations as well as business strategy [8]. Despite the fact it is important that the strategy of CSR should be associated with the business objectives, strategy and core capabilities [7].

II. RESEARCH GAP IN THE STRATEGIC CSR LITERATURE

The available literature on CSR discussed that CSR should benefit to organizations. However, it is still being pondered that through which CSR practices organizations can gain benefits. As managers have a variety of CSR activities to choose from that can be undertaken by the firms. According to [9] a CSR activity is still non-strategic until unless it is beneficial to the firm. In addition, authors wrote that the most of CSR activities are non-strategic. Though, at this point strategic CSR emerges as CSR activity becomes strategic in nature when it benefit to the business as well as society. Since, limited theory is available on when a CSR activity becomes strategic CSR; therefore, it is required to build a framework that can guide organizations to undertake strategic CSR [2]. Unfortunately, strategic CSR is still embryonic for both academicians and managers; since, theoretical framework, and empirical methods have not been resolved. Hence, a comprehensive framework could guide managers which CSR activity is strategic in nature. This paper will propose a framework to screen the CSR activities that benefit to at least one activity of organizational value chain and so organizations can undertake CSR activity according to their business needs.

III. LITERATURE REVIEW

Corporations are being held responsible to be transparent to quantify, report, and constantly enhance the progress of their social, environmental, and economic performance [7]. CSR is disconnected from business to increase the revenue; since, it conventionally refers to charitable activity of business that enhances society [10]. However, the concept of ethics has been embraced by businesses with some interest over the past decade and it is expected to be persistent and steadily rising. Some organizations as Business for Social Responsibility (BSR) and Ethics & Compliance Officer Association (ECOA) present evidence of commitment to pursuing the implementation of CSR. While it is being expected that businesses adopt moral and ethical behaviors, strategy and practices of philanthropy [11].

According to [12] the concept of corporate social responsibility is an instrument which contributes to the social development; as by following it companies perform their activities as high-quality citizens. Reference [12] defined the concept as “contributions of business for the society, neighborhood, and economic development, sustainability, cooperation with employees, and their families and at liberty advancement in the life quality” [5]. Though, companies should take CSR as more seriously and further incorporate it to their business vision and strategy [13]. Unfortunately, the company’s focal point is only business performance and they are ignoring the social effect of their activities. Perhaps the reason behind this is the notion of corporate social responsibility is still vague with hazy limits and easily proven wrong authenticity [4].

However, a socially responsible organization ought to take the initiative and embrace CSR strategies and business practices that not only meet the necessary legal obligations, but surpass them [7], in addition enterprises have obligations to their stakeholders. In spite of the fact that there is difference over the relative essentials of these "stakess", scholars agreed that admiration for issues (i.e. CSR) other than economic ones is essential [1].

The multidivisional and multinational company’s executives’ interest in CSR is on the rise as they are developing around to get the background knowledge and the significance of CSR. These business leaders are aware of the fact that regulatory structures, frameworks, standards, values, customs and stakeholders demand can vary considerably across regions, nations and businesses [14]. CSR is now moving from strategically detached charity, humanity (philanthropy) to an integrated business strategy that is linked to core business capabilities and objectives. This shift resulted in positive economic and financial returns to the organization in addition to encouraging impact on social and environment of the world. Therefore, the majority of organizations comprehend that linking CSR with business strategy could improve their business performance; however, until now most of those organizations integrated CSR into their business strategy still comprises a mess of detached practices that are unlinked with their business objectives and capabilities. Further, if a corporate strategy that is not well integrated with laser sharpness on business goals, then business is leaving resources, opportunity and its value on the table [15].

A. Corporate Social Responsibility (CSR)

Corporate social responsibility was first defined by Bowen in 1953 as: “a responsibility to practice strategy for effective decision making and taking such actions that are well-linked with the moral intents, values, objectives, and ethics of the society.” [5]. CSR was under discussion by a number of researchers and the rate of publications is therefore high; nevertheless, a single definition of CSR with consensus does not exist [5]. Reference [16] defined CSR as: “further actions taken by the company for social good that are beyond concern of the company and legal obligation.” CSR is more than simply succeeding the law [7]. Corporate social responsibility is that companies achieve their success by respecting people, taking care of neighborhood and protecting natural environment. Further [7] elaborated CSR as an action of a company, which considerably contribute towards the individual wellbeing and society if the company chose to take it. According to [17], “CSR demonstrate that marketers are in direct transaction, and contact with the public; therefore, they should contribute to define, put into practice and employ the social responsibility efforts in their organizations [4]. CSR characterizes as circumstances when the firm surpasses the amenability and involve in actions which goes beyond the interest and legal obligations of the organizations and contribute to the society [14], [16]. Hence,
society and business are linked with each other instead of two separate bodies; consequently, society has some prospects for appropriate and suitable behaviors of business and its outcomes [5].

B. Strategic Corporate Social Responsibility (CSR)

According to [15], strategic CSR is defined as: “An integrated strategy of business that is incorporated with core business capability and objectives of the company and intends to generate constructive social change positively, while creating value for the business and is embedded in everyday business process, operations, and customs. Reference [18] an economist argued in a 1970 New York Times Magazine article that the sole “social obligation of business” is “profit maximization”. In his book Capitalism and Freedom, he wrote that “organization is an instrument of the stockholders who own it. It stops the individual stockholder from making his own contribution if the organization makes any commitment.” Further, [18] added: if magnanimous commitments are to be made, they ought to be made by singular stockholder or, by employees as an individual and not by the organization [19].

Reference [18] is correct about the way most corporate philanthropy is being practiced such as most of the corporate philanthropy is comprised of various little cash donations given to help local foundations or provide help to local educational institutes or NGO’s with the major objective of creating goodwill for organizations among customers, employees and local communities. These donations are based on personal convictions and moral values instead of being attached to well thought-out social or business goals. In fact, a standout among the most mainstream methodologies – representative matching stipends – expressly leaves the decision of philanthropy to the single employee. Although aimed at improving morale, the same impact can be extended from an equivalent increase in salary enabling the employee to decide to give to philanthropy.

Reference [18] (a well known guardian of the neoclassical analyst of economics) defined the concept as: “Businesses have only one social obligation, as to utilize its resources and employ them in such activities that increase profits, being honest and truthfully following the rules, get itself engage in free and open competition” [5]. The another definition: “CSR is regarded as systematic set of practices, plans and projects that are integrated into business processes, supply chain operations, methods of making decisions throughout the organization and typically comprise problems related to the ethics of business, ecological concerns, community investment, administration, human rights, in addition to the environment of the work [7], argue a broader aspect of CSR implementation in organizations. According to [5] the point of view of the Commission of the European Communities, CSR is a notion whereby organizations link the environmental and social concerns with its business strategy, process and to develop relationships with their stakeholders for charitable causes.

However, moral and social duties a firm performs denote the quality component of social resources. They involve the moral principles and social intentions the company subscribes to and are shown in its strategic objectives, mission, and policies of organizations, strategy programs and corporate culture. These duties ought to be extended based on the lawful, monetary and moral magnitude and the rights linked with citizenship [8]. Lately, researchers and administrators have committed keen interest for the strategically significant corporate social responsibility (CSR). For instance, [20], [21] used refined environmental evaluation procedures and facilitated to incorporate it into the literature of strategic management. This awareness factor about the environment could be utilized to develop methodologies for devising strategies for acclimatizing to the environment [22]. Strategic CSR (social welfare obligations of companies) is about creating a win-win situation as both the organization and stakeholders get benefit from the implementation of strategic CSR, hence it is commendable [4].

A durable long term authenticity is required for those companies lack the strategic advancement in CSR as the internet and activist corporations are contributing to highlight such organizations where non-strategic approach exists. The value of a business is created by a collective network of business associates, vendors, partners, customers. The actual objective is redefining the strategic roles of CSR and the relationships among the groups of players in order to muster the conception of value [8].

Therefore, organizations should take a complete view of their ethical values and competencies before the enlargement of these social resources. This in turn suggests that externally accepted and recognized standards should be consistently followed. However, failure to perform consistently harmonized with the moral obligations, using externally recognized standards, will result in deficit of social performance [8]. Despite the revolution in the approach and understanding of the association between business and society by the people over the last several decades, the perception that business has obligations to society is firmly embedded. Further [23] and other researchers believe that economic success should not be the only criteria to evaluate the success and performance of an organization. Their success should also be judged on non-economic performance, for instance being socially responsible for the society.

As CSR model of [23] is already discussed briefly. He suggested four-part definition of CSR, explaining that organizations have four types of responsibilities [3], [4]: 1) economic responsibility; 2) legal responsibility; 3) ethical responsibility; and 4) philanthropic responsibility (‘altruistic’ or ‘humanitarian’ CSR). The four types of responsibilities are discussed further in this article to develop an understanding.

1. Economic Responsibilities

A business has economic responsibility to its direct stakeholders, investors, employees, and customers. It has an ethical obligation to meet these responsibilities such as; when it sells products or services that are more valuable than the materials and labour it uses to create them they should not ignore the moral consequences of marketed product. Put
simply, the business creates profit by adding value. While adding value and creating profit a company can serve the interests of all its direct stakeholders such as: fair pay to employees, government, society, contributing to reduce unemployment, pursuing suppliers for raw materials; ascertaining resources, technological enhancements and product innovation; paying taxes to meet the needs of society; spawning capital while earning a profit for the owners and stakeholders while complying with the law, is admired.

Reference [24] an eighteenth-century Scottish scholar, in his book, “The Wealth of Nations” presented a structure for present day business and its relationship to public opinion. Reference [24] recommended that capitalism, by empowering the quest for addition and productivity, generate maximum economic activities as compared to any other available economic systems. Capitalism expands freedom by permitting people opportunity of deciding in occupation, procurements and ventures, and thus benefitting everyone in the society. Capitalism is generally characterized by competition between producers. Other facets, such as the participation of government in production and regulation, vary across models of capitalism. By striving to beat one’s competitor opponents, and drudging to process better work to win the following advancement, if done morally, will bring about high self-improvement and in this way magnificent utilization of one’s opportunity and abilities and the organization’s association’s assets [25].

Economic responsibility therefore is to be profitable by following principals such as providing a quality product or service at a reasonable cost to the customer. Reference [26] explained seven economic responsibilities. These are economic responsibilities of an organization: 1) providing value for money spent by customers for goods or services; 2) earning reasonable profits for its investors; 3) capital creation for not-for-profit organizations which own the shares of publicly held companies, and support the poor ones to come out from poorness by increasing their remuneration; 4) creating new job opportunities; 5) obliteration resent through producing upward mobility and giving logic and intellect to people that their financial conditions can improve; 6) encourage innovativeness; 7) radiate the financial interests of people so as to avoid the dictatorship of the majority. These are considered to be the economic obligations of CSR. The collective prospects in this domain seem to be consistent over the years.

2. Legal Responsibilities
Legal obligations involve complying, and obeying to the law and following the principles of the game. Since society generally do not trust the business organizations, business regulating laws are passed to ensure that organizations follow what is right. On the other hand, laws cannot possibly cover every conceivable possibilities so they have specific weaknesses; laws simply give a minimum ethical standard for business comportment; laws are responsive in nature, letting us know what should not do, and telling us what should be done; and laws are followed involuntarily due to the apprehension of punishment rather than voluntarily due to internal ethical out of self-moral belief.

3. Ethical Responsibilities
According to [3] the third responsibility is ethical responsibility. Ethical obligations surmount the limits of legal obligations. They involve being good, doing the thing that is right, unbiased, and reasonable; respecting the moral rights of people; and avoiding destruction or social harm and forestalling any kind of destruction caused by others in the society [27]. Moral obligations are those strategies, foundations, decisions, and/or practices that are either accepted (positive duties) or forbidden (negative duties) by the society members, despite the fact that they may not be codified into law [11]. They determine their origin of power from religious convictions, moral conventions, other conscious standards, and human rights assurance [26].

Nowadays, almost all parts of the business systems agree for ethical responsibility (or ethical CSR), at least in theory; however, unfortunately not in practice. Earlier than 1960s, ethical business was not foremost concern of the organizations; instead it was left for theologians to examine the issue of reasonable pay for workers, unfair practices for labor, and the ethics of capitalism. The protestant work ethics imparted that hard work is the key to success; it was considered to be the spirit of organizational social responsibility.

Starting in the 1960s moral issues of business were raised on an extraordinary scale. There was an intensified comprehension that oppressive work practices could be found at even the most respected companies, perilous items were being sold, the production systems were taking a toll on the environment, society opinion was not succeeding in lifting economic conditions of the worst denied, subornment was happening on a global scale, and ethics was being traded off in the quest for cash and force.

4. Philanthropic Responsibilities
Philanthropic responsibility is about “giving back” time and cash in the manifestation of voluntary giving, voluntary affiliation, and voluntary service is the place where discussion of CSR lies. Social contributions are considered to be equally important for the organizations as its financial/economic and moral performance. Henry Ford II explained the phenomenon during his speech at the Harvard Business School (HBS) in 1969: “The terms and conditions between industry and society are changing... Now companies have to constantly serve a more extensive range of ‘human values’ and to acknowledge responsibility for society without concerning economic transaction [28].

Academic and religious scholars in the early twentieth century recommended that religious principles should be applied to the activities of the business. For instance, [29] concocted two typical definitions as; 1) principles of charity, that required ‘more fortunate’ individuals to support ‘less fortunate individuals’ living in the society; 2) stewardship principle, a biblical precept that mandate to everyone to see
them selves as ‘caretaker’ or ‘stewards’ not just for the cause of financial resources of the stakeholders, but for the economic resources of the society.

The practice of ‘strategic philanthropy’ is carried out to fulfill the strategic goals of business – good deeds are those that benefit both business and society. Those organizations that follow these practices believe in “give back” to their stakeholders (including society); since, they consider it to be in the best economic interests. This is an alignment of philanthropy with the economic objectives of the organizations [30]. These practices on the run long provide benefits to the organizations because the forces that exist in the market provide economic benefits for apparent behaviors that are socially responsible.

For instance, American Express initiated a campaign for restoration of Statue of Liberty in 1983 and used the term “cause related marketing.” For this cause American Express donated ‘one cent’ for the restoration of the Statue of Liberty whenever its cardholder used its charge card. Consequently, usage of cards increased by 28% and it gained 45% new cardholders. In addition, American Express took another initiative for the betterment of society in 1986 that enhanced educational as well as job opportunities [2]. American Express financially supported ‘Travel and Tourism Academies’ at secondary school levels, however, trainings for students were not for the purpose of its own business, but to make them able to work for other airline companies, travel agencies, restaurants and hotels. The initiated program is now operating in ten countries with more than 120,000 students and 3,000 schools that include summer internships, trainings of teachers, and curriculum support. American Express has more than 750 partners who are investing for the cause of “Travel and Tourism Academies.” Hence, this helps industry to generate firm specific human capital (HC).

Another example that exists in the industry to gain economic and social gains is a Cisco Systems initiative; an investment in ‘Cisco Networking Academy’ to educate network administrators. Cisco Systems focused on the needs of the society that impacted on its corporate environment. For instance, its ‘Networking Academy’ is not solely focused on educational system, but developing firm specific human capital (HC) for Cisco Systems that contributed to competitiveness. Cisco systems generated firm specific human capital (HC) that contributed to enlarge the size of its market. In addition, Apple Computers donated computers for ‘Cisco Networking Academy’ as its marketing strategy to introduce its product to youngsters. This did not only provide benefit to society, but also Apple gained market growth as this initiative turned students, and teacher’s, customers of their product.

The above discussion proves that CSR activities should be the part of organizational strategic planning as it provides numerous benefits to society as well as to organization. In spite of the fact that CSR activities provide immense benefits to society and organization; however, organizations are still reluctant to undertake CSR activity initiatives. The main reason behind is an excuse given by practitioners that CSR only benefit to stakeholders and not to the company. Thus, they consider it as an expense; however, this phenomenon can be explained from existing examples of organizational initiatives as discussed above. The American Express initiative of ‘cause related marketing’ (subsequently CRM) resulted in a substantial increase in new customers as well as usage of their card. Another example of ‘Travel and Tourism Academies’ by American Express and ‘Cisco Networking Academy’ exists that generated firm/industry specific human capital (HC).

These educational initiatives do not only helped to reduce unemployment in the society, but also created competition in the industry and helped companies to gain more market share by utilizing the knowledge, skills and abilities (KSA’s) of qualified people. In spite of the fact, that CRM initiative added value to marketing/sales activity of value chain by increasing sales and educational institute initiatives contributed to generate firm specific human capital (HC) that added value to human resource management (HRM) activity of value chain that help organizations to gain competitiveness in industry [31]; nevertheless, managers seek value addition from a CSR activity in all nine activities of the value chain and if it does
not then the CSR activity is considered as an expense for the organization. However, this paper conceptualized a CSR activity becomes strategic when it adds value to any one of the value chain activities; since, it will eventually add value to other activities of value chain either in terms of financial or non-financial performance that leads to competitiveness in the industry.

Therefore, this paper provided filter to screen the CSR activities, and it will help managers to identify which CSR activity is strategic in nature (Fig. 2). The process will follow as: a CSR activity can be checked through a screening process of provided filter that contain nine value chain activities (see Fig. 2) and if it add value to any single activity of value chain it should be considered as strategic CSR activity.

**Proposition 1:** CSR activity when adds value to any one out of nine value chain activities shall be treated as strategic CSR activity. Since, it is beneficial to society as well as organization.

Despite high levels of awareness and good intentions of the organizations towards CSR, the implementation of the concept remains unprofessional and vague. Integration of CSR and business requires a lot more than the leadership and intentions. This paper concludes that CSR activity benefit to at least one activity of value chain that leads to competitive advantage, however, practitioners do not comprehend its importance. The conflict in understanding is due to detached CSR activities from business activities by simply stating it as an expense. This conflict can be resolved by modifying business practices and processes, relationship development, motivations and embedding of the social issues into the core values of the organization. However, if CSR activities can be linked with value chain activities it can reduce many risks for the society. For instance, the link of CSR activities with company’s logistics activities can reduce the hazard of human trafficking that is a type of modern-day slavery. It can further focus on other types of modern-day slavery as well, such as: child labor an issue is being faced globally especially in the Asian region. Also, companies can benefit to society by protecting the environment in the surroundings and doing social good.

This notion of CSR can be further expanded to environmental protection (corporate social and environmental responsibility) and also the proposed framework can be tested in the industry. Through testing of proposed framework CSR activities can be named categorically that are strategic in nature. This new understanding will contribute in academic literature as well as practitioners will gain benefit to use simplistic model that will guide them to practice CSR in their organizations. And thus organizations will contribute to social good that benefit to all of its stakeholders.

**REFERENCES**


