

How to achieve Financial Gains with Corporate Social Responsibility in businesses

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Abstract

This research paper presents a conceptual framework for companies to manage their financial gains or profitability with the help of Corporate Social Responsibility initiatives and attempts. A case of Sharp electronics and Samsung will also be discussed that how these companies gain profits through implementing CSR in companies. And we will also do a graphical analysis of Asian countries involve in CSR activities. The results of the present study showed that an organization can increase its output by effectively using corporate social responsibility activities.

Key words: Corporate Social Responsibility, Financial gains, Conceptual framework

1. Introduction

1.1. Corporate Social Responsibility (CSR)

Corporate Social Responsibility CSR is determined as “circumstances where the company goes beyond conformity and involves in actions that appear to further some social good, beyond the passions of the company and that which is required by law”. CSR actions have been considered to include integrating social features or features into items and production procedures (e.g. aerosol items with no fluorocarbons or using environmentally-friendly technologies), implementing modern human resources management methods (e.g. advertising worker empowerment), accomplishing higher levels of ecological performance through recycle and contamination abatement (e.g. implementing an competitive position towards decreasing emissions), and improving the objectives of group companies (e.g. working carefully with categories such as United Way).[1] The essence of CSR is that business and group are intertwined rather than unique companies.[2]

1.2. CSR communication: a case of Chinese and global companies in china

Chinese suppliers and international organizations, which are working in China, connect their Corporate Social Responsibility (CSR) concepts and methods to the Chinese stakeholders through a material research of these companies' corporate sites. Such organizations take one of the following three significant techniques in their CSR communication

1. CSR as ad hoc public philanthropy
2. CSR as ideal philanthropy
3. CSR as moral business methods. [3]

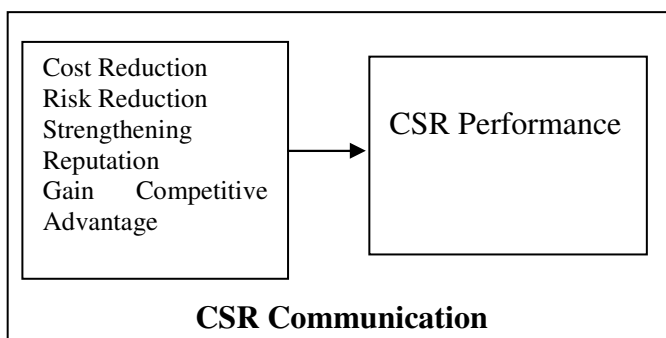


Fig.1. CSR communication

In CSR communication, company's CSR performance depends upon risk reduction, cost reduction, strengthen reputation and gain competitive edge.

However, in order to be able to successfully link it is necessary that companies clearly comprehend the idea of CSR, both from managing and personal stakeholder's viewpoint. [4]

1.3. CSR and Risk

Corporate Social Responsibility (CSR) allows companies prevent dropping into standard. CSR has a powerful impact on standard threat decrease, and this connection is more powerful on companies in high energy surroundings than in low energy surroundings. [5]

1.4. Sources of CSR Funds

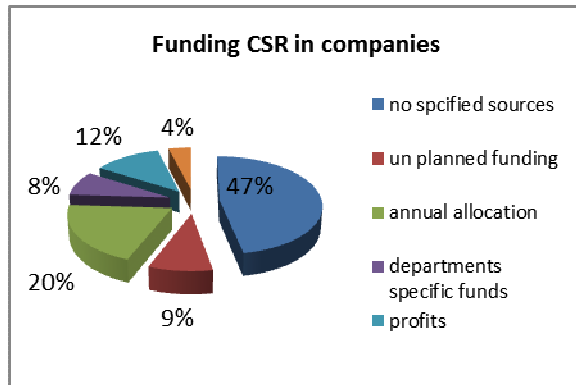


Fig.2. CSR funding

The resource of CSR resources is essential because its resource can ultimately demonstrate the significance of CSR in the organization. This may in fact be similarly, or more informing, than the real amount of fund allocated. For example CSR may be more incorporated in an organization that resources its CSR applications for a yearly allowance, since this places CSR concern even with other conventional functional places. When organizations make do with unexpected financing with regard to CSR tasks, this may be considered as CSR not having adequate enough concern to benefit an allocated part of the company's budget. However, 47% of companies did not identify any source for funding their CSR initiatives. In companies surveyed, only 13% provided an estimation of their yearly CSR expenditures. Of these companies 22% spent between 0.1-1 percent of their annual budget on CSR, 24% spent between 3-5% and 30% of these companies spent more than 5%. [6]

2. Literature review

2.1 The Pyramid of Corporate Social Responsibility

The authors are suggesting four prospects of CSR in a pyramid format

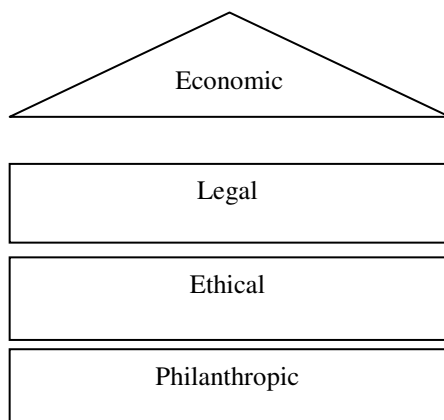


Fig.3. CSR Pyramid

2.1.1 Economic Responsibilities

Business associations are the fundamental investment units in our social order. Their foremost part is to transform products and administrations that purchasers required and needed and to make a satisfactory benefit simultaneously. All different business obligations are predicated upon the investment obligation of the firm, on the grounds that without it the others get questionable contemplations.

2.1.2. Legal Responsibilities

Community has not only approved company to function according to the profit motive; at the same time company is predicted to adhere to the guidelines promulgated by government, state, and local government authorities as the guidelines under which Business must function.

2.1.3. Ethical Responsibilities

Ethical obligations signify those requirements, standards, or objectives that indicate a concern for what customers, workers, investors, and town regard as reasonable, just, or in keeping with the regard or protection of stakeholders' ethical privileges

2.1.4. Philanthropic Responsibilities

Philanthropy involves those business activities that are in reaction to society's anticipations that companies be good business people. This contains definitely interesting in functions or programs to advertise human well being or a good reputation. [7]

2.2. Corporate social and financial performance

The relationship between Company Social Performance (CSP) and Company Financial Performance (CFP) within the perspective of a specific part of CSP, which is corporate non-profit giving. Companies with both uncommonly high and low CSP have higher financial performance than other firms, with uncommonly poor social artists doing best in the short run and uncommonly excellent social artists doing best over many years capabilities [8]. A list of the benefits that connected to CSR applications contains the following: [9]

1. Reducing risk
2. Reduced waste
3. Enhancing interaction with regulators
4. Producing brand equity
5. Enhanced human relation and worker productivity
6. Cheaper of capital

2.2.1. CSR and Stakeholder Value Maximization

Corporate social responsibility (CSR) makes value for obtaining firms' investors that in contrast to low CSR acquirers, great CSR acquirers recognize greater merging statement profits, greater statement profits on the value-weighted profile of the acquirer and the focus on, and bigger improves in post-merger long-term working performance. And also beneficial long-term inventory profits, indicating that the market does not completely value the benefits of CSR instantly. Moreover, that merging by great CSR acquirers take less time to complete and are less likely to don't succeed than mergers by low CSR acquirers. These results recommend that acquirers' social performance is an important determinant of merging performance and the prospect of its finalization, and they assistance the stakeholder value maximization perspective of stakeholder [10]

2.2.2. CSR activities according to industry

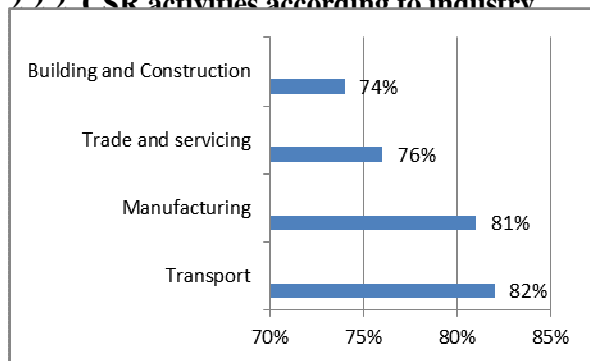


Fig.4. CSR activities according to industry

Above graph shows the percentages of CSR activities in different industries, in transport sector the percentage of CSR activities are 82%, in manufacturing 81%, in Trade and servicing 76% while in Building and construction the percentage is 74%.

2.2.3. CSR increases firm's profitability

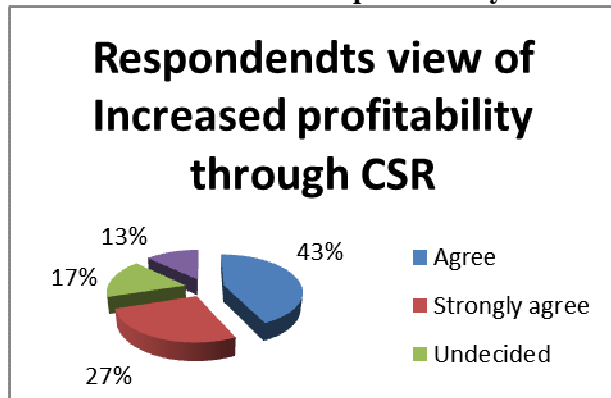


Fig.5. CSR increase firms profitability

In figure it is shown that 43% of the respondents agree that CSR increases firm's profitability. 27% are strongly, 17% are undecided and 13% are Disagree.

2.3. CSR - An Economic and Financial Framework

There is a resource-allocation part for CSR applications in situations of industry failing through private-social cost differentials, and also in situations where distributional arguments are likely to be powerful. In some areas of the economic system personal and public expenses are approximately in line and distributional controversies are unusual: here business public liability has little part to perform. Such areas are outnumbered by those where CSR can perform a useful part in guaranteeing that the unseen hand functions, as designed, to generate the public good. Moreover, it seems clear that a CSR system can be a successful factor of business technique, leading to threat control and to the servicing of connections that are essential to long-term productivity. [9]

2.3.1. CSR and access to finance

Superior performance on corporate social responsibility (CSR) strategies leads to better access to finance. Firms with better CSR performance face significantly lower investment restrictions. Moreover, better stakeholder involvement and visibility around CSR performance, are important in reducing investment restrictions. [11]

2.3.2. CSR as Social Responsibility Investing (SRI)

Socially responsible investment, also known as "sustainable, socially conscious, or moral making an investment, explains a financial commitment strategy, which looks for to maximize both financial return and public good." Socially accountable making an investment is very popular term in western world. And SRI identifies that business responsibility and social concerns are legitimate parts of commitment. [12]

2.3.3. CSR a profitable alternate

Organizations working towards becoming culturally accountable through becoming more maintainable, dealing with its workers and providers pretty, sticking to rules and laws and regulations, etc. As they work on enhancing as well as liability in all these aspects of CSR these information mill building their product, developing impressive products, becoming more maintainable and become more economically constant. These entire information mill planning for the near future by concentrate on business public liability as it is a successful alternative. It is the way to become more powerful and endure amongst opponents, as they know that business public liability will make a big difference and help the company endure in the challenging economic system. [13]

2.3.4. Misconception about CSR

The common perception that the social and financial goals are divided is a false impression. Instead, companies cause their non-profit initiatives to experience financial benefits. [14]

Pure Philanthropy Social benefit combined social and

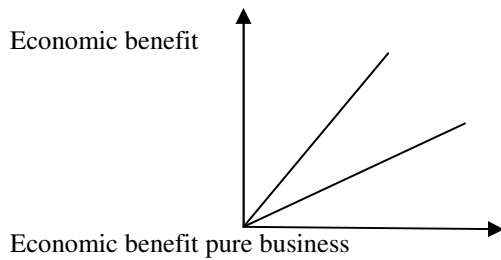


Fig.6. a convergence of interest Case Study Analysis

3 Financial gains of SHARP electronics through CSR

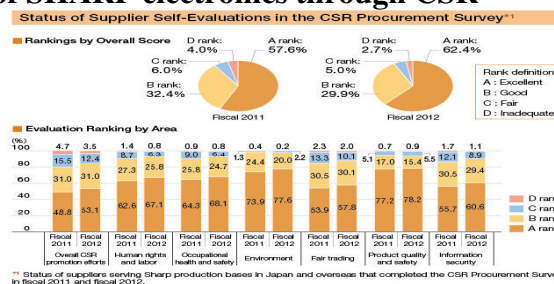


Fig.7. Status of supplier self evaluation in CSR procurement survey

SHARP collects its supplies not only from Japan, but also from other countries. These products are made all over the World. To buy outclass products is the policy of SHARP. To make it perfect they have apply some identical rules for each of their supplier. Which are settled by purchasing team of SHARP, they consider so many factors for choosing their suppliers that how they are behaving in society?

1. Elementary Purchasing Idea

- 1) Sharp's purchasing idea is piloted in an open and neutral order, with a fair appraisal given to sellers in Japan, or where ever they are
- 2) Sharp will obey for policies, which are also accepted by sellers.
- 3) Sharp will practice such social responsibility as the preservation of the atmosphere through the purchasing.
- 4) Sharp follows optimal standards.

2. Instructions for Purchasing Activities

Sharp will practice purchasing activities with the following mind, based upon the Elementary Purchasing Concept.

Unbiased purchasing

As for purchasing, Sharp will follow optimum cost based upon rivalries, giving openness and fairness for equal rights.

Establishing negotiation

All the board associates and employees will obey with and practice “The Sharp Group Charter of Corporate Behavior” and “The Sharp policy” to issued to realize the Business Idea and Business Belief, thus improving the joint suggestion of sellers.

Conservation of the environment

Sharp enhance their environmental protection activity in support with sellers and encourage an environmentally friendly purchasing activity by purchasing parts and supplies which are favorable to the environment.

Preventing good product quality

SHARP needs to maintain its name in the market, so SHARP is very careful for picking its parts and supplies in order to meet the standards, they educate their suppliers as well how to make the supplies error free.

Making the supply easy

For making supplies easy, and available all the time, SHARP shares it's forecasting and demand with their suppliers as well. To make the parts and supplies available at the time of need.

Primary technology

To compete with market rivalries, sharp let its suppliers aware for the new upcoming events of the market.

3. Requests to Suppliers

According to sharp “It is not necessary to apply CSR only by us. It should be done at every basic level. Which starts with our suppliers. That how they are behaving with their workers. How they are performing in society”.

1) Obedience with laws and social standards

Sellers are demanded to obey with respective local laws in the country they are working, they should take care of their own society in every manner.

2) Promotion of sound business operations

Sellers are demanded to have good business relationship, without affecting any of their rivals. Rivals should not be affected by any of their act. Sellers are requested to have sound name in market.

3) Respect for the environment

Sellers are demanded to take necessary acts for the surroundings environment. Any of their acts should not be against the environment.

4) Securing optimum standards

Sellers are demanded to sell parts and supplies at an optimum price based on the market rivalry.

5) Proper supply of parts and supplies

Sellers are demanded to keep delivery commitments and to supply parts and supplies firmly to offer a sure supply of products to customers.

6) Leading technology

Sellers are demanded to sell parts and supplies with advanced innovation, such as sole and advanced methods.

7) Un disclose of private data

Sellers are demanded to make careful controls and keep undisclosed of any data which they get through their purchasing, and not to disclose the data to any other party deprived of SHARP permission.

3.2 Samsung Profitability through CSR

3.2.1 CSR Investment (Unit: KRW 1M)

Table .1

| CSR Expense | 2010 | 2011 | 2012 |
|-------------------------|---------|---------|---------|
| Social causes | 111,690 | 95,775 | 86,108 |
| International exchanges | 31,955 | 34,889 | 59,214 |
| Culture | 36,368 | 30,139 | 51,443 |
| Academic Exchange | 56,947 | 27,812 | 45,002 |
| Environment & health | 146 | 3,344 | 653 |
| Sport | 2,795 | 1,135 | 2,334 |
| Total | 239,900 | 193,094 | 244,754 |

In 2012, Samsung Electronics consumed an overall of KRW 245 billion on its CSR such as values & arts, educational, and social welfare for society. In 2011, Samsung introduced a devoted CSR budget of 293,694 KRW. In 2012 the total amount of CSR declined and company invests in many other social activities.

In 2012, Samsung recorded a total of 212,209 hours or 9.5 hours per employee in volunteer services, demonstrating that a culture of giving back is growing in country.

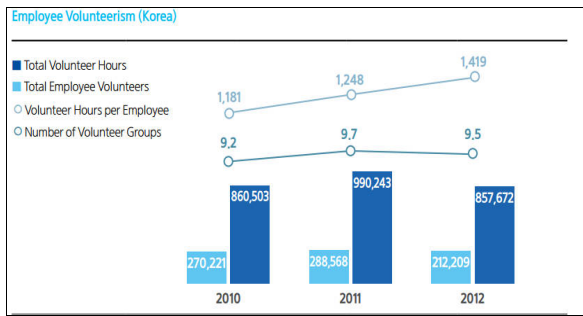


Fig.8. Employee Volunteerism in samsung

3.2.2. Suppliers Training

In 2012 Samsung continued to provide with quality training services on a variety of topics. The number of trainee’s decline due to the separation of the LCD business sector from the company.

Training services for suppliers employers

Table.2

| | | 2010 | 2011 | 2012 |
|-----------------------|----------------------|-------|-------|-------|
| Korea | Management | 2,922 | 3,963 | 4,380 |
| | Technology | 285 | 161 | 99 |
| Overseas | Operations | 368 | 597 | 377 |
| | Innovation | 847 | 330 | 196 |
| | Professionals | 935 | 228 | 209 |
| Total trainees | | 5,357 | 5,279 | 5,261 |

Whereas company started its future leadership training program from 2004. To make future leaders Samsung is investing since 2004.

The future leadership training program

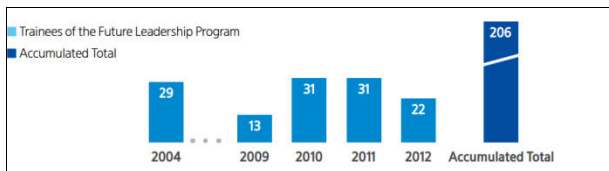


Fig.9. Samsung’s future leadership training program

3.2.3 Financial Gains of Samsung

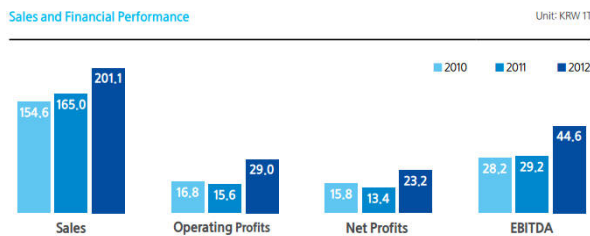


Fig.10. Financial gains of Samsung

4. Financial gains with CSR in ASIA

The phrase economical gains/profitability is determined as “how good an organization is in its working performance or capability to produce profit” [15]

Corporate Social Responsibility (CSR) is most discussed problem nowadays. Organizations have different purposes and opinions about CSR as some believe that it is just a screen putting on a costume and is not going to help the development and productivity of company. While many other manufacturers have a perspective that CSR enhances the picture of organization and allows in long-term durability of the company. [16]

The economical earnings of Corporate Social Responsibility and Irresponsibility (CSR and CSI) are equivalent on regular. The description is that CSR and CSI are motivated to a condition of stability, because if one or the other provides greater earnings, it would entice more gamers who would contend for the best possibilities until there was no distinction in regular benefit. [17]

The improved variation is associated with the adopting of SRI rather than with a customized finance control. The following decrease in variation contains the distribution of corporate social responsibility actions by companies and studying by finance supervisors. [18]

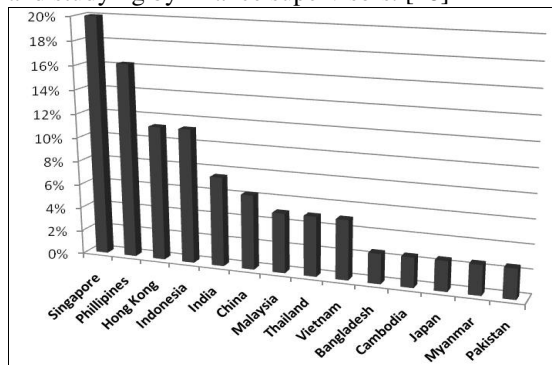


Fig.11. Graphical analysis of Countries involve in CSR
a. CSR and economic sector

Table.3

| Companies | % CSR Penetration | % Workforce in Agriculture | % Workforce in Industry | % Workforce in Services |
|-------------|-------------------|----------------------------|-------------------------|-------------------------|
| India | 72 | 25 | 24 | 51 |
| South Korea | 52 | 6 | 41 | 53 |
| Thailand | 42 | 13 | 40 | 47 |
| Singapore | 38 | 0 | 30 | 70 |
| Malaysia | 32 | 14 | 44 | 42 |
| Philippines | 30 | 20 | 32 | 48 |
| Indonesia | 24 | 21 | 35 | 44 |

As table indicates, CSR penetration is almost perfectly inflexible with respects to Gross National Product (GNP). Two cases which emphasize this impassiveness are India, which is comparatively poor and has the maximum levels of CSR, and Singapore, which is the richest but only the normal CSR country out of our seven crease sample. A leading agricultural sector would associate negatively with CSR as the structural resources related with CSR might be less extensive. It might have been probable that large service sectors would correlate positively with CSR as these firms tend to be more aware of their consumer image than their agricultural and manufacturing counterparts. [19]

5. Discussion and Conclusion

This research paper tried to create a conceptual relationship between the Corporate Social Responsibility (CSR)

and Economical benefits. Results indicate that culturally responsible corporate performance can be associated with productivity. The document also tried to create a conceptual structure for different international companies to handle their financial benefits with the help of a case study of Sharp electronics which handle their financial benefits with the help of its CSR actions. Although this research did not discover the direction of the causal relationships, nevertheless, the results indicate that CSR is favorably related to better financial performance (profitability). Those companies that combines various stakeholders' passions in their business function, involves in investment actions that improve their long lasting productivity as well as, which eventually improves shareholder's prosperity and company value. CSR favorably impacts the companies target customer groups, improves the brand image and generates beneficial financial consequences. CSR also may produce positive social marketing consequences, which will accomplish, although not directly, a company's competitive position by creating a more positive environment for firm promotion interaction strategies. Organizations should develop successful CSR strategies and, by extension, engage productively with key stakeholders can generate tangible benefits for their firms in the form of better access to financing.

6. Acknowledgement

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