

Full Length Research Paper

Eastern perspective of corporate social responsibility: An exploratory study

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Corporate Social Responsibility (CSR) is an emerging trend in the eastern world. The West has vast research in this area but less work has been done in the east. This research aims to find the purposes and results of CSR in the east. Society improvements, customer and competition are taken as the purposes from the literature to check it in eastern society. Gaining reputation, profitability, differentiation and exploring markets are considered the perceived results. Study explains that society improvements and customers are regarded as the purposes, but not the competition. Reputation and profitability are the perceived results. Differentiation had negatively related to CSR and exploring new markets had less significant impact.

Key words: Corporate social responsibility (CSR), eastern CSR, purposes of CSR, aims of CSR.

INTRODUCTION

Corporations acquire resources from their surroundings, process them and run their businesses by selling their products. But this is not always simple. The processing of resources generally fabricates harmful and disastrous impacts on society. Previously this was taken for granted, but now as the awareness about the “environment”, “health and safety” and “green planet” are increasing, companies are forced to do more for the betterment of society and their surroundings (Maclean, 2010). Here emerged the concept of Corporate Social Responsibility (CSR). Companies are required to pay back the good and at the other hand restrain from affecting environment negatively.

The shift has come in global scenario of business world. Customers are now concerned what are they purchasing and from whom are they purchasing. The multinational organizations are contributing immensely towards the well-being of societies in which they operate. Google, McDonald's, Intel, FedEx and Hewlett-Packard are the giants, leading in CSR activities (Maclean, 2010). They have worked in the emerging countries for the health, education, sanitary and infrastructure. It is said

that these companies not do CSR only because of their ethical responsibilities, but they are also capturing the unexplored markets (Maclean, 2010).

Conventionally, CSR is considered to be Western phenomenon as there are well developed institutions and standards that support CSR (Kemp, 2001). CSR is generally described as the “social involvement”, “sensitivity” towards societal happenings, and “self-accountability” of companies that is other than their businesses and legal requirements (Chapple and Moon, 2005). But now CSR is becoming more complex as governments are now giving grants for deploying CSR (Moon, 2004) and companies also have to abide by the rules to protect global environment (Sharfman et al., 2004).

A couple of decades ago, companies simply used to write cheques and give them as donations or charity for a certain cause(s). It should not be concluded that this was wrong at that moment. But now companies have actually moved ahead with the CSR efforts they used to put in. As an example, we have seen companies helping the poor by providing them education, or helping people to improve their health standards. Now, many companies are participating in CSR activities regardless of they are local, national or international. Their main focus is on education, healthcare, environment, clean water and so on. These responsible companies are contributing because of humanitarian or religious beliefs or even because

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of business purposes (to gain goodwill). Those who share the burden of society and do not disclose it, they surely are working only because for the fulfillment of their ethical duties. The meaning of CSR in eastern world differs from the Western world (Chapple and Moon, 2005). Moreover, the Western MNCs operating in the east also face the challenges to act responsibly according to the norms of their own and their host countries (Chapple and Moon, 2005). People in eastern world have strong values, norms and belief systems on which their ethical decisions are based upon. The purpose to participate in CSR in the east can be different from the one in the west, the results can vary accordingly. The research findings of Maignan and Ralston (2002) demonstrated even in same systems of United States and Western Europe, noticeable variations exist in CSR and its communication. The variations are about actively participating in CSR, communicating it to others, modes used for CSR and the issues on which work is done (Chapple and Moon, 2005). There are no such research findings supporting the phenomenon that how Eastern perspective differs from the Western one. The intention of companies cannot be assessed that whether they truly think “doing good for the society” is their responsibility or they do it for their own reputation, but results will be surely in the favor of society. This research is aimed to find out the purposes and the perceived results generated by CSR in eastern world.

LITERATURE REVIEW

“Doing good” for the society (Berens et al., 2007; Lundgren, 2009) is a big challenge for the organizations at this age. There has been a global shift seen. Due to climate change, globalization and media coverage, in the mind sets of stakeholders (Lundgren, 2009). Stakeholders now expect from organizations for CSR (Riordan and Fairbrass, 2008) as a moral obligation (Berens et al, 2007).

CSR (Maignan et al., 1999; Lindgreen et al., 2008; Branco and Rodrigues, 2006) is a widely studied literature (Turker, 2008) and has become an extensively used phrase whenever one thinks about a business and its relation to society. The works of Bowen (1953) is considered the base of the CSR construct (Valor, 2005). Valor (2005) discussed about management, corporate citizenship and stakeholders interests (Windsor, 2001). But Valor (2005) was unable to provide any proper CSR definition.

However, WBCSD (1998) defined CSR as an ongoing dedication by businesses to morally act and put efforts to economic development while enhancing the quality of life of the employees and their families as well as society at large. Chapple and Moon (2005) gave the contemporary definition of CSR as basically to follow the strategic purpose (for example, authenticity to customers, accountability to surroundings, beating the competition), by its

drivers (for example, responding to market needs and social regulations) and indicated by its economic, legal, ethical, voluntary responsibilities.

Some of articles have defined CSR as “giving something back and sharing” with the society (Lundgren, 2009). Some of them have described CSR as a tool to maximize their profitability (Frederiksen, 2009). Some of them have described CSR’s as combination of four elements; economic, legal, ethics and morals and philanthropy (Carroll, 1998). CSR is when a business does any good for its surrounding such as environment, society and customers. There can be several activities and purposes for CSR. The purposes can include to make a better society (Lindgreen et al., 2008); being good to customers (Turker, 2008) and doing CSR to get competitive edge (Vilanova et al., 2008).

Purposes of CSR

Society is defined by the people, their norms, beliefs, values and living standards. Organizations are not apart from the society. They are linked to it in some way or the other. As “stakeholders” are actually the society for organizations, society implies some responsibilities to organizations. The firms are required to act or restrict their business activities if they are in favor or against the interest of the society (Branco and Rodrigues, 2006).

Proposition 1: The purpose of CSR is societal improvements

The customers have become more aware than before. They are always demanding something new and innovative. As the awareness increased so did the concern of customers for “health and safety issues” and the environment. Customers are wanting those brands which will give them the best as well as to the environment they are living in (Lundgren, 2009).

Proposition 2: CSR is done for customers’ benefit

Companies are now concerned to look different among the sea of brands. To get this position, they have adopted the CSR. Once the CSR activities are being done, it will result in competitive edge (Vilanova et al., 2008). So, many companies would be doing CSR out of competition.

Proposition 3: The purpose of CSR is to surpass the competition.

Results of CSR

Some researchers have raised questions about defining the relation of CSR and its outcomes (Swanson, 1999; Wartick and Cochran, 1985; Wood, 1991). The failure occurs when companies fail to establish specified

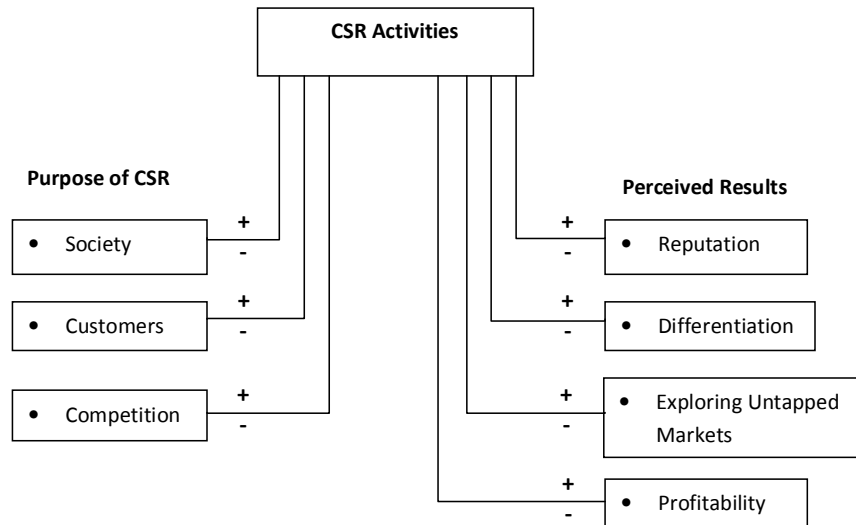


Figure 1. Theoretical framework.

stakeholders while establishing the relation of social performance and its associated benefits (Wood and Jones, 1995). Most outcomes are related to the disclosure of the CSR. When the CSR is promoted by organizations, the profits rise (Gamerschlag et al., 2010; Chapple and Moon, 2005).

Proposition 4: CSR enhances the profitability of an organization

When the CSR activities are revealed or marketed, the chances of creating brand value among public are increased (Hooghiemstra, 2000). Many foreign organizations which are operating in emerging countries need to have positive reputation; in gaining that image or level, organizations are doing CSR (Chapple and Moon, 2005; Maclean, 2010). Sometimes organizations associate themselves with cause related marketing with any ethical aspect and build their reputation.

Proposition 5: CSR creates Reputation of an organization

Many international organizations are showing their interest in developing under privileged areas and helping to improve education or health sectors such as The One Laptop Per Child Association (OLPC), a sponsorship of eBay, Google, and News Corporation, is providing low cost laptops for educational purposes. Off course, the hidden purpose is no other than tapping the market and creating demand for the products but it definitely creates the improvement in society (Maclean, 2010).

Proposition 6: CSR helps to exploring new markets

CSR is a tool to be differentiated from its rivals (Matten and Moon, 2004). Differentiated strategy should be

combined with CSR strategy to get more sales (Siegel and Vitaliano, 2007).

Proposition 7: CSR brings differentiated products

THEORETICAL FRAMEWORK

This model (Figure 1) is explaining CSR in two forms; the purposes and the perceived results. The literature brought three dimensions of purpose; society improvements, customer care and beating out competition. The research will find the basic purpose of the CSR. The other part of the research will be related to results, what managers and employees of various organizations perceive the outcomes of CSR. Are they reputation, differentiation, exploring new markets or seeking profitability? This research is aim to find out correlation of these factors to the CSR itself.

RATIONALE FOR THE RESEARCH

CSR can be done with many purposes in mind and can generate different results for any company. This research is done to find out what are the possible intentions and outcomes of CSR activities in eastern perspective. The identical Western model is applied in the eastern society, as less research has been done in this perspective. The literature of Western world is mostly studied for this research but does that apply to eastern society? Because the values of the east are far different from the west so the ethical decisions of corporations can be based on dissimilar aims. This study aims to find out the reasons and results of any CSR activity.

1. Identify the aims of CSR activities.

Table 1. Reliability.

Factor	Cronbach's Alpha	No. of Items
CSR activities	0.814	2
Purpose of CSR		
Society	0.808	3
Customers	0.797	3
Competition	0.920	3
Perceived results of CSR		
Reputation	0.830	2
Differentiation	0.915	3
Exploring untapped markets	0.787	2
Profitability	0.769	4

2. Identify the results of CSR activities.

METHODOLOGY

The responses are taken from the employees of different manufacturing firms and banks. The sample size is 67. 29% were female and 71% were male. Data was collected from the managerial level employees, from the bank (Meezan bank and standard chartered bank) and textile mill (US Demin) from Lahore, Pakistan.

Questionnaire has been used to collect the data. The primary data is collected as responses are taken directly through the selected employees. This approach is the most appropriate for an exploratory research. Some of the questionnaires were emailed and some were distributed in printed form to the employees for research purpose. The research is done using purposive sampling as the responses are taken only from the middle managers or above positions (employees posted on equivalent to these positions). This is because CSR is the decision of team leads, manager or CEO's. There were 22 items in the questionnaire developed on 5 point Likert scale; in demographics designation, age and gender was asked for cross tabulation. All questions included in questionnaire were positively stated.

RESULTS

Descriptive statistics

Table 1 shows the reliability of scales used. The factor competition had the highest reliability (.92); three items measured it. All other factors had reliability above .75. it confirms that the reliability of the items is satisfactory.

The correlation analysis in table 2 shows that propositions 1 and 2 are proved as the correlation of CSR and Society is highly significant (The Pearson correlation is 0.945) and it can be generalized over 99% of the population; also the correlation of customer and CSR is also highly significant at 0.01 level significant (The Pearson correlation is 0.798). CSR and competition has significant inverse but weak correlation hence Proposition 3 is

disapproved.

Propositions 4 and 5 are approved as profits (Pearson correlation 0.808) and the reputation (Pearson correlation 0.829) are found highly correlated with CSR. Proposition 6 and Proposition 7 are disapproved as "untapped markets" is less significantly related to CSR. And gaining differentiation is negatively related to CSR.

The variable Society is found to be highly correlated with customers (0.915), reputation (0.768) and profitability (0.812). The variable Customers are highly correlated with reputation (0.650) and profitability (0.731). Competition is significantly correlated to differentiation (0.997). Reputation and profitability were also found to be highly correlated (0.849).

Conclusion

It is generally perceived that every new phenomenon is first applied in the west and afterwards it comes to be applied in the east, the best example is technology. But if we talk about business practices, this is not generally the case, because in eastern society different business practices are adapted. The East has its own norms and terms and conditions to do business. Trust and relationships are preferred over business contracts. Some practices of Western businesses do apply in the east but not all of them, as explored in this study.

The models and definitions are taken from the west literature. But results found were different from the ones in literature. Society improvements (Branco and Rodrigues, 2006) and customer care (Lundgren, 2009) have been proved the purpose of participating in CSR activities but competition was not really significant with the CSR. As the east has different values and belief systems, competition is the least preferred variable when it comes to being socially responsible. This means CSR is not seen as a tactic to compete in the eastern industry. But in the west, this has been proven to have competitive edge over competitors (Vilanova et al., 2008). CSR in the east is purely done on the grounds to improve the society to give better environment to customers and other people, living around them.

This research showed that perceived results of CSR are profitability and reputation. This means customers buy products more frequently from those who are involved CSR. But CSR has nothing to do with exploring new markets in eastern business practices. Creating differentiation in the products is negatively related to CSR. The reason is CSR itself consumes time, money and effort. In the developing nations of the east especially Pakistan, where resources are scarce and being in those limited resources companies has to plan their budgets, and obviously have to make choices whether to innovate and differentiate the products or involve in societal improvements (both takes resources). This can be the one reason the correlation is negative between CSR and products differentiation. But the Western organizations

Table 2. Correlation matrix.

Variable	CSR	Society	Customer	Competition	Reputation	Untapped market	Profitability	Differentiation
CSR	1							
Society	.945**	1						
Customer	.798**	0.915**	1					
Competition	-0.231*	-0.284**	-0.281**	1				
Reputation	0.829**	0.768**	0.650**	-0.004	1			
Untapped market	0.110	0.091	0.050	-0.126	0.192*	1		
Profitability	0.808**	0.812**	0.731**	-0.210	0.849**	-0.005	1	
Differentiation	-0.234*	-0.286**	-0.283**	0.997**	-0.010	-0.138	-0.215*	1

**Correlation is significant at 0.01 level (2-tailed).

* Correlation is significant at 0.05 level (2-tailed).

believe that CSR should be aligned with the other business strategies to have synergetic effect.

This study also demonstrated some other facts, the companies which want to retain their good reputation and profitability; they participate in societal improvements and customer care. Competition is based on reputation and differentiation. Reputation and profitability were also found to be highly correlated.

LIMITATIONS AND FUTURE SCOPE

This research has provided base for the other future researchers who want to explore about the CSR in eastern business practices. The scope of the research was few organizations due to time constrain and lack of resources, but further researchers can better enhance the literature of CSR.

This research has done in the developing country, where many organizations did not know the true meaning of CSR; they perceived philanthropy (one segment of CSR) as being corporate social responsible. This was the limitation which could have affected the results generated. Further researchers are hoped to get better results.

The literature on CSR has vast scope in Western world. But in eastern literature, there have been less emphasis on this area. So this topic has very much potential to explore about.

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