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Corporate Social Responsibility and Society "Challenges and Way Forward"

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Abstract:
In the last two decades business organizations are engaging in a serious of effort to define and integrate Corporate Social Responsibility (CSR) into all aspects of their businesses. This is done with a view to build and strengthens relationships with its stakeholders.Thou there is a growing need among organizations to participate in CSR activities in the society, there is still a lot of challenges on how to develop and implement effective and efficient CSR programs especially in developing countries. The most common challenges relates to development and implementation of CSR programmes and ability to measure the impact of the programmes on the society and the organization. Some of the development and implementation challenges include inability to incorporate CSR programmes within the business strategy, challenge of developing CSR strategies within the context of the stakeholders' requirement and lastly difficulty in prioritizing stakeholders' goals and needs. In measuringthe financial and social impact the organizations are faced with the challenge of developing yard stick which will effectively and efficiently measure the impact.Therefore the increase in CSR activities calls for organizations to carefully identify and prioritize their stakeholders, then generates and pursues CSR programs that are consistent with stakeholders' goals, and measure the results in a fair and truthful manner. This paper presents an empirical literature review onchallenges facing CSR programmes tailored to societies and possible intervention strategies.

1. Introduction

The concept of Corporate Social Responsibility (CSR) over the last several decades has been a theoretical consideration. It's only in the recent last two decades is when business organization begun involving themselves in CSR activities to build and strengthens relationships with its stakeholders This rise in CSR activities has been attributed to globalization of trade, rise in strategic importance of stakeholders' relationship and the need to strengthen firm reputation (Zadek 2000). The growth in CSR is evidenced by increase in firms producing annual reports on CSR activities, rise in number of firms with CSR programs, and increase in CSR reports that are independently audited (Grayson 2005).

Corporate social responsibility (CSR) is a household term, but with no universally agreed standard definition. According to Economic Commission (EC) Corporate Social Responsibility (CSR) isa concept whereby companies integrate social, environmental, and ethical and human rights concerns into their business operations and in their core strategy in close collaboration with their stakeholders(EC2011). According to *Business for Social Responsibility* (BSR 2006),Corporate Social Responsibility (CSR) is defined as "achieving commercial success in ways that honor ethical values and respect people, communities, and the natural environment." According to McWilliams, Siegel & Wright (2006), Corporate Social Responsibility (CSR) is a situations where the firm goes beyond compliance and engages in 'actions that appear to further some social good, beyond the interests of the firm and that which is required by law'. Thou different scholar and practioners define this term from different point of view, they seem to commonly agree on the following elements, that it is voluntary in nature, an emphasis on management initiatives over and above legal requirements, to deal with social, economic, ethical and ensure that company have positive impact on its stakeholders or society in which it operates.

Most scholars have argued that socially responsible organizations are usually preferred investment homes for investors, it's usually favored employer by potential employees, customer always prefer to buy their products and services, they have better reputations and they make good neighbours to the surrounding communities where they operate (Arthur Little), (Kong *et al*. (2002), (Reichheld, 1996) (Fleishman-Hillard, 2006). The stakeholders have also benefitted from CSR activities such as receipt of charitable contributions, education scholarship, medical services, construction of classrooms and dams, sports sponsorship, and good working conditions for the employees and other benefits(Bagnoli &Watts,2003).Thou these benefits are difficult to quantify, some organizations especially multinational and big national companies have been able to develop performance indicators to trace their social impactOther organizations are still struggling to assess its impact (accountability 2002).

Most organizations in developing countriesface numerous challenges as they endeavor to be socially responsible. These includes challenges relating to development, implementation and measuring the impact of Corporate Social Responsibility (CSR) initiatives. The implementation challenges revolve around inability to integrate CSR activities within business context. Then Lack of ability to develop CSR initiatives' within the context and the requirements of the stakeholders and, inability to prioritize stakeholder goals and needs. The CSR activities are implemented using company financial resources therefore there is a need that company should account the impact of such activities (accountability 2002).

1.1. Challenges Faced By Organization in Developing and Implementing Corporate Social Responsibility (CSR) Programmes

Many organizations experience shortcoming in developing Corporate Social Responsibility (CSR) programs which would not only fully utilize their resources but also strengthen their competitive advantage. In some cases some engage in it as a 'by the way' regardless of whether it has any benefits on the company or on the stakeholders. Lack of clear vision for the CSR programmes, which leads to failure to clearly define what, when, how, who and to whom is to accomplish. Organizations should formulate CSR programs which will blend well with the organization core business strategy (wood 1991).

Given that Corporate Social Responsibility (CSR) initiatives are voluntary in nature, it is often interpreted by most organization to mean they can solely decide what they consider as their responsibility to stakeholders. This approach may not yield any social impact as the CSR initiatives developed are done without consulting targeted stakeholders to understand their need. The other challenge is to develop CSR activities or programs which would suit all stakeholders (Dwight W. Justice 2002).

An organization is made of various stakeholders with competing and conflicting interests. Some are very crucial that an organization cannot exist without them e.g. employees, investors, shareholders, customers, suppliers etc. Other stakeholders are important but the organization can exist without them thou they have some influence on organization. Some stakeholders have permanent relationship with organization are referred to as involuntary stakeholders, others are non-permanent and are called voluntary stakeholders The voluntary stakeholders choose to enter into a contract with an organization to achieve value for their money e.g. employees, investors, suppliers etc. the involuntary do not choose to contract with an organization but they are contracted by operation of law these include communities, environment, future generation etc. the operation of law will always safeguard their interest.

Measuring performance is central to any consideration of performance evaluation. The key elements of measurements are what to measure and how to measure. Once these elements are accurately identified then, the measurements obtained are very crucial in controlling, planning, and other management functions. The Corporate Social Responsibility (CSR) initiatives have short and long term impact; therefore clear indicators of the expected outcome should be carefully developed and monitored. The CSR practioners are faced with the challenges of choosing accurately the performance indicators which really indicate the aspect to be measured. The other challenges is that some performance indicators are subjective hence very difficult to measure. Lack of standard metric on measurement has made it difficult to determine empirically whether the social performance data revealed by CSR reports are understated or overstated.

1.2. Way Forward on the Possible Intervention Strategies

Organization should clearly develop their Corporate Social Responsibility (CSR) vision, in relation to what and to whom they wish to be responsible. This can be done by focusing on few but well outlined CSR programmes especially those relating to value creation in society. This will enable them build a deep understanding on the issue to be addressed by CSR. It's also important for business to understand that CSR is not just about philanthropic giving; rather it is the whole way in which a company interacts with society. Therefore, once the organizations have understood their unique competencies, they should blend with CSR activities in consultation with stakeholders to meet their expectations (Business for Social Responsibility: 2001). CSR is moving from philanthropic era to providing a long term solution hence organization should aim to develop societal capacities so that they can help themselves in solving development issues. Partnering approach should be adopted to deal with a long term strategic challenge; organizations should find the right partners.

In an attempt to prioritize shareholders different models and strategies have been developed. According to stakeholders theory, shareholders are classified as either internal or external. The internal stakeholders are those the business cannot exist without them such as shareholders, employees, suppliers, investors, etc. while external stakeholders are those stakeholders the business can exist even in their absences(caroll 1979).

According to Clarkson the shareholders are categorized based on permanency as either voluntary or involuntary. Voluntary stakeholders are stakeholders who choose to deal with organization and include investors, employees, managers, customers, suppliers. They will always require some value for their money or services failure of which they withdraw their services or investments. Involuntary stakeholders do not enter into a contract on their wish, but they are contracted by operation of law and cannot withdraw from this relationship. These include communities, environment, future generation, etc., these groups are protected through government legislations and regulations (Clarkson 1995).

According to Carroll and Buchholtz, the stakeholders can be subcategorized into primary stakeholders, consisting of shareholders (owners), employees, customers, business partners, communities, future generations and the natural environment; and secondary stakeholders, made up of the local, state and federal government, regulatory bodies, civic institutions and groups, special interest groups, trade and industry groups, media and competitors (Caroll & Buchholtz 2003).

It is very important for organizations to realize that all stakeholders are not equal. And not all stakeholders have an authentic claim on the behaviour of the company arising out of the interest of the stakeholders. Therefore the company should profile its stakeholders and balance the competing interest against the limited organizational resources allocated to the CSR (Wood 1991).

Mitchel, Agle and Wood framework for identify and ranking stakeholders based on their power, legitimacy and urgency is the most adopted approach. If a stakeholder is ranked as powerful, legitimate and urgent then its needs will require immediate attention. Based on the three elements of identifying and ranking, stakeholders can be profiled into three levels, i.e. compliance, harm minimization and value creation level. Compliance level is the most basic and this whereby the organizations comply with legal requirements and health safety measures, e.g. tax payment, employees' safety, consumer rights and general industry standards. The second level, harm minimization is whereby the organization focuses on eliminating the negative effects of the business on the society and managing risks e.g. environmental pollution. The third level, value creation is whereby the organization focuses on increasing the positive effects of the business and creating value in the society, e.g. dealing with social and economic development (Mitchell, R., Agle, B. and Wood, D. (1997)).

Corporate Social Responsibility (CSR) is about how organizations identify and engage stakeholders, and how they measures and report the impact. There is a growing demand by stakeholders that company should account for their social impact in a fair, truthful and objective manner. Though there is no universally agreed strategy for measuring the impact, various scholars and practioners are working around the clock to develop one. Prof Wood in search towards developing a measurement yard stick, has developed a framework centered around three levels i.e. principles of socially responsibility, the process of social responsiveness and the outcome as they relate to the firms social relationship. According to wood the first level on principles of socially responsibility defines the institutional relationship between business and society at large, and specifies what is expected of any business. The second level on process of social responsiveness refers to the capacity of a business to respond to social pressure and how it plans to convert them to business gains. The third level on outcome is whereby the company tries to determine whether the CSR programme has made any difference. All of the stakeholders relevant to an issue or complex of issues must be included in any assessment of performance (wood 1991). The European Alliance on CSR is aiming to produce a framework of metrics and strategies for the management and communication of key areas of non-financial performance, highlighting the link with financial performance. (European Commision 2011)

2. Conclusion

Corporate organizations should develop a shared vision for their Corporate Social Responsibility (CSR) programmes with its stakeholders this will enable them monitor its progress and be able to stand the test of time. There is also a greater need to engage both internal and external stakeholder to be able to prioritize their needs and learn from them some innovative strategies to be used to improve business. The CSR programmes should be tailored to provide long term solution.

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