CSR Practices of a Company toward Stakeholders:The Comparative Case of Automobile Industries

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Abstract

The performance of the companies in corporate sector is reliant greatly on the practices of Corporate Social Responsibility (CSR); therefore in today's business environment companies are paying more attention to the sense of CSR. These companies also consider the aspects of socio-culture environment into business practices and compliance with other regulatory and ethical issues. The basic aim of this paper is to examine that how companies engage their stakeholders in CSR activities and what is the role of stakeholders in CSR policies. This research was conducted by using a qualitative method and the case study of Automobile industries. Data has been collected from relevant scientific articles, research books, and online resources regarding CSR and stakeholders theoretical framework while empirical data was gathered through interviews and company annual reports. However, both companies' products are most liked by customers but their efforts for the environment and community make a good image of the company in the minds of customer and stakeholders.

Introduction

Corporate social responsibility

Corporate social responsibilityis a form of corporate self-regulation integrated into a business model. CSR policy functions as a built-in, self-regulating mechanism whereby business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. The goal of CSR is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees,

communities, stakeholders and all other members of the public sphere. Furthermore, CSR-focused businesses would proactively promote the public interest (PI) by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. CSR is the deliberate inclusion of PI into corporate decision-making, that is the core business of the company or firm, and the honouring of a triple bottom line: people, planet, profit.

The term "corporate social responsibility" came in to common use in the late 1960s and early 1970s, after many multinational corporations formed. The term stakeholder, meaning those on whom an organization's activities have an impact, was used to describe corporate owners beyond shareholders as a result of an influential book by R. Edward Freeman, *Strategic management: a stakeholder approach* in 1984. Proponents argue that corporations make more long term profits by operating with a perspective, while critics argue that CSR distracts from the economic role of businesses. Others argue CSR is merely window-dressing, or an attempt to pre-empt the role of governments as a watchdog over powerful multinational corporations.

Approaches

Some commentators have identified a difference between the Canadian (Montreal school of CSR), the Continental European and the Anglo-Saxon approaches to CSR. And even within Europe the discussion about CSR is very heterogeneous.

An approach for CSR that is becoming more widely accepted is a community-based development approach. In this approach, corporations work with local communities to better themselves. For example, the Shell Foundation's involvement in the Flower Valley, South Africa. In Flower Valley they set up an Early Learning Centre to help educate the community's children as well as develop new skills for the adults. Marks and Spencer is also active in this community through the building of a trade network with the community - guaranteeing regularfair trade purchases. Often activities companies participate in are establishing education facilities for adults and HIV/AIDS education programs.

A more common approach of CSR is philanthropy. This includes monetary donations and aid given to local organizations and impoverished communities in developing countries. Some

organizations do not like this approach as it does not help build on the skills of the local people, whereas community-based development generally leads to more sustainable development.

Another approach to CSR is to incorporate the CSR strategy directly into the business strategy of an organization. For instance, procurement of Fair Trade tea and coffee has been adopted by various businesses including KPMG. Its CSR manager commented, "Fairtrade fits very strongly into our commitment to our communities."

Another approach is garnering increasing corporate responsibility interest. This is called Creating Shared Value, or CSV. The shared value model is based on the idea that corporate success and social welfare are interdependent. A business needs a healthy, educated workforce, sustainable resources and adept government to compete effectively. For society to thrive, profitable and competitive businesses must be developed and supported to create income, wealth, tax revenues, and opportunities for philanthropy. CSV received global attention in the Harvard Business Review article *Strategy & Society: The Link between Competitive Advantage and Corporate Social Responsibility* by Michael E. Porter, a leading authority on competitive strategy and head of the Institute for Strategy and Competitiveness at Harvard Business School; and Mark R. Kramer, Senior Fellow at the Kennedy School at Harvard University and co-founder of FSG Social Impact Advisors. The article provides insights and relevant examples of companies that have developed deep linkages between their business strategies and corporate social responsibility. Many approaches to CSR pit businesses against society, emphasizing the costs and limitations of compliance with externally imposed social and environmental standards. CSV acknowledges trade-offs between short-term profitability and social or environmental goals, but focuses more on the opportunities for competitive advantage from building a social value proposition into corporate strategy.

Many companies use the strategy of benchmarking to compete within their respective industries in CSR policy, implementation, and effectiveness. Benchmarking involves reviewing competitor CSR initiatives, as well as measuring and evaluating the impact that those policies have on society and the environment, and how customers perceive competitor CSR strategy. After a comprehensive study of competitor strategy and an internal policy review performed, a comparison can be drawn and a strategy developed for competition with CSR initiatives.
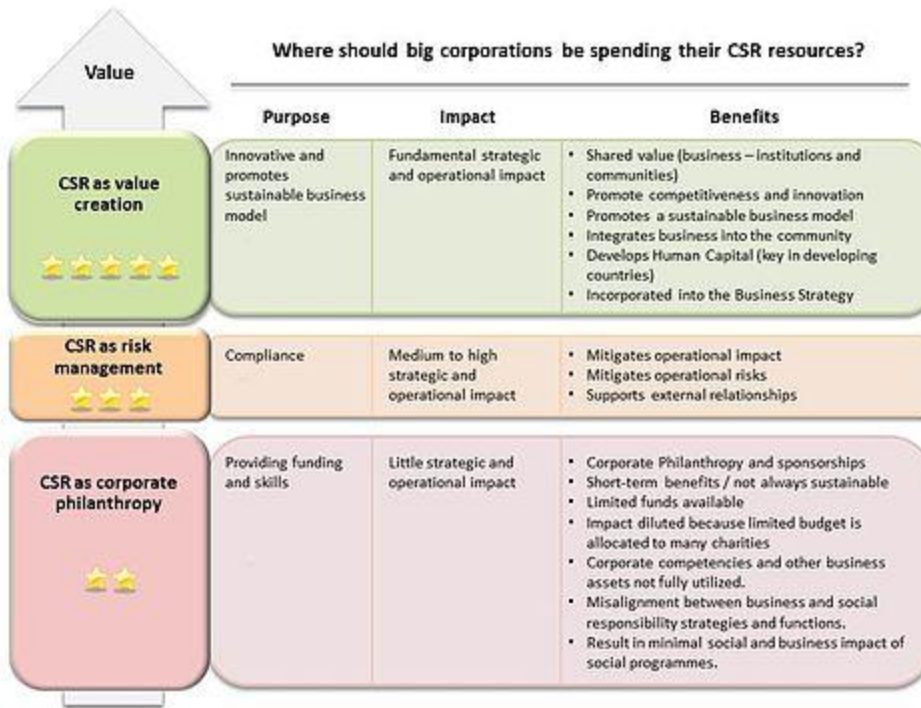
Organizational Challenges and Limitations

Companies face challenges and limitations as they implement CSR. These usually relate either to political issues or to organizational-level concerns and are often embedded in culture. The complexity of operating in a global society places new demands on organizations and their leadership.

As the roles and responsibilities of government are being redefined and the boundaries between business and government become less clear, the literature shows that business leaders are facing a daunting array of challenges. In the new age of CSR, the needs of the stakeholders, consumers, employees, national as well as international regulators, watchdogs, NGOs, and activist groups have to be satisfied (Hatcher, 2002). Lewicka-Stralecka (2006) identifies the opportunities and limitations of CSR in the so-called countries of transformation, or Central and Eastern European countries:

- The business image
- The legal background
- The job-market situation

- The corruption and the correlates of economic stagnation and social decline

- The socialist associations

The CSR rhetoric—including the blurred boundaries of CSR, the un• derdevelopment of the civic society, the economic reality, the ethical standards, and the attempts at self-regulation of business. McGaw (2005) considers the biggest challenge in the field of CSR implementation to be the development of leaders for a sustainable global society, asking what kind of leader is needed for building a sustainable global society and how we can best develop individuals with these leadership capabilities. According to this author, the task and challenge will be to develop leaders for a sustainable global society by encouraging imagination and the accomplishment of a positive change.

According to Howell and Avolio (1992), responsible leadership is the art of building and sustaining relationships with all relevant stakeholders, and it requires socialized, not personalized, leaders. Here, the challenge is to develop leaders who can relate in different ways, who are able to align different values into a common vision, who can listen to and care for others and ultimately serve them. Meeting these challenges requires the joint efforts of a global society and responsible leadership committed to diversity, ethics, and values.

Research Methodology

Research Methodology defines as a highly intellectual human activity used in the investigation of nature and matter and deals specifically with the manner in which data is collected, analyzed and interpreted. The procedure of conducting the study requires a lot of attention to be paid, for it has a direct bearing on securing reliable and meaningful information.The present investigation was conducted to study the senior level and middle level with taking view of factors of corporate social responsibility towards their organization. The main objective of the study was:

- To ascertain the efforts on factor of corporate social responsibility (Work policy, Environment policy, Market place, Community, Company value, Social responsibility, Stake holder dialogue, Financial policy, and Board and their activity) with company A and B (Senior level and middle level) towards their organization.

The present study is **exploratory** in nature, for it seeks to discover the ideas and insight and to bring out new relationship.Analyses were followed by personal discussion and interviewing with the different designated employees of the two different companies based on same product line. Researcher had selected the target respondents randomly.Sample responses were as below:

Table 1: Sample Size

A		B		Total	
Senior Level	Middle Level	Senior Level	Middle Level	Senior Level	Middle Level
19	24	15	19	34	43

Results and Discussion

In many real life situations, one cannot determine the exact value of the population mean. Investigators were only interested in comparing two populations using a selected sample from each. Such experiments, where investigators were interested in detecting differences between the means of two independent groups were called independent samples test. The purpose of independent t-test was to compare between two independent groups. The checking of the significance of mean differences between all the possible group pairs for further explicit analysis about the differences of means of corporate and academic employees groups, t-test were applied. The mean scores and standard deviation of corporate and academic group had been graphically shown by the tables. The first entry was the value of mean, next was the standard deviation followed by corresponding 'df' value, t-value and by the 'p' value for two tailed test given as significant/ non significant.The major objectives of the present study were to see the factors of corporate social responsibility(Work policy, Environment policy, Market place, Community, Company value, Social responsibility, Stake holder dialogue, Financial policy, and Board and their activity)

For the purpose of comparison between corporate and academic group mean and standard deviations and t-test was calculated on various measures of factors of corporate social

responsibility such as Work policy, Environment policy, Market place, Community, Company value, Social responsibility, Stake holder dialogue, Financial policy, and Board and their activity.

Below table clearly shows the mean and standard deviation values of two Automobile companies on all the variables studied. The mean values of the Work policy, Environment policy, Market place, Community, Company value, Social responsibility, Stake holder dialogue, financialpolicy, and Board and their activity were shown in table-2.

Table 2: The significant of mean difference by applying T-test to the mean score of Company A (43), Company Brespondents (34) group on all the variable study

Factor of Social responsibilities	Company Name	Mean	Std. Deviation	t	df	Sig. (2-tailed)
Work Policy	A	34.23	1.73	-0.008	75	0.994
	B	34.24	1.33			
Environment Policy	A	49.95	5.6	1.26	75	0.211
	B	48.56	4.11			
Market Place	A	58.02	4.63	0.609	75	0.544
	B	57.38	4.55			
Community Policy	A	57.02	4.63	0.609	75	0.544
	B	56.38	4.55			
Company Value	A	23.02	3.46	2.801	75	0.007
	B	20.56	4.11			
Social Responsibility	A	78.67	4.13	0.942	75	0.35
	B	77.71	4.74			
Stakeholder Dialogue	A	106.05	3.76	-0.014	75	0.989
	B	106.06	3.71			
Financial Policy	A	50.44	5.5	0.801	75	0.425
	B	49.56	4.17			
Board & activities	A	60.35	4.92	0.527	75	0.6
	B	59.71	5.61			

For the mean comparison t-test was calculated and the values of t-test wereWork policy, Environment policy, Market place, Community, Company value, Social responsibility, Stake holder dialogue, Financial policy, and Board and their activity (-0.008, 1.26, 0.609, 0.609, 2.801, 0.942, -0.014, 0.801, and 0.527) respectively with 75 degree of freedom.

Table -2 gives descriptive statistics for the all variable of corporate social responsibility and gives the results of the t-test analysis. The first entry was the value of mean, next was the standard deviation, followed by corresponding 'df' value, t-value and by the 'p' value for two tailed test.

The corresponding 'p' value was less than .05 resulting in significant. Therefore, sample mean was significantly different and the average score of Company A Work policy, Environment policy, Market place, Community, Company value, Social responsibility, Stake holder dialogue, Financial policy, and Board and their activity(Mean 34.23, SD 1.73, Mean 49.95, SD 5.6, Mean 58.02, SD 4.63, Mean 57.02, SD 4.63,Mean 23.02, SD 3.46, Mean 78.67, SD 4.13, Mean 106.05, SD 3.76, Mean 50.44, SD 5.5, and Mean 60.35, SD 4.92) was statistically the same as the average score of Company BWork policy, Environment policy, Market place, Community, Company value, Social responsibility, Stake holder dialogue, Financial policy, and Board and their activity (Mean 34.24, SD 1.33, Mean 48.56, SD 4.11, Mean 57.38, SD 4.55, Mean 56.38, SD 4.55, Mean 20.56, SD 4.11, Mean 77.71, SD 4.74, Mean 106.06, SD 3.71, and Mean 49.56, SD 4.17)at the 5% level of significance.

Table- 2 shows that, in case of Work policy and stakeholders dialogues difference between company A and Company B was not significant (t =-0.008, -0.014).Results reveal that overall scores higher in academic employees but the same was not significant. Results also shown that as per t-test only two variables were negatively associate with each other rather almost variables not having such kinds of responses.

Table 3: The significant of mean difference by applying T-test to the mean score of Senior Management (34), Middle management (43) group on all the variable study

Factor of corporate social Responsibility	Level of Management	Mean	Std. Deviation	T	df	Sig. (2-tailed)
Work Policy	Senior level	34.5	1.35			0.183

	Middle Level	34.02	1.68	1.377	75	
Environment Policy	Senior level	49	5.39			
	Middle Level	49.6	4.74	-0.515	75	0.602
Market Place	Senior level	56.94	4.63			
	Middle Level	58.37	4.48	-1.365	75	0.175
Community Policy	Senior level	55.94	4.63			
	Middle Level	57.37	4.48	-1.365	75	0.175
Company Value	Senior level	21.88	3.69			
	Middle Level	21.98	4.15	-0.105	75	0.917
Social Responsibility	Senior level	78.56	4.36			
	Middle Level	78	4.47	0.552	75	0.584
Stakeholder Dialogue	Senior level	106.62	3.57			
	Middle Level	105.6	3.81	1.201	75	0.237
Financial Policy	Senior level	49.91	5.7			
	Middle Level	50.16	4.32	-0.213	75	0.827
Board & activities	Senior level	60.74	5.75			
	Middle Level	59.53	4.73	0.982	75	0.318

Table -3 gives descriptive statistics for the all variable of corporate social responsibility and gives the results of the t-test analysis. The first entry was the value of mean, next was the standard deviation, followed by corresponding 'df' value, t-value and by the 'p' value for two tailed test. For the mean comparison t-test was calculated and the values of t-test wereWork policy, Environment policy, Market place, Community, Company value, Social responsibility, Stake holder dialogue, Financial policy, and Board and their activity (1.377, -0.515, -1.365, -1.365, -0.105, 0.552, 1.201, -0.213 and 0.982) respectively with 75 degree of freedom.

The corresponding 'p' value was less than .05 resulting in significant. Therefore, sample mean was significantly different and the average score of Senior management, Work policy, Environment policy, Market place, Community, Company value, Social responsibility, Stake holder dialogue, Financial policy, and Board and their activity(Mean 34.5, S D 1.35, Mean 49, SD 5.39, Mean 56.94, S D 4.63, Mean 55.94, S D 4.63, Mean 21.88, S D 3.69, Mean 78.56, S D 4.36, Mean 106.62, S D 3.57, Mean 49.91, S D 5.7, Mean 60.74, S D 5.75) was statistically the

same as the average score of Company BWork policy, Environment policy, Market place, Community, Company value, Social responsibility, Stake holder dialogue, Financial policy, and Board and their activity (Mean 34.02, S D 1.68, Mean 49.6, S D 4.74, Mean 58.37, S D 4.48, Mean 57.37, S D 4.48, Mean 21.98, S D 4.15, Mean 78, S D 4.47, Mean 105.6, S D 3.81, Mean 50.16, S D 4.32, Mean 59.53, S D 4.73)at the 5% level of significance.

Table- 3 shows that, in case of Environment policy, Market place, Community, Company value, and Financial policy difference between senior and middle management was not significant (t =-0.515, -1.365, -1.365, -0.105, and -0.213).Results reveal that overall scores higher in academic employees but the same was not significant. Results also shown that as per t-test only two variables were negatively associate with each other rather almost variables not having such kinds of responses.

Conclusion

In this study, we have theoretically and empirically reviewed and scrutinized the subject of corporate social responsibility and how this practice merges with marketing communications activities to create and increase corporate value. To find out about the current practices in corporate social responsibility, we used different methods and processes to collect the relevant data aiming to unravel the confusion surrounding this research area on one hand and to draw a more consistent picture of the current situation as to corporate social responsibility practice on the other hand. In an effort to foster understanding and show how corporate social responsibility contributes to corporate value creation, we examined and investigated different theoretical and empirical studies that have been carried out by different researchers. In addition to this, we have attempted to elaborate on some biases associated with these studies, aiming to elucidate the subtleties underpinning this area in general. Different constructs, concepts, relationships, causal links, implications and synergies were identified, which broadens the current study and highlights the richness pertaining to this research area. The emerging synergy between corporate social responsibilityand marketing studies might consolidate corporate in relation to marketing into a flourishing area of study in management and corporate strategy.

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