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Corporate Social Responsibility and Organizational Performance: A Theoretical Review

Oiku Peter Omoyebagbe
Department of Management
Ajayi Crowther University Oyo
Oyo State

Obiekwe Onyebuchi PhD
Department of Management
Ajayi Crowther University Oyo
Oyo State

Obafemi, Olumuyiwa Olugbenga
Department of Management
Ajayi Crowther University Oyo
Oyo State

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Abstract
This paper utilized a theoretical approach to examine the impact of corporate social responsibility on organizational performance. The paper notes that corporate social responsibility is an essential strategic component of several business organizations as they try to navigate the highly changing business environment. Some benefits of corporate social responsibility involvement identified includes assisting business firms to gain competitive edge over by increasing their reputation and acceptability, market share, improve profitability as against their rivals with less or unrecognised social involvement in their operating environment. The paper concluded that corporate social responsibility drives organizations profitability, and helps organizations gain competitive advantages over rivals in the market arena. It is recommended that managements should make social responsibility involvement a key strategic part of its business operations. Management should scan their environment to identify the appropriate need of their operating environment so as to understand what the people actually need, than just initiating and carrying out projects that may not be beneficial to the society, as this will put the organization in bad light, and their efforts may not be recognized and appreciated. Additionally, organizations should ensure that they disclose all their social responsibility actions to the appropriate stakeholders. This is because, the more people notice the positive social actions of an organization, their perception about such organization change, and this boost their images and reputation of the organization before the general public.

Keywords: *CSR, organizational performance, environment, comparative advantage, survival*

INTRODUCTION

In recent times, changes in business practice and operations, and operating environments has created several challenges to business organizations, as such, there are serious concern for survival, social acceptance, and achieving predetermined organizational goals and objectives. Managements of organizations are thus, occupied with concerns of how best to successfully confront these challenges, as well as operating to meet expectations of business owners. In addition to the above mentioned challenges, there are also today, problems due to changing customers taste and preferences, increasing government regulation of businesses, and ever mounting demand by several stakeholders. As a result, the issue of social or community support, also referred to as corporate social responsibility has become a serious business strategy that every forward looking organization cannot afford to overlook if it is to survive and operate more efficiently in today's business environment (Obiekwe & Nwaeke, 2019), where firm's image and reputation plays a key role in determining brand and products acceptance by the general society.

The call for business to be socially responsible derived from the fact that businesses and the society are intertwined, and cannot be separated from each other, as business organizations operates and draws inputs from the society, and also depend on the society for patronages and other forms of supports for survival (Obiekwe & Nwaeke, 2019). Aluko et al, (2004) pointed out that for a business organization to survive in today's harsh competitive environment, it must ensure that it show effort to meet the needs of its immediate operating environment, and show itself as a society friendly organization that cares for the needs of its immediate operating society.

Ukpabi et al (2014) note that the practice of ensuring that organizations meet the divergent needs of their host communities is essential for their smooth and successful business operations. Baridam (1995) assert that that any business that fail to take the issue of corporate social responsible very seriously will not survive in the long-run, as society perception of how caring an organization is plays a crucial role in determining the rate at which that firm's brand is accepted within specific area. Omodafe and Akparobi (2013) contend that a firm's competitive capacity and the acceptability of her product by the general public affect its overall performance and productiveness.

The importance of high and enhanced performance of business organizations derived from the fact that highly performing organizations stand better chances of survival, quality service delivery, high customer satisfaction, and meeting expectations of owners. Additionally, a highly performing organization positively stimulates economic development, improve society's' standard of living, and attainment of business goals of owners (Siddig and Javed, 2014).

Nwachukwu (2007) observed that poor performance of business organizations account for poor economic development of Nigeria, high level of unemployment, and high level of business struggle for survival. One strategy for business to survive and operate efficiently is business involvement and disclosure of their corporate social responsibility activities to attract new customers, and build a favourable image before the public which account in no small measure for improved organizational performance. Siddig and Javed (2014) contend that corporate social responsibility remain a powerful business strategy that not only provide support to beat the business competition, but also a key strategy that provide help to organizations to grow their business in the society. In other words, by focusing on the financial success and growth of community welfare and development, an organization can improve its performance in today's highly competitive business arena.

Researchers have argued that CSR involvement helps business firms to gain competitive edge over their rivals with less or unrecognised social involvement in their operating environment, by increasing their acceptability, market share, improve profitability which are indicators of performance (Nwachukwu, 2007; Obiekwe & Nwaeke, 2019). According to Gupta (2002), the need for business to engage in social responsibility activities derives from the fact that it helps organizations improve her customer's attraction and retention capacity, which leads to increase in product sales, improved market shares and higher profitability to organizations. Moreover, Dhaliwal (2009) contend that, ''involvement in corporate social responsibility helps organizations become relatively superior in their performance and avail the benefits of reduction in the cost of owner's equity.''

However, irrespective of the several benefits associated with corporate social responsibility, Boafa and Kokuma (2016) has pointed out that social responsibility involvement does noes impact positively on the financial performance of organizations. The opposing positions of several authors has also created some challenges in understanding the impact of corporate social responsibility on organizational performance. This paper therefore utilized a theoretical approach to examine the impact of corporate social responsibility on organizational performance by focusing on the definitions, views and benefits of corporate social responsibility, and implications to business organizations as it relates to their general business arena.

LITERATURE REVIEW

Concept of Corporate Social Responsibility

The expanding concentration of population, the development of new technologies and the rising economic affluence has continue to bring about major environmental and societal problems which has given rise to calls for business to be socially responsible to the society. The last three decades have been an increase in this awareness on the part of corporate entities that they are morally obliged to offer back to society. Perhaps, the most important influence on the formation of business policy is the concept of social responsibility and business ethics. The relationship between business and society, business and its environment and business and its participants is very complex, yet dynamic (Baridam; 1995). Every organization functions as a part of an interactive system which has several stakeholders. Prominent among these stakeholders are managers, owners, employers, government and the general society.

Corporate social responsibility is an essential strategic component of several business organizations as they try to navigate the highly changing business environment. Expectations have been placed on businesses to not only produce quality products in order to be profitable, but to have a positive relationship with the society. Today, corporate social responsibility and similar business concepts have become widely acceptable business practices aimed at improving brand equity and corporate image (Robbins & Coulter, 2007). No organization can survive in isolation, as the society is the major and critical supplier of inputs to any organization, who depend upon series of exchanges between her and its environment (Aluko, et al, 2004). These interactions and continuous exchange between organizations and the operating environment has thus given rise to a number of broader responsibilities, which are both internal and external to the organization, and are referred to as social responsibilities (Obiekwe & Nwaeke, 2019).

Meaning of Corporate Social Responsibility

The basis therefore of defining corporate social responsibility is to understand that business and society are interwoven and intertwined rather than been distinct entities (Wood, 1991). Corporate social responsibility has been defined in various ways by different scholars. McGuine in Baridam (1995) posit that the idea of social responsibilities supposes that the corporation has not only economic and legal obligation, but also certain responsibilities to society which extend these obligations. This definition places social responsibilities into context vis-à-vis economic and legal objectives. The different definitions provided in the literature may refer to ethical behaviour, sustainable development, the environment and to philanthropic ideas. It is important that business organizations are committed to fulfilling expectations and moral obligations. This means that rightful conduct takes into account the welfare of the larger society (Papa Solomon-Dukakis et al; 2005).

Bowman and Haire (1976) defined corporate social responsibility as, "including the impact of all the corporations' activities on the total welfare of society". This assumes that the business entity is influenced by and in turn, has influence upon the society in which it operates (Deegan 2002; Farook and Lanis 2005). It is a businessman's decision and actions taken for reasons, at least partially beyond the firms direct economic or technical interest and the obligations to pursue those policies or to take those lines of actions which are desirable in terms of the objectives and values of our society (Davis 1960; Bowen, 1953) according to Davis and Blomstom (1975: p.39). It refers to the obligations of the decision-makers in corporations to take actions which project and improve the welfare of society as a whole along with their own welfare or interests.

Robbins and Courtler (2007) define corporate social responsibility as, ''the capacity of a firm to adapt to changing societal conditions. It stresses that managers make practical, decisions about the societal actions in which they engage". According to French and Saword, (1975, p378), it is the duty of a privately owned enterprise to ensure that it does not adversely affect the life of the community in which it operate. It then means that social responsibility of business involves those actions or behaviours that are expected from the organization by the society.

Essentially, what these definitions, description and argument mean is that corporate social responsibility fundamentally refers to actions taken by a business which in some ways or to some extent assist the society to achieve one or more of its objectives, and people to live a better life. It is therefore an intelligent and objective concern for the welfare of the society.

Views of Social Responsibility

There are two view that have captured peoples thought on the concept of corporate social responsibility. They are what is referred to as, profit making only "going beyond profit making". Voluntary activities", concern for the broader social system" and "social responsiveness" A great deal of attention has been focused on the extremes. On one side is the classical or purely economic — view and the other side is the socio-economic position.

The Classical View (Cases Against): This view opines that management only social responsibility is to maximize profit. Friedman (1970) argues that manager's primary responsibility is to operate the business in the best interest of the stockholders (the owners of a corporation) Friedman contends that stockholders have a single concern: financial return. He also contends that it only adding to the costs of doing business when any time managers decide to spend the organizations resources for “social good”. These costs the classic views contend, will be passed on to consumers either through higher prices or absorbed by stockholders through a smaller profit returned as dividends. Friedman posits that the extent of responsibility is to maximize organizational profits for stockholders.

The Socio-Economic Views (Views for Social Responsibility): The socio-economic view is the view that management social responsibility goes beyond making profits to include protecting and improving society’s welfare. This position is based on the belief that corporations are not independent entities responsible only to stockholders. They also have a responsibility to the larger society that endorses their creation through various laws and regulations that supports the organizations (Robbins & Coutler, 2007).

Aluko et al posit (2004), posit corporate organizations are products or subsystems of the larger society. They should therefore respond to societal demands. They noted that organizations exist for the society. If society does not exist organizations will also not exist. Moreover without society to buy their products or services, the aims of production and consequently profitability will be defeated.

Baridam, (1995) posit that profit maximization is not the only objective of a business, therefore some profit should be diverted to social projects in the short-run as improvement in the society will make it easier for the firm to survive. Yoon et al (1993) observed that organizations that engage in social responsibility activities will gain through the following ways: the reduction of risk, enhancement of brand value and creating of goodwill. It will also help to improve staff efficiency and morale and help to attract stable and ethical investments including addition of competitive edge. A high sense of social responsibility is a real necessity for the survival of business organizations (Gupta 2002).

As organizations grow, it becomes more complex and there is consequently a growing public interest in it policies and action. If the management of these organizations fails to respond to social demands, the society will force them to do so through negative public opinion, or legislation that will make their survival difficult in the long run. Beside, in a fierce competitive environment a favourable image in the eyes of the public is of great importance to the enterprise. Organizations should therefore obey the laws and regulations pay their taxes promptly and correctly and always produce products of standard quality and wholesome goods and involve in the construction or provision of essential social amenities (Baridam 1995; Aluko et al, 2004).

Nwaeke (2005) has however observed that being socially responsible does not require that a company should abandon its other primary responsibilities or mission; It rather mean that organizations should be able to accept the challenge of blending organizational responsibilities into a comprehensive corporate strategy and not losing sight of any of its obligations. These strategies ma crash some times and at other times they may work together to improve the firm’s operations and performance

Social Responsibility Dimensions

Any firm that attempt to ignore or short change any of its stakeholders and planning for its own down fall. According to Aluko Ct a!, (2004), every organization as a sub-set of the general society and as an agent of several stakeholders which includes owners, managers, employees, suppliers, consumers, government and society at large

Rationale for Social Responsibility

The calls for business enterprises to be seriously involved in social responsibility activities by it advocates can be based on some rationale.

Flippo and Musinga (1982) has enumerated the following three point rationale for social responsibility which include the following.

i. Socially responsible behaviour and the pursuit of long-run profit interest of the firm and mutually compatible activities. Since there is no conflict in these two objectives, it is only rational and logical that they be pursued simultaneously.
ii. Firms will not seek to maximize the single goal of profits. Rather, satisfactory levels will be sought on a number of different objectives. Perhaps, it is true that profit comes first, but this does not mean the abandonment of objective.
iii. Firms will be socially responsible to the degree that they perceive power threat in the environment. Managers will assess the power of each group and potential threat the group poses to organizational activity. However, Baridam (1995, p:32) posit that the performance of business and the social conditions within which business organizations operate must inform the extent to which they will be socially responsible to the society.

Carrol (1979) argues that corporations shouldn't only be judged on their economic success but also on non-economic criteria. To fulfill the good corporate citizen role, a corporation should fulfill the following responsibilities;

i. **Economic:** Earn a fair return on capital to satisfy owners, create new job and wealth for the business and promote innovation.
ii. **Legal:** To comply with the laws of the country.
iii. **Ethical:** To be moral, fair, just, respect people's rights, avoid harm or social injury and prevent harm cause by others.
iv. **Philanthropic:** Perform beneficial activities for society. Lantos (2001); Lantos (2002) label this type of corporate social responsibility as "humanitarian" or "altruistic" and recommend that organizations uses it as a marketing tool to enhance the firms image.

Concept of organizational performance

Organizational performance can be seen as the actual output or results that an organization has achieved output (or goals and objectives). It is the extent to which an organization was able to perform when it compare it goals, targets, or propose with those of its competitor. According to Emenike (2016) organizational performance refers to "how corporation performs on contain criteria as profitability, market share, return on asset, and return on investment. In other words, level of profitability, market share which the firm control in the industry, and the returns from their assets and investment defines an organizational performance". Darroch & Mcnaughton (2005) define corporate performance as a firm's position in an industry in relation to competition and industry average". Organizational performance thus is the outcome of the performance or individuals and the entire groups in the organization. Individual performance lead to group (unit/department) performance and the performance of all the groups translate to the organization's performance.

Scholam, Rose and Krupp (2005) argued that "organizational performance can be operationalized in many ways which includes "profitability, market share, return on assets or

investment, changes in market share or profitability and new product success". They also identified customer's loyalty, sales growth and long-term survival. They contend that "corporate performance can be satisfactory or unsatisfactory depending on if it is high or low respectively. Drucker (1994) posit that corporate performance is the balance between all factors of production (Human and Materials) that will give the greatest output for the smallest efforts". In the words of Chen, et al (2006), organizational performance is the "transformation of inputs into outputs for achieving certain outcomes". Madanchian, Hussein, Noordin and Teherdoost (2006) noted that the ability of an organization to achieve its goals is organizational performance. On his own, Daft (2000) define organizational performance as "the ability
of an organization to attain its goals by using resources in an effective and efficient manner".

Profitability

Profit making is important for every business organization. Profitability is the primary goal of every business venture. Without profit, it will be very difficult for any business to survive in the long term". The major reason why business organizations are adopting various business strategies in other to gain competitive advantages in the fact that they can acquire the financial resources to sustain human component which drive the organizational, and to continue to provide goods and services in the most expedient way that they want. Enekwe *et al.* (2013) posit that profit "is the ability of an enterprise to get sufficient return on the capital and the employees used in the business operation". Profitability is measured with income and goals of all business ventures. Marianne (2013) notes that profitability is the primary arm of firms and also the most appropriate measures of efficiency in competitive business.

Conclusion and Recommendations

Today's changes in business environment has made the issue of been a society friendly organization very essential. Corporate social responsibility has also become organizations strategic tools to curry public goodwill and improved reputation, as such, corporate social responsibility activities can never be overlooked. Literature also shoes that corporate social responsibilities is associated with business profitability, and increased market share, firms' acceptance,, and business survival. It is recommended that managements should make social responsibility involvement a key strategic part of its business operations. Management should scan their environment to identify the appropriate need of their operating environment so as to understand what the people actually need, than just initiating and carrying out projects that may not be beneficial to the society, as this will put the organization in bad light, and their efforts may not be recognized and appreciated. Additionally, organizations should ensure that they disclose all their social responsibility actions to the appropriate stakeholders. This is because, the more people notice the positive social actions of an organization, their perception about such organization change, and this boost their images and reputation of the organization before the public and stakeholders

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