

JOURNAL OF CORPORATE RESPONSIBILITY
AND LEADERSHIP

CONTEMPORARY CHALLENGES
IN CORPORATE SOCIAL RESPONSIBILITY

The Benefits from CSR for a Company and Society

DOI: <http://dx.doi.org/10.12775/JCRL.2016.023>

PAULINA KSIĘŻAK

The Faculty of Economic Sciences and Management,
Nicolaus Copernicus University, Toruń, Poland
The Faculty of Law, Economics and Management,
The University of Angers, France
e-mail: paulina.ksiezak@outlook.com

Abstract: Corporate social responsibility undeniably provides multiple benefits for the company. The social and environmental actions that businesses engage in are bound to bring advantages also to society. Nevertheless, the concepts has also some weaknesses. Engaging in social responsibility issues should be a deliberate decision and companies should consider its pros and cons. The aim of this paper is to discuss the advantages of CSR, but also to point out a few defects of the concept. The narrative review of literature is applied in order to achieve the aforementioned aim.

Keywords: CSR, corporate social responsibility, benefits of CSR, criticism of CSR, company and society.

1. Introduction

Implementing CSR entails series of advantages. Many researchers prove that a socially responsible company pays off to both business and society. Arnold (2010) believes that the first benefit that flows from CSR is improved relationship between companies and communities. Appearing as an ethical enterprise inspires society's trust and makes the

relation more open. The aim of this paper is to discuss the advantages of CSR, but also to point out a few defects of the concept.

The paper consists of three main sections. The first one deals comprehensively with the benefits of CSR seen from the viewpoint of the business. It contains arguments of strictly economic nature, like increasing profits, as well as more social face of a corporation. However, the author of this paper looks also at the gains drawn from CSR by society in the second section. Social responsibility of a company is first and foremost created for the good of the society. It often brings a variety opportunities and aid that the people need. As some researchers note, the idea of CSR is connected not only to positives. They express a certain degree of criticism towards it, as is presented in the third section of the article.

To achieve the aim of the study, the author critically analysed a selection of literature on the subject. The works that are mentioned in this paper present the issue from different points of view, positive or negative, corporate or social. However, applying narrative literature review as the only method of data collection and analysis should be considered as the limitation of the study.

2. The benefits for the company

Authors in literature widely describe how companies can benefit from CSR activities (Balcerowicz, 2015; Perry and Towers, 2013; Gupta, 2012). They heartily recommend implementing socially responsible solutions in businesses and convince that they bring numerous positive after-effects. Frequently they mention multitude of improvements, starting with the increase in revenues to encourage both large and small enterprises to spread the idea of CSR and put it into practice in their daily operations. The benefits of corporate social responsibility for businesses are pointed out below in Figure 1.

Kurucz, Colbert and Wheeler (2008) profess a key significance of corporate social responsibility for building a brand image. Thanks to the coordination of all stakeholders' needs, reputation of a company as a responsible business improves. Moreover, enterprises living up to their CSR policy do not have to worry about social licence to operate (Balcerowicz, 2015). Through the legitimacy companies can build value and achieve gains. The desire of the end consumers for guilt-free

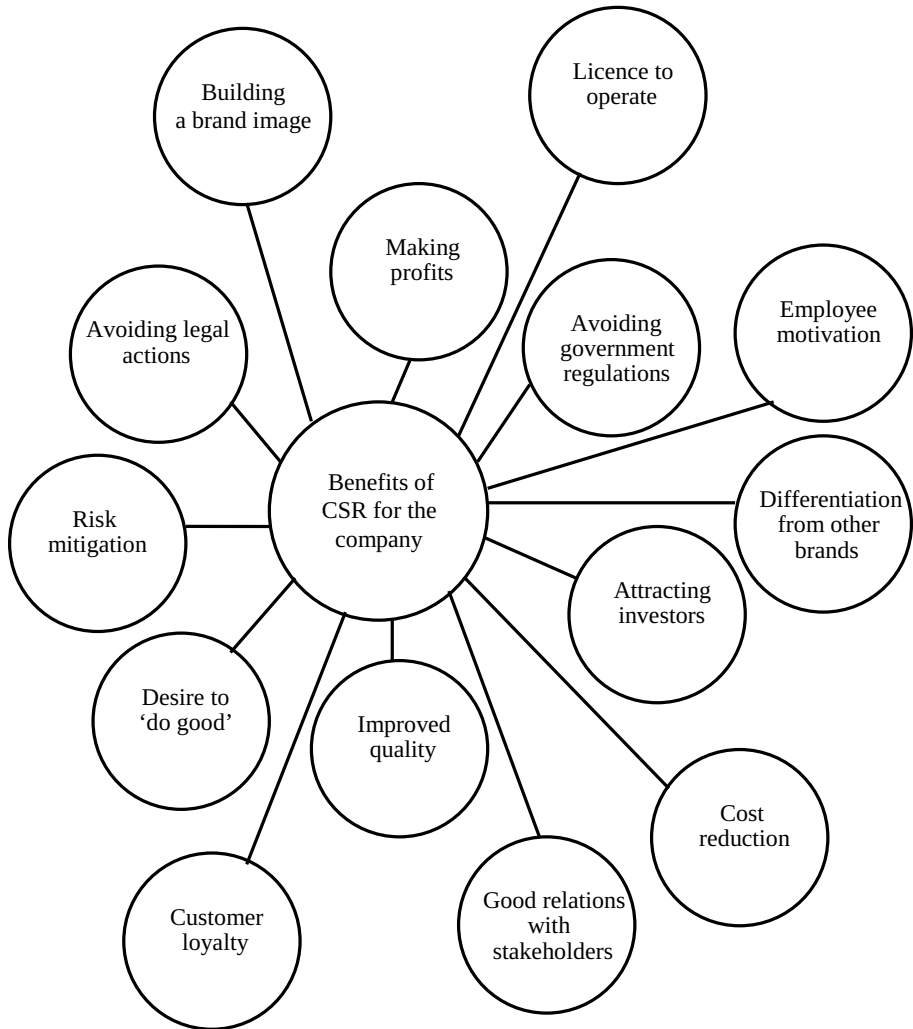


Figure 1. The benefits of CSR for the company

Source: Own elaboration

products might lead to a fall in sales of a company accused of unethical practice. A bad image of an entity can result even in boycotting its products. In addition, it is difficult to 'greenwash' it. After consumers decide to boycott one company's products, most of them never go back to buying from it. Therefore, the best policy is to stay off the media radar by obeying the ethical rules from the start (Perry and Towers, 2013).

The approval of local communities can also be easily won by socially responsible behaviour and enable enterprises to operate unperturbed (Diviney and Lillywhite, 2007). CSR is also a means of distinguishing a business from others. Through presenting itself as a precursor of responsible attitude, a company can stand out of the crowd and thus induce customers into buying its products and supporting it in other ways (Gupta, 2012).

Furthermore, an increasing number of investors seek responsible companies to invest in. Ethical values of a business can attract wealthy businessmen that would like to contribute to the company's success and gain profits. In this way goodwill of the entity can increase significantly after implementing CSR in company's practice (Kurucz et al., 2008; Mullerat, 2010; Perry and Towers 2013). As Mullerat (2010) adds, socially responsible enterprises are often characterised by less volatile stock value. From the perspective of the stock exchange a CSR-obeying company is less risky and has lower chances of being publicly criticised, which could lower the price of the stock.

Porter and Kramer (2006) also demonstrate belief that becoming a socially responsible company does not only involve costs and charities, which confine managers, but it also brings benefits to them and to society. Among those perks, Porter and Kramer (2006) recite technological innovations, numerous opportunities emerging and, probably the most important in this case, competitive advantage. Gołaszewska-Kaczan (2009) describes the determinants of gaining advantage against competitors within CSR elements:

- creating a positive image of a company – the business can influence the customers and other members of communities by maintaining a responsible representation;
- shaping proper relations with all of the stakeholders – a company shows that stakeholders' needs are important to it, for example by increasing transparency in relation to contracts, but also to environmental actions and to respecting human rights;
- increasing employees' morale – CSR inspires employee loyalty and motivates to more efficient work;
- taking social responsibility of a company into consideration by potential consumers – modern customers are more careful during shopping. Having a choice, most of the buyers tend to choose brands known for their social responsibility, even if they have to pay higher price for ecologically and socially friendly products.

For companies in less developed markets, abiding by CSR rules enables them an access to some bigger markets. Developed countries frequently demand applying certain international standard certificates in companies that want to trade with them (Mullerat, 2010). For instance, respecting international sustainability rules in China opened European and US markets for Chinese clothing (Zu, 2009). Therefore, being a socially responsible company gives the right of entry to some biggest markets in the world.

Implementing CSR policy and living by it forces companies to set some standards and control over workers. Thus, the great advantage for the enterprises might be far-reaching risk mitigation (Diviney and Lillywhite, 2007; Perry and Towers, 2013). International CSR standards require identifying and assessing any exposures to danger, and then urge to extenuate and control them (Mullerat, 2010). Furthermore, reducing the risk diminishes the uncertainty, which is immensely important.

Perry and Towers (2013) also see clear conscience of corporations as one of the advantages of CSR. They claim that the desire to “do good” lies deeply in every human and is a driver to charity actions, leaving the management and other employees with a feel of satisfaction. Gołaszewska-Kaczan (2009) claims that companies have ethical obligation to compensate for the impact they cause. Perry and Towers (2013) also mention better motivation of employees as an effect of CSR. Workers are also a part of social responsibility, and as such, they are provoked to further activity, above all at their job. A company that boasts of responsible behaviour attracts new talents and retains good workers (Mullerat, 2010). Employees want to work for a company with good reputation. The organisational commitment of workers increases as a result of reforming labour practices and increasing protection of human rights. Number of sick days lowers and thanks to training programmes the rate of work errors decreases. Also, the employees turnover decreases, which leads to savings on constant recruitment and training for new workers. Reducing the overtime causes less waste. Working for a longer time without break results in a higher rejection rate. Workers are tired and make more mistakes that could have been avoided, and in consequence they spend some of their overtime hours on correcting the errors. This way, reducing overtime escalates productivity.

Another benefit brought by Gupta (2012) is avoiding legal actions. Not respecting human rights and proper working conditions standards

will result in getting sued in different courts, for example European Court of Human Rights or International Criminal Court. CSR policy usually requires abiding by certain standards that will eliminate any violations *a priori*. Social responsibility necessarily forces businesses to obey the law, thus litigations are not likely to happen to a CSR respecting company (Mullerat, 2010).

Multiple innovations a company needs to implement to be in check with CSR rules may lead to better quality of products and services (Mullerat, 2010). Through eliminating any errors at the stage of sourcing, production, transport and selling of a product and thanks to closer cooperation within the supply chain, a business's chance to deliver the best product for customers' expectations is much higher.

Thanks to CSR the company can come up to a leader position in the sector (Diviney and Lillywhite, 2007). Adapting social responsibility is an excellent positioning strategy, since it increases value of the brand. It may lead to enhanced influence of a company in the industry. Some CSR practices, like reducing waste, influence operational efficiency, and thus make production more cost-effective and increase profits in the end (Perry and Towers 2013). Many researchers (Porter and Kramer, 2006; Kurucz et al., 2008; Mullerat, 2010; Gupta, 2012) agree that following CSR rules will be profitable for a company. That is the main motivation for businesses for implementing sustainability. They expect that the consumers of their products will support them in pursuing responsible behaviour by returning the favour and buying more (Gupta 2012). Enterprises want to induce a high level of brand loyalty and social behaviour assures it (Mullerat, 2010). Moreover, saving water and energy and reducing waste result in a significant decrease of costs. Furthermore, some governments offer tax benefits for companies that behave in a socially responsible way, which also helps save money. Therefore, it can be stated that CSR policy improves company's financial performance.

Mullerat (2010) raises that, apart from gaining larger profits in the long run, CSR also helps in everyday managerial decisions and strategy development. It directs managers to establish more sustainable strategies that in the end create more value for the company, for example through more reasonable allocation of resources within the business. He also adds another benefit: developing CSR rules by the company itself prevents regulations by governments that might have been more restrictive. Thanks to implementing CSR policy, companies

set the norms themselves, therefore they can adjust them to their own conditions. Mullerat (2010) argues that if no company would develop social responsibility rules, governments would be forced to do so. State regulations increase economic costs and limit flexibility of managers' decisions (Gołaszewska-Kaczan, 2009). In current situation when more and more companies present their good responsible image, public actions seem unnecessary, which in reality means less control over corporations.

Gołaszewska-Kaczan (2009) sums up the company's benefits from CSR stating that at some point business would have to take responsibility for social problems, therefore it is more beneficial to do it earlier, before the solutions become more difficult and more expensive. She notes that social matters that have come too far can divert the management's focus from basic operations of the company, which is producing goods and services.

Researchers of Sino-German CSR Project (2012) divide the benefits companies experience as a result of devoting dedication to social and environmental issues into four intertwining groups: internal and external to direct and indirect. Internal direct benefits of developing CSR activities are: learning, expanding a talent pool, increased employee commitment and performance, while to the external direct impacts belong: positive PR and better relationship with stakeholders. The authors discover also some indirect perks of CSR, innovation, cost savings, better quality and productivity being the internal ones. As for external indirect benefits they mention among others: improved access to capital and markets, customer satisfaction and mitigating the risks. All lead to the outcome of competitive advantage and financial performance.

3. The benefits for society

Apart from bringing a wide range of benefits for a company, corporate social responsibility is supposed to, above all, contribute to the wellbeing of society. Delivering benefits to the whole of society should also be the prominent driver for business to start and continue CSR involvement (Perry and Towers, 2013). Although most researchers focus on the advantages of social responsibility to enterprises and why they should implement it, there are few that mention the gains of society.

Corporate involvement in local community's problems creates better ambiance in its surroundings (Gołaszewska-Kaczan, 2009). People who have been helped by company's activity are happier and benefit from a higher standard of living. Moreover, seeing that corporations care for communities' good makes everyone feel safer and significantly decreases corruption within society. Company's philanthropic activities generate benefits for the least advantaged, helping the needy and increasing trust (Carrol and Buchholtz, 2008). According to Arnold (2010) CSR also inspires fair competition.

Not only companies, but society as well benefits from better quality of products. Corporations' efforts to obey CSR rules make them eliminate all the defects at the production stage, resulting in diminishing the amount of complaints and increasing customer satisfaction (Mullerat, 2010). On the other hand, CSR changes in a company may lead to cost reduction, from which customers might also benefit, if it results in price fall (Carrol and Buchholtz, 2008). In this way more products might be available to the people, who could not afford them before.

Moreover, responsible behaviours of companies may inspire people in their surroundings to do the same. Thus, social activation enables them to experience emotional benefits from being involved in helping other people (Carrol and Buchholtz, 2008). It must be noted that company's success, which may be secured by implementing CSR, is also a success of local communities. A richer company can hire more employees on better conditions, providing substantial perks. As most of the workforce in the facility is usually drawn from surrounding areas, people from local communities are provided with better employment opportunities.

Trainings, sometimes organised for people from outside of the companies, are a great advantage for society. They raise population's knowledge and equip it in useful skills that can help local citizens in life. CSR actions about health increase awareness in society and influence its behaviour, convincing people to go to their medical examinations and teaching them that preventing is always better than treating. These activities result in healthier and better educated society (Arnold, 2010).

Protection of the natural environment and decreasing its damage is a benefit for all. Every 'green action' is supposed to save the planet, and all the living beings on it. Reducing CO₂ emission and waste, diminishing use of non-renewable resources are only few ways companies can lower their environmental impact and improve the relations with

society. For instance, lessening air pollution leaves local community in better health (Arnold, 2010).

Thanks to the increasing number of enterprises that profess CSR values many technical amenities arose. Social responsibility of companies led them to develop new technologies, innovations and infrastructure that can be used by every member of society (Carrol and Buchholtz, 2008). Corporations that share their technologies contribute to the advancement of the whole society.

Engaging in CSR values may result in developing better relations with governments. Thanks to this cooperation both sides can discover a better way to serve society and provide it with greater than before economic development opportunities (Arnold, 2010). Figure 2 presents a summary of advantages of social responsibility of businesses from the viewpoint of the society.

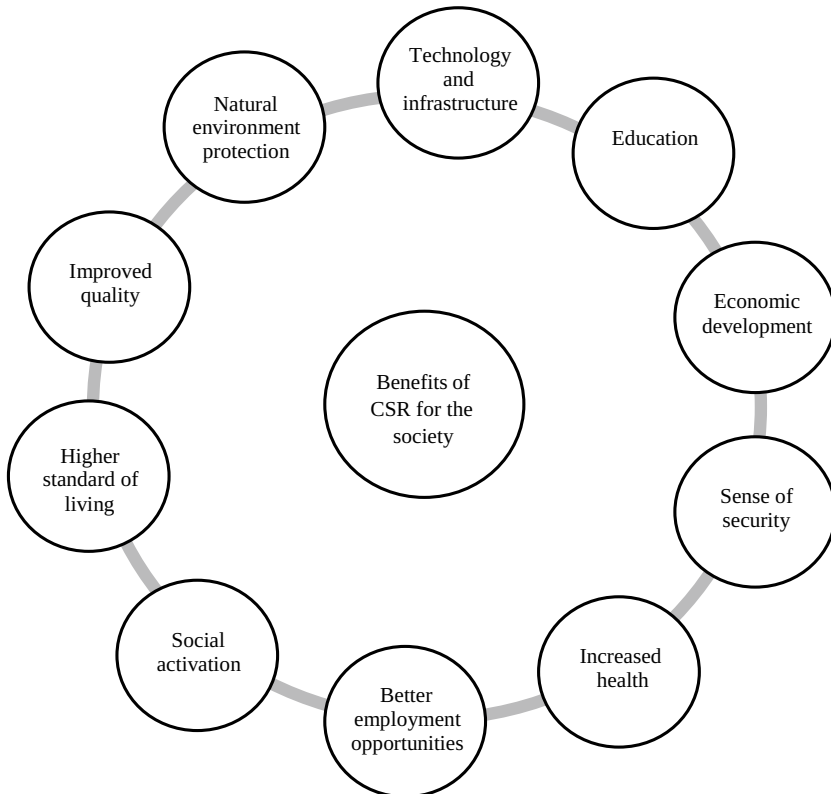


Figure 2. The benefits of CSR for society

Source: Own elaboration

4. Criticism of CSR

Corporate social responsibility is widely discussed in literature. Nevertheless, not all of the opinions are favourable. There are those who warn about the downsides of CSR. Banerjee (2007) notes that researchers praising the benefits flowing from CSR focus on using it to find the improvement of financial performance in a long term. He argues that in fact, those actions are not truly 'social'. According to him CSR serves corporatizing social behaviour to make it brings the profit.

Some corporations can be also accused of hypocrisy. Those companies profess the ideas of CSR, when in reality they indulge in series of corporate abuses, like "environmental destruction, complicity with repressive regimes, exploitative labour conditions, inadequate product and process safety standards, relocation of polluting industries to regions with weak environmental protection regimes, destruction of local livelihoods, violence against indigenous communities" (Banerjee, 2007, p. 168). At the same time, those companies create an illusion of compliance with social responsibility rules. In reality they just develop their public relations campaigns, while abusing their corporate power.

Moon (2014) points out the difficulty of measuring the actual impact of CSR implementation. It is possible to count the hours of voluntary work by employees or compare the rate of accidents happening in a facility. However, those measurements cannot gauge the difference it makes to the society and associated assessment of whether or not it is worth paying the costs. There is no possibility of measuring to what extend solving the issue was an effect of the company's social responsibility action.

Another disadvantage of corporate social responsibility was identified by Banerjee (2007). He indicates that impulse to escalate shareholders' value will not always lead to creation of win-win situations. Sometimes it provokes their dispossession. Referring to Johnson (1958), Banerjee (2007) also warns against greenwashing:

Company executives may stress that their 'socially responsible' philosophy works to the general benefit; yet basically such a philosophy may be a subtle device to maintain economic power in their own hands by extending their influence and decision-making power into so many nonbusiness areas that they become benevolent dictators (Johnson, 1958, p. 72, quoted after Banerjee, 2007, p. 6).

It is a justified concern that some companies try to buy community's good will with CSR, forgetting that the first matter that should be important is society's well-being. Some developing countries understand CSR as merely philanthropy, and because of that distorted image their domestic companies cannot be fully socially responsible. Gołaszewska-Kaczan (2009) presents several arguments that can be reasons not to get involved in corporate social responsibility in the first place. The legal rationale against CSR is the mere legal personality of an enterprise. It is not a human, therefore cannot be expected to adjust its actions to moral standards. One of the social arguments is that engaging in social programs gives too much power to corporations. It is emphasised by the fact that managers are skilled mainly in economics and do not have abilities required to answer to social issues. Moreover, it is difficult for a company to deal with actions without the support of the majority of members of the community, and there are people that are not fond of the idea of corporations putting their noses in social issues.

Finally, Gołaszewska-Kaczan (2009) raises numerous economic arguments opposing the benefits of corporate social responsibility. First of them points out that as a business, the focus of a company should be on increasing profitability for the benefit of only the shareholders and social activities take the attention away from earnings. Allocating the capital to CSR instead of research and development might put the company at a disadvantage in relation to its competitors. The author also brings up that the interests of various stakeholders might be at conflict with each other and the enterprise will always have to chose one's needs over the others'.

Mullerat (2010) notes that CSR, as many other concepts, can be twisted and used only as a PR tool. As Visser and Tolhurst (2010) say: "it will allow companies to feel good about themselves, while communities crumble, ecosystems collapse and economies descend into chaos" (Visser and Tolhurst, 2010, p. xxvi). Nevertheless it can be also well integrated into company's operations in a belief that corporations should be sincerely involved in social issues.

5. Conclusion

Corporate social responsibility is an admirable notion that should be followed by modern businesses. As it is, CSR is not left without the

criticism. There were and will be cases of abusing CSR through talking about it instead of living by it. Some companies proclaim their devotion to social responsibility and still use toxic materials or treat their workers poorly. Nevertheless the few bad examples cannot efface the positive nature of CSR and its undeniable benefits for the society and business.

CSR is good both for companies and societies around them and brings many benefits to both sides. The corporations can gain financial benefits through working for the good of the people, and at the same time, create a positive reputation and respect, securing their position on the market. The society in which such companies function can observe an increase of quality of education, technology and infrastructure, as well as better health and security of people. Overall, following the rules of CSR may lead to a higher standard of living of people surrounding the socially responsible business. Therefore the good of the business and the well-being of the society should not be put against one another. As presented in this paper, they might be, and often are the same thing.

References

- Arnold, M.F. (2010), "Competitive Advantage from CSR Programmes", in: Louche, C., Idowu, S.O., Filho, W.L. (Eds.), *Innovative CSR: From Risk Management to Value Creation*, Greenleaf Publishing Limited, Sheffield.
- Balcerowicz, L. (2015), "Corporate Social Responsibility: Some Clarifications and Questions", in: Fryzel, B. (Ed.), *The True Value of CSR: Corporate Identity and Stakeholder Perceptions*, Palgrave Macmillan, New York, pp. 15–28.
- Banjerjee, S.B. (2007), *Corporate Social Responsibility: The Good, the Bad and the Ugly*, Edward Elgar Publishing Limited, Cheltenham.
- Carroll, A.B., Buchholtz, A.K. (2008), *Business and Society: Ethics, Sustainability, and Stakeholder Management*, 9th edition, Cengage Learning, Stamford.
- Diviney, E., Lillywhite, S. (2007), *Ethical Threads: Corporate Social Responsibility in the Australian Garment Industry*, Brotherhood of St Laurence, Melbourne. Retrieved from <http://library.bsl.org.au/jspui/handle/1/1727> (accessed 22 July 2015).
- Gołaszewska-Kaczan, U. (2009), *Zaangażowanie społeczne przedsiębiorstwa*, Wydawnictwo Uniwersytetu w Białymstoku, Białystok.
- Gupta, M. (2012), "Corporate Social Responsibility in the Global Apparel Industry: An Exploration of Indian Manufacturers' Perceptions", working paper, University of North Carolina, Greensboro.
- Johnson, H.L. (1958), "Can the Businessman Apply Christianity?" *Harvard Business Review*, Vol. 36, No. 4, pp. 68–76.
- Kurucz, E.C., Colbert, B.A., Wheeler D. (2008), "The Business Case for Corporate Social Responsibility", in: Crane, A., McWilliams, A., Matten, D., Moon, J., Siegel,

- D.S. (Eds.), *The Oxford Handbook of Corporate Social Responsibility*, Oxford University Press Inc., New York, pp. 83–112
- Moon, J. (2014), *Corporate Social Responsibility: A Very Short Introduction*, Oxford University Press Inc., New York.
- Mullerat, R. (2010), *International Corporate Social Responsibility: The Role of Corporations in the Economic Order of the 21st Century*, Kluwer Law International, Alphen aan den Rijn.
- Perry, P., Towers, N. (2013), “Conceptual Framework Development for CSR Implementation in Fashion Supply Chains”, *International Journal of Physical Distribution & Logistics Management*, Vol. 43, No. 5/6, pp. 478–500.
- Porter, M.E., Kramer, M.R. (2006), “Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility”, *Harvard Business Review*, December, pp. 78–93.
- Sino-German Corporate Social Responsibility Project (2012), *Costs and Benefits of Corporate Social Responsibility (CSR): A company level analysis of three sectors: Mining industry, chemical industry and light industry*. Retrieved from http://www.chinacsproject.org/Uploads/%7bEA74A6EC-FCD4-4699-B0ED-FE83A70F854D%7d_Costs%20and%20Benefits%20of%20CSR_20120615.pdf (accessed 30 July 2015).
- Visser, W., Tolhurst, N. (Eds.) (2010), *The World Guide to CSR: A Country-by-Country Analysis of Corporate Sustainability and Responsibility*, Greenleaf Publishing Limited, Sheffield.
- Zu, L. (2009), *Corporate Social Responsibility, Corporate Restructuring and Firm's Performance: Empirical Evidence from Chinese Enterprises*, Springer, Berlin.

