CORPORATE SOCIAL RESPONSIBILITY: A KEY TO SUSTAINABILITY

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The concept of creating the corporate sustainability is crucial for the new paradigm of the modern business management. From the conventional point of view, fostering profitability and corporate growth is essential; however, this may be adequate for firm to success only in the short run. To achieve the long run growth, in contrast, firm may needs to emphasize on the social goals taking into account the sustainable development, for example, environmental protection, social wellbeing, fairness of income distribution, etc. Besides, all business activities should be able to serve the needs of people in the current generation without passing the negative effects through the next generation’s population. In the other words, sustainable firms have to take responsibility for stakeholders and take care of shareholders, simultaneously.

In practice, these responsibilities are not easily executed when multiple pressures from both internal and external are considered because a dollar spent on implementing social responsible activities is a dollar that cannot be allocated to shareholders. Advocates of corporate social responsibility (CSR) concept articulate that to generate profit, firm is indirectly required to care society. Firm has to treat workers fairly to enhance work efficiency, to produce high-quality product for customer to promote sales, and to control pollutions to create the firm’s image. Opponents of CSR, on the other hand, argue that it is ambiguous to quantify the exact profit generated from CSR implementation. However, observing the century-old firms in the U.S., it is convincing that these companies have valued social responsible goals for decades. This implies that sustainable firms have shifted from the paradigm of profit and wealth maximization to shareholder to the paradigm of value creation maximization for stakeholders.

For this notion, stakeholders are not only shareholders, but also employees, customers, business partners, government, as well as environment and neighboring societies where the firm is operated. The more the firm would create values and benefits for stakeholders, the better the firm could get respects and cooperation from societies which eventually stimulate firm
sustainability. In practice, the benefit obtained from CSR program for customer is obvious since it helps promoting customer satisfaction, customer retention, customer value and loyalty which eventually drives firm’s profitability (Anderson, Fornell, & Lehmann, 1994; Anderson, Fornell, & Rust, 1997; Hallowell, 1996; Rust & Zahorik, 1993; Yeung & Ennew, 2000). In contrast, allocating budget on CSR activities for other components of stakeholders may not yield promising returns in the short run. Considering employee aspect, human resource management (HRM) theories suggest that employees are valuable since they are the key factor of value creation in the competitive market (Barney, 1986; Wernerfelt, 1984). This is intuitively true especially for knowledge-based industries. Therefore, retaining talented employees is the key to increase firm performances and this is where job satisfaction is in charge (Breaugh, 2008).

However, creating job satisfaction through CSR programs takes time for employee to recognize and appreciate. Empirically, it is revealed that job satisfaction can be derived from firm’s CSR activities. Vlachos, Panagopoulos, and Rapp (2013) reported that employees tend to attribute the organization’s motives for engaging in CSR activities to intrinsic values, which in turn, are positively related with job satisfaction. Although building job satisfaction through CSR is a long run process, it is essential for firm since a collection of studies demonstrated that job satisfaction is positively associated to firm performance (Barsade & Gibson, 2007; Harter, Schmidt, & Hayes, 2002; Judge, Thoresen, Bono, & Patton, 2001), productivity (Iverson & Zatzick, 2011), as well as profitability (Bernhardt, Donthu, & Kennett, 2000).

For society and environmental aspect, the challenges of CSR initiator is that such policies should be integrated into business process but not just an add-on marketing campaign that serves as window-dressing. Firm generally contributes to society by creating jobs and income for people in neighboring area, but sometimes these benefits slowly bring in the environmental issues to societies. Failure firms that focusing on the short term profit usually avoid of investing in environmental protection since it reduces firm’s earnings. However, these short-sighted policies always drag the firm down due to poor-relationship with society, negative brand image and legal issue. In contrast, sustainable firms should move from the norm of “fixing” to “preventing” and “improving”.

One of the famous examples of sustainable firm resulting from implementing effective CSR strategy is Merck & Co., Inc. who is the world leading company in pharmaceutical industry.
Their core values are explicitly stated which focusing upon various dimensions of social responsibility, such as, responsibility, respect, integrity, and transparency. The classical example of their successful CSR execution is the mega-delivery of streptomycin to Japan for healing tuberculosis dissemination during the World War II without charge. Financially, this is irrational action since company lost its products without revenue in returns. Humanity, this is the right thing to do which is consistent with the company’s mission “to use science to save people’s lives”. Unsurprisingly, Merck is currently the most successful international pharmaceutical company in the Japanese market.

To summarize, corporate sustainability is not an overnight building process but it takes time for firm to cultivate, nurture, and maintain. Although the results may not be evidenced in the short run, it could appear in the form of credibility and trust from stakeholders which are the essential platform that supports and promotes the company’s long term growth. The key success is to stop focusing only on “single bottom line” that emphasizes only on economics and financial perspective but highlighting at “triple bottom line” which takes into account the benefits to society, environment, and economics, simultaneously. Lastly, the challenging point for firm is to implement and integrate social responsible activities into business process but not just for firms’ window-dressing.

References


