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Literature Review



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Literature Review

The issue of corporate social responsibility is currently widely discussed and studied by scholars, business community representatives, legislators, regulators, and the public. The notion is not new since it emerged several decades ago, but it has recently become extremely topical. It is considered to be a vital aspect of business operation in the overwhelming majority of Western countries, as well as gaining in prominence in other parts of the world. Therefore, the issue is rather controversial in some respects, including questions about its definition, potential benefits, costs, motivations, and the like. Overall, the body of literature relating to corporate social responsibility is extremely extensive and concerns a variety of topics and areas with the most frequently researched and relevant being definitions of the issue under review, the notion of corporate social irresponsibility, reasons for undertaking the CSR initiatives, and variability of the initiatives across the world.

Topicality of Corporate Social Responsibility



It would be an underestimation to say that corporate social responsibility (CSR) is widespread in the modern business world as today virtually all companies are strongly encouraged by management



consultants, nongovernmental organizations, and even governments to develop and adopt initiatives aimed at incorporating the CSR into their activities. Nonetheless, motivations and effectiveness of such initiatives are versatile. Moodie (2015) even claims that: "Companies have traditionally competed to release the best products or provide the best services, but experts say a new type of gold rush is unfolding, one in which brands race each other to claim an environmental or social cause". This way, the CSR initiatives have been turned into a means of gaining a competitive advantage over rivals in the market (Moodie, 2015). Thus, companies attempt to add value to their brands by being the first in the market to choose some topical social, sustainability, or environmental cause that they place in the center of their CSR policy.

In the contemporary business domain, the CSR is popular not only in the West, but also all over the world, with variations in its implementation and focus depending on local peculiarities and motivations underlying companies' CSR activities. Tang (2012) shows that the CSR is highly topical in China although it is mostly promoted by state-owned enterprises and encouraged by the government. In turn, Visser (2008) analyzes how the CSR is implemented in developing countries. In this regard, such countries have one peculiarity, which is the fact that they present "a distinctive set of CSR agenda challenges" that are completely different from those faced in developed countries, which calls for unique approaches to the issue (Visser, 2008, p. 474). Besides, large multinational corporations pave the way for the CSR and set an example for local companies of how to implement the CSR initiatives in the developing world. Overall, the chapter by Visser (2008)

is an invaluable source of information on the key characteristics and peculiarities of the CSR in developing countries as compared to the developed ones.

Definition of the CSR

Irrespective of the topicality of the CSR and the fact that it has been present in the business discourse for quite a long time, there is no single definition that would be unanimously agreed on. Hence, all sources related to the issue slightly differ with respect to the definition of the concept under consideration. Popa and Salanta (2014) note that the lack of such definition may be explained by two factors. Firstly, the CSR is used as an umbrella term for a wide range of related concepts. Secondly, the notion has been evolving from an ambiguous and novel theoretical concept to a management tool and essential element of the business functioning since the time of its emergence in the 1930s (Popa & Salanta, 2014). In general, the concept can be defined as “an organization’s attempts to achieve a balance between the economic, environmental and social imperatives without foregoing the expectations of shareholders, and give something back to the wider community” (Popa & Salanta, 2014, p. 139). Basically, it means inclusion of environmental, sustainability, and social issues into the company’s strategies, policies, and vision so that a company can contribute to the community development (Tang, 2012).

Such an aspect of the CSR as definition is mentioned almost in all

sources discussing the issue as researchers have to provide a working definition of the concept that they want to use in their publication. In their article, Popa and Salanta (2014) discuss this question in-depth and provide several definitions, which contributes to the comprehension of the debates on this aspect. In fact, it seems that the lack of the common definition does not promote studies of the CSR since researchers understand it in different ways. Varying understanding of the concept impacts their study designs and outcomes as evident, for instance, from the article by Voegtlin and Greenwood (2016) who study the CSR from the perspective of the human resource management, emphasizing its significance with respect to the human resources. Besides, they claim that the intersection of the CSR-HRM should be studied in more detail as this aspect has been ignored by former researches, as well as suggesting three “theoretical perspectives” for such studies, including social integrative, instrumental, and political ones (Voegtlin & Greenwood, 2016).

Corporate Social Responsibility & Corporate Social Irresponsibility



Review of various sources concerning the CSR shows that the issue has been studied from various perspectives both theoretically and empirically, but there is an obvious gap in literature when it comes to its opposite, i.e. corporate social irresponsibility. It seems that companies are assessed in terms of the extent to which they adopt the CSR as shown in the study of Chinese companies and multinationals by Tang

(2012). Similarly, Sanchez-Serrano (2011) focuses on existing CSR initiatives of some pharmaceutical companies, such as Novartis or Merck, but does not specify whether these companies' initiatives have been launched as a part of their true commitment to the cause or merely with a view to improving their brand image. Hence, the author notes that only some companies within the pharmaceutical industry engage in the CSR. Moreover, Sanchez-Serrano (2011) explicitly mentions that these companies have "responded to criticisms regarding their lack of interest in the developing world by making donations to underserved countries (more than \$7 billion a year), selling drugs at cost, and so on" (p. 229).

However, according to Popa and Salanta (2014), the aforementioned motivation cannot be considered as true CSR. In turn, such activities may be used by companies to divert attention of their stakeholders from more important and controversial activities. In addition to the inclusion of activities claimed to fall under the definition of the CSR that have wrong motivations and do not pursue true commitment to some cause, the notion of corporate social irresponsibility includes a range of other activities. Generally speaking, it can be explained through the concept of the CSR and stands for the way "the business responses to the expectations of society", whereby the CSI means "the failure of businesses to meet these expectations" (Popa & Salanta, 2014, p. 140). It can also include corporate culpability, corruption, social injustice, environmental degradation, bribery, and the like. Overall, the issue of the CSI seems to be understudied as compared to the CSR, and both scholars and business people should more attention to it in order to be

able to distinguish between the two in practice.

Why Businesses Should Undertake CSR Initiatives?



The question relating to motivations and reasons for businesses to undertake CSR initiatives seems to be the most frequently researched and raised. According to the International Institute for Sustainable Development (2013), some of the core factors promoting international spread and adoption of the CSR include “the shrinking role of government”, public demands to companies for disclosure, growing interest of customers in all aspects of business functioning, pressure from investors, and increasing competitiveness in the market. All these general factors of the modern business environment encourage companies to engage in the CSR, but researchers are also interested in revealing particular reasons of why all companies should ultimately develop their own CSR programs.

Hristache, Paicu, and Ismail (2013) offer a similar reason for companies to engage in the CSR as Moodie (2015), which relates to their brand identity and image. However, they emphasize that the CSR has become especially significant and topical in the post-crisis economy period and that now companies should alter their organizational identity with account of this (Hristache et al., 2013). This theoretical suggestion does not resemble sporadic initiatives launched by some pharmaceutical companies mentioned above by Sanchez-Serrano (2011), but envisions

a more fundamental transformation of the corporate culture and brand. According to Hopkins (2015), such a transformation with incorporation of the CSR into the process of business functioning can also help with crisis management. Companies that develop a sudden interest in the CSR after some disruptive or reputation-damaging event will not convince stakeholders of their sincerity, which, in turn, will not assist them in minimizing reputational damages and mitigating crisis consequences. Thus, “if the company hasn’t actually been caring for employees and community members in some tangible way before the crisis, it will be much harder for stakeholders to believe they care now” (Hopkins, 2015, p. 20). All reasons and arguments provided by Hopkins (2015) prove that making the CSR activities consistent and long-term will benefit the company in case it encounters some problems or faces a crisis.

Nonetheless, reputational and image benefits are not sufficient reasons for some companies to embrace the CSR that is usually related to high expenses. Therefore, a number of studies are currently dedicated to the financial aspect of the CSR and rationality of launching the CSR. The study by Shen, Wu, Chen, and Fang (2016) is aimed at revealing the CSR effect in the banking sector with the use of three estimation methods. The researchers prove the social impact hypothesis, under which there is a strong association between positive performance and the CSR, as well as increased productivity of employees, increased product competitiveness, improved trust through public donations, and reputational benefits (Shen et al., 2016). Financial benefits of the CSR are also evident through increased productivity of employees and their

enhanced loyalty, which is the central research question of the study by Panagopoulos, Rapp, and Vlachos (2016).

Traditionally, the impact of the CSR on staff productivity is studied without the inclusion of the indirect relations between this issue and customers' perception of the CSR, but Panagopoulos et al. (2016) have revealed that employees' perceptions are formed on the basis of both their own views and customers' perceptions. This way, managers are encouraged to undertake "cultivating a positive social image to external stakeholders (e.g. customers) and communicating that to employees", which is likely to improve productivity and loyalty of the latter (Panagopoulos et al., 2016, p. 2788). However, not all researchers agree that the CSR is financially beneficial for companies. For instance, Lioui (2015) has conducted a study with the use of various statistical methods and calculations proving that the outcome of the CSR depends on the business environment. Hence, "in good times, nothing guarantees that a positive CSR action will impact positively on firm value...; in bad times, ... a positive impact on firm value is even less likely to happen" (Lioui, 2015, p. 129). Though this finding is supported with extensive proofs and credible ratios, the author's view is generally not supported by researchers or the business community who believe that the CSR can improve financial performance of companies.



Conclusion



Withal, review of the literature shows that even though the study of the CSR started several decades ago, there are still many gaps in knowledge about the concepts and related aspects. These gaps should be addressed as soon as possible since the CSR is a highly topical contemporary business issue that has been gradually adopted by companies from all over the world. Moreover, it can significantly impact financial performance, human resources, and reputation of businesses, which is why it has to be studied from various perspectives so that managers can implement findings of such studies in practice and improve their companies' CSR initiatives.

