

Review of Corporate Social Responsibility Dimensions

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ABSTRACT

Corporate Social Responsibility (CSR) is an important self-regulating business model that helps businesses to be accountable to their stakeholders. This paper reviews the role of CSR and its dimensions for businesses. The study aims to fill a gap in the existing literature by covering six CSR dimensions which are business governance, community welfare, health and education, workforce, product and services, and environment and energy. These broader six dimensions of CSR are further discussed in detail highlighting the aspects of CSR. CSR is used as a tool to compete in the competitive market and gain benefits of proving to be socially responsible. The paper also examines the relationship between CSR and competitive advantage, weighing the concept of shared value.

Keywords: Corporate social responsibility, dimensions, aspects, competitive advantage

INTRODUCTION

Globalization requires businesses to adhere to Corporate Social Responsibility (CSR) policies and practices, which encourage firms to engage in CSR activities (Valeri, 2019). The CSR framework serves as a blueprint for companies to incorporate CSR into their operations. In recent years, the idea of corporate social responsibility (CSR) has gained momentum, offering numerous advantages to businesses in terms of enhancing their public perception (Phillips et al., 2020). Companies that embrace CSR are more likely to establish a unique and favourable brand identity. Engaging in CSR involves both internal and external participation (Dobers, 2009).

It can be argued that this is appropriate because many developing economies are experiencing growth and transitioning towards a more market-oriented approach (Tilt, 2016). However, these papers rarely acknowledge or question this. The majority of the global population resides in developing countries, each with its own unique social, political, and environmental challenges (Tilakasiri, 2015). These countries are undergoing industrialization and often face unstable governments, high unemployment rates, limited technological capabilities, unequal income distribution, unreliable water supplies, and underutilized resources (Rahman Belal, 2001). As a result of rapid industrial development, policies are implemented to attract foreign investment, with investors seeking to benefit from fiscal incentives and cheap labour. While these strategies make economic sense, they have negative social and environmental consequences (Lu & Abeysekera, 2021). These include the use of child labour, low or unpaid wages, limited career opportunities, concerns regarding occupational health and safety, and increased pollution.

In today's highly competitive global environment, CSR is seen as a crucial aspect of gaining a competitive edge (Orazalin, 2020). It is not just the price of goods or services that sets a company apart from its competitors, but also the conditions under which they are produced (Stahl et al., 2020). Implementing CSR principles primarily improves relationships with customers, local communities, business partners, and authorities (Haslinda et al., 2016). This engagement enhances the diversity of a company and distinguishes it from its competition (Jang & Ardichvili, 2020).

To improve the image and reputation, companies must integrate CSR into their regular activities and align their actions with their overall profile. A positive reputation and image not only increase customer satisfaction but also drive sales and profits, which is the ultimate goal of any action aimed at enhancing competitiveness (Bucur et al., 2019). Additionally, CSR helps companies access capital, reduce cooperation costs with partners, attract top talent, mitigate business risks, and create stability and growth opportunities (Duca & Gherghina, 2018). Consequently, companies employ various methods and tools to build a positive reputation. Social commitment plays a significant role in establishing a favourable reputation, which sets a company apart from its competitors and becomes a source of competitive advantage (Mohtsham Saeed & Arshad, 2012).

The main objective of this paper is to highlight the importance the CSR activities for businesses and discuss the dimensions of CSR that can be considered for businesses to focus on and cover 360-degree CSR activities. This study attempts to fill the gap in the existing literature from the perspective of covering six CSR dimensions.

This paper is organized as follows. Section 2 highlights the background of the study. Section 3 highlights the CSR concept as a competitive advantage. Section 4 presents the dimensions of CSR. Section 5 considers the limitations and future scope of the paper, whereas section 6 concludes the study.

BACKGROUND OF CORPORATE SOCIAL RESPONSIBILITY

The idea of corporate social responsibility (CSR) originated from discussions about the role of businesses in society (Bowen, 1953). It emerged as a response to concerns about the negative impacts of business operations, such as child labour, poor working conditions, unpaid overtime, and environmental harm (McLaughlin, 2019). CSR is now commonly used to describe the non-commercial relationships between corporations and other social actors, as well as society as a whole. While it is often associated with for-profit organizations, it can also be applied to non-profit entities like government departments, NGOs, and social enterprises (Moura-Leite & Padgett, 2011).

Ethical behaviour is a crucial aspect of CSR, encouraging businesses to not only prioritize commercial interests but also adhere to societal norms and ethical codes of conduct (Wan-Jan, 2006). CSR goes beyond legal obligations and urges businesses to align with the values and objectives of society, responding to evolving societal concerns (Doda, 2015). It is a voluntary action that extends beyond shareholder responsibilities to encompass customers, employees, suppliers, and communities (Carroll, 2009).

Carroll (1979), suggested that the concept of corporate social responsibility (CSR) can be divided into four categories: economic, legal, ethical, and discretionary or philanthropic. These categories are represented in a pyramid shape. The foundation of the pyramid is economic responsibility, which refers to the primary role of businesses in society to produce goods and services that meet consumer needs and generate acceptable profits (Wan-Jan, 2006). The next level is legal responsibility, which requires businesses to comply with laws and regulations set by governments. The third level is ethical responsibility, which encompasses

activities and practices that are expected or prohibited by society, even if they are not legally mandated (Newman et al., 2020). The top of the pyramid is philanthropic responsibility, which involves corporate actions that respond to society's expectation for businesses to be good corporate citizens (Tilt, 2016). In the context of developing countries, Rahman Belal (2001) proposed a different sequence for the CSR pyramid, starting with economic responsibility as the foundation, followed by philanthropic, legal, and ethical responsibilities. Some authors also include environmental responsibility as a separate layer in the CSR pyramid for developing countries (Masoud & Viji, 2021). Additionally, a content analysis of CSR definitions identifies five dimensions: stakeholder, social, economic, voluntary, and environmental (Haslinda et al., 2016).

Stakeholder engagement is a crucial aspect of corporate social responsibility (CSR). Stakeholders are individuals or groups who have a significant interest in an organization's operations and success (Diez-Cañamero et al., 2020). Without their support, the organization would not be able to survive. According to Freeman et al. (1984), stakeholders are defined as any group or individual who can affect or be affected by the organization's objectives. These stakeholders can benefit or be harmed by the actions of the organization, and their rights can be respected or violated by businesses (Freeman et al., 2004). Examples of stakeholders include customers, employees, managers, shareholders, governments, and non-governmental organizations (Donaldson & Dunfee, 1994). Stakeholder theory suggests that the success and survival of a corporation, as well as its profitability, depending on the managerial ability to fulfil both economic and social purposes and meet the demands of stakeholders (Carroll, 2009). Stakeholders have different interests in corporate actions and varying levels of influence on decision-making.

Incorporating CSR initiatives into corporate strategies brings about numerous advantages for organizations (Mukhtar & Muhammad, 2016). These include the ability to adapt to unpredictable business environments, improved corporate governance, strong support from business networks, the formation of partnerships and alliances, and the establishment of trust with various stakeholders such as suppliers, distributors, communities, NGOs, government agencies, and trade associations (Peters et al., 2011). CSR activities have a direct and indirect impact on an organization's financial and management performance by reducing employee turnover and promoting employee retention, enhancing the organization's reputation, creating greater value for consumers and fostering brand loyalty, and enriching managerial expertise and knowledge (Stahl et al., 2020).

CSR AS A COMPETITIVE ADVANTAGE

Saeed and Arshad (2012), have examined the relationship between CSR and the competitive advantage of companies. They propose that companies and society can both benefit through the concept of "shared value." This occurs when companies gain a competitive advantage by improving their reputation with communities, suppliers, and interest groups, as well as creating business opportunities through CSR activities and addressing social issues (Michaels & Grüning, 2018). Matten and Moon (2020), argue that companies can generate a competitive advantage by prioritizing stakeholder value and incorporating environmental and social values into their core business operations. Instead of simply adding CSR activities to their existing operations, Orazalin (2020), suggest that companies should recognize the economic, social, and environmental impacts of their operations and develop strategies that integrate sustainability into all aspects of their business. This can be achieved through innovative product and service design, reflecting on experiences and learning, adopting cooperative strategies, and embracing systems thinking. Dyduch and Krasodomska (2017), believe that if organizations engage in CSR activities and gain economic advantages, competitors may be prompted to do the same, making CSR activities a strategic necessity rather than a competitive advantage.

Corporate social responsibility (CSR) is seen as a means for companies to incorporate sustainable

development principles and objectives into their business practices (Wu & Jin, 2022). Sustainability introduced the concept of the triple bottom line, which emphasizes the importance of generating social and environmental value alongside economic value. This new paradigm encourages businesses to focus on competition, transparency, and stakeholder-oriented development (Sheehy & Farneti, 2021). Today, CSR includes corporate accountability for social, environmental, and economic aspects of business operations, as outlined in the triple-bottom-line accounting framework. Many large companies now adopt CSR reporting using guidelines provided by the Global Reporting Initiative (Duca & Gherghina, 2018).

The idea of Corporate Social Responsibility is seen as a way to gain an edge in the global market, where customers, employees, and investors value more than just financial success (Ismail, 2021). One approach for a company to build trust in its business practices is to incorporate Corporate Social Responsibility into its policies and actions. CSR can provide a competitive advantage by creating intangible resources that are valuable, rare, and difficult to replicate (Sudirman et al., 2021).

DIMENSIONS OF CORPORATE SOCIAL RESPONSIBILITY

There are various dimensions are highlighted in the literature and discussed from various perspectives. This paper grouped several aspects of CSR into six dimensions which are Business Governance (BV), Community Welfare (CW), Health and Education (HE), Workforce (WF), Product and Services (PS), and Environmental and Energy (EE). These dimensions are suggested and grouped based on the analysis of various studies (Arsić et al., 2017; Dias et al., 2019; Ehsan et al., 2018; Haslinda et al., 2016; Jamali, 2008; Lu & Abeysekera, 2021; Platonova et al., 2018; Sudirman et al., 2021).

Business Governance

Business governance is assumed to be the main CSR dimension. It includes business acknowledgment of CSR and developing CSR policies. Corporate governance mechanism, implementation, board of directors' composition, internal control system, and follow-up are all covered under the business governance mechanism. The business risk management committee, audit committee, and stakeholder consideration should cover the business governance of the CSR dimension.

Community Welfare

Community engagement activities of CSR are suggested to cover further detailed eight CSR aspects. The community engagement activities may focus on donations, rural development assistance, women's development programs, sponsoring community-oriented activities, financial or any other assistance to the government, support of Small and Medium Enterprises (SMEs), and other community engagement activities.

Health and Education

Health and Education is an essential dimension of CSR. Many companies spend a good amount of money to support the health and education sector to develop a positive image of the company in the minds of customers. There are six aspects of health and education are suggested, which include donations to educational institutions, scholarships to the needy, sponsoring educational activities, provision of health care assistance, donations to hospitals, and donations in times of disasters or pandemics.

Workforce

Researchers believe that every business should initiate internal CSR practices which include treating employees fairly. The workforce is the main reason for many businesses' success and failure. Ten various aspects of workforce CSR are suggested here on which business should focus, these include investing

money in employee training, the number of employees according to the size of the business, career development opportunities for employees, employee benefits policies, job sustainability, compensation policies or plans, safe working environment, employment of women, and employment of minorities.

Product and Services

CSR is a business model by which companies make a concerted effort to operate in ways that enhance rather than degrade society and the environment. CSR can help improve various aspects of society as well as promote a positive brand image for companies. Product and services is an important dimension of CSR. It covers seven border aspects of CSR which include an explanation of company products, services, and processes, quality of products and services, research and development activities carried out to improve products and services, safety and security features of products and services, value-added concerns, ethical concern and disclosure about customer services.

Environment and Energy

CSR plays an important role in addressing *environmental* issues and promoting sustainable *energy* use practices. Thus, CSR practices in environment and energy can raise awareness about environment and energy issues, management of wastage, recycling practices, green issues, encouraging reduced energy consumption, and investment in new effective and efficient energy resources.

The main contribution of this study is to combine all the various aspects of CSR and grouped under the above suggested dimensions to view a comprehensive CSR performance and activities. Thus the suggested aspects and dimensions can be used to construct CSR index and view of the CSR performance of specific company or market.

LIMITATION AND FUTURE SCOPE

The paper recognizes certain limitations in this research. It is a review paper that examines the study's context and gathers a thorough and wider understanding of CSR dimensions and aspects based on theory. Consequently, a future study could utilize these dimensions to create a CSR index and evaluate business performance in the CSR domain. The research offers a comprehensive and all-encompassing perspective on CSR aspects that can be employed by any company to assess its CSR performance.

CONCLUSION

This paper has highlighted the importance of Corporate Social Responsibility (CSR) for businesses and discussed the dimensions of CSR that businesses should focus on. The study aimed to fill a gap in the existing literature by covering six CSR dimensions. The paper began with an overview of the background of CSR and its related literature, emphasizing the role of businesses in society and the evolution of CSR as a response to societal concerns. The concept of stakeholder engagement was discussed, highlighting the importance of considering the interests and impacts of various stakeholders. The advantages of incorporating CSR initiatives into corporate strategies were also examined, including improved corporate governance, trust-building with stakeholders, and the potential for competitive advantage through the concept of shared value.

The paper then presented the six dimensions of CSR: Business Governance, Community Engagement, Health and Education, Environment and Energy, Product and Services, and Workforce. Each dimension was further explored, highlighting the various aspects that businesses should consider. For example, in the dimension of Business Governance, businesses should focus on developing CSR policies, implementing corporate governance mechanisms, and considering stakeholder perspectives. In the dimension of

Community Engagement, businesses should engage in activities such as donations, rural development assistance, and support for Small and Medium Enterprises (SMEs). Similar aspects were discussed for the other dimensions, emphasizing the importance of addressing social, environmental, and economic issues in each area.

Overall, this paper provides a comprehensive overview of the dimensions of CSR that businesses should focus on. By incorporating CSR into their operations, businesses can enhance their public perception, establish a unique brand identity, and gain a competitive advantage. Furthermore, CSR initiatives can contribute to sustainable development and address societal challenges. It is recommended that businesses carefully consider each dimension and aspect of CSR and develop strategies that align with their values, objectives, and stakeholder interests. By doing so, businesses can contribute to the well-being of society while also achieving their own long-term success.

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