

Impact of Corporate Social Responsibility on Corporate Image

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Abstract - The study looked at the impact of corporate social responsibility on corporate image. The study proved to be a very lucrative area of study due to the rising global trends in promoting investments in corporate social responsibility. Making use of quantitative data as well as qualitative data, it was imperative for the study to be carried out by employing the descriptive research design which supports the nature of data used in this study. With the sampling population of the study of 196, the survey achieved a response rate of 86 percent which was very good. The study using descriptive statistics showed that corporate social responsibility has a strong impact on corporate image. The study thus established that it is important to invest in corporate social responsibility as this improves the way people see an organisation as well as paving way for greater opportunities.

Keywords: corporate social responsibility, corporate image, opportunities, global trends, Turnaround Strategy, restructuring, Organizational change.

I. INTRODUCTION

Corporate social responsibility issues have internationally gained importance since the publication of King III, drawing the attention of big organisations such as the United Nations (UN) as well as European Union (EU) which both published papers on the subject. The United Nations has published the Global Compact and the Principles for Responsible Investment (Sibanda 2011;15). There has also been the European Union Green Paper for Corporate Social Responsibility (CSR) and the OECD Guidelines for Multinational Companies. The proliferation of initiatives, tools and guidelines on corporate social responsibility have world over provided evidence of the growing awareness of corporate social responsibility issues.

Likewise, this study focuses on corporate social responsibility with much effort directed towards assessing the impact of corporate social responsibility on corporate image, specifically at Zimbabwe Revenue Authority (ZIMRA). The study seeks to establish the contribution of corporate social responsibility towards the improvement of corporate image, to identify corporate image challenges of ZIMRA as well as to identify corporate social responsibility activities that can be employed to improve the corporate image.

Key concept defined

Terms used in this study should be understood within the context below:

Corporate Social Responsibility: A corporate practice designed to help the community and the society at large to solve social problems such as water challenges, school fees, sponsoring sporting activities etc.

Corporate Image: The image of the company in the community. The community may regard the company as good or bad.

Turnaround Strategy: Is a corporate practice designed and planned to save a loss making company and transform it into a profit making one.

Restructuring: Is rearrangement of a company's assets or liabilities. It is an act of reorganizing the ownership, operational or other structures of a company for the purpose of making it profitable.

Organizational change: Is a framework for managing the effect of new business processes.

II. LITERATURE REVIEW

According to Dirk and Jeremy (2004) Corporate Social Responsibility is commonly described as “a demonstration of certain responsible behavior on the part of public and the private [government and business] sectors toward society and the environment. Hood (1998) establishes that CSR means addressing the legal, ethical, commercial and other expectations society has for business, and making decisions that fairly balance the claim of all key stakeholders. In its simplest terms, it is: “what you do”, “how you do it” “and when and what you say”. In this sense, CSR is viewed as a comprehensive set of policies, practices and programmes that are integrated into business operations, supply chain, and decision making processes throughout the company. It can be seen as a way of acknowledging the fact that some business fall outs have adverse effects on the citizens and society and making efforts to ensure that such negative impact are corrected.

Posk, et al (1999) believed that corporate social responsibility implies that corporations should be held accountable their actions especially when they have adverse effects on people, communities, and or the environment. This implies that negative business impacts on people and society should be acknowledged and corrected, if possible. Moon (2004) also pointed out that CSR may require a company forgoing some profits if its social impacts are seriously harmful to some of its stakeholders or if its fund can be used to promote a positive social good.

The model below provides an ideal framework for the impact of CSR activities and their influence on corporate image.

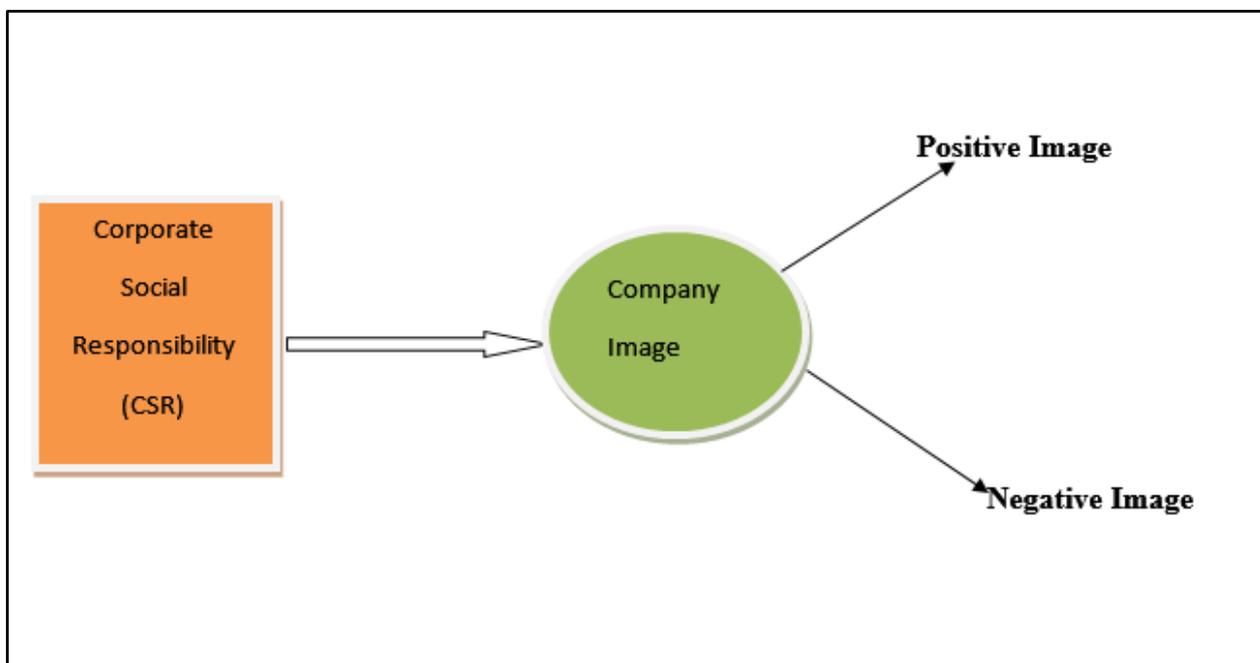


Figure 1: The conceptual framework of CSR impact on corporate image

The above model shows, the activities of CSR may bring a positive or negative image of the organization within its community. In emphasizing the ecological conceptualization of social responsibility, Buchholz (1991) noted that any good definition of social responsibility must contain if not all, most of the following;

- The responsibility goes beyond the production goods and services at a profit.
- The social responsibility helps in solving important social problems than those that were created by organization itself.
- That makes corporations have greater constituency than stockholders alone
- That makes corporations have great impacts that goes beyond marketplace transactions, and makes corporations serve a wider range of human values that can be captured by a sole focus on value.

Fraoman (1997) shows that CSR can therefore be referred to as decisions and actions taken by organizations for reasons at least, particularly beyond the organization’s direct economic or technical interest. For many corporate bodies giving to charities is a struggle really, their objective do not usually build-in the strategic need to support the communities that they serve. The focus totally is to maximize profit or financial returns. The thrust of their arguments centre around balancing their obligations to stakeholders, especially the shareholders.

Corporate Image and Reputation

Bromley (2001) defined corporate image as an “immediate mental perception of the organization held by an individual, group or network.” That mental picture of an organization that can be created quickly through communication programs (Gray and Balmer, 1998).

Corporate reputation, on the other hand, refers to a particular type of feed-back received by an organization from its stakeholders with regard to “the credibility of the organization’s identity claims” (Whetten and Mackey 2002). According to Logsdon and Wood (2002), reputation is an assessment by outsiders of how well a company meets its commitments and conforms to its stakeholders’ expectations. It also has to do with “how well its overall performance fits the socio-political environment” (Ibid). Fombrun and Shanley (1990) determined that a firm’s good reputation attracts investors and better qualified personnel, lowers the cost of capital and enhances its competitive ability. Herremans et al. (1993) found that companies with better CSR reputations outperform those with poorer reputations and provide investors with higher stock market returns. Firms with good reputation also command higher prices, generate more employee loyalty and greater productivity, have bargaining power with their suppliers, more stable revenues, and are less exposed to crises (Fombrun, 1996).

However, the differentiation between corporate reputation, image, and identity is not clear (Whetten and Mackey, 2002). Corporate image and reputation are oftentimes used interchangeably as if their meanings were hardly different. Therefore these concepts have been used either as if they were synonymous (e.g. Williams and Barrett, 2000), as though they related to one another (e.g. Balmer, 2001) or, as Bromley (2001) argued, as if they represented distinct constructs. Corporate image and reputation have been considered as intangible assets and valuable resources a firm can use in order to differentiate itself from its competitors. As Mahon (2002) pointed out, “reputation is built over time as the result of complex interrelationships and exchanges between a company and its stakeholders.” This complexity of interrelationships makes imitation difficult for competitors in the short term (Ibid).

Although, as argued by Wartick (1992), “the grand aggregation approach to corporate reputation loses substantial informational content unless multiple list(s) of stakeholders can be surveyed,” this research will be conducted taking into account the perspectives of only two stakeholders, SCG employees and Bangkok residents, due to a number of limitations, most notably time. One direct implication of this narrowed down perspective is that, for purposes of this research, corporate reputation as measured in terms of ‘stakeholders’ perspectives thus means only the perspectives of employees and Bangkok residents as to how the organization meet their demands and expectations.

III. METHODOLOGY

According to Sharavanavel, (2006), a research methodology is the description, explanation and justification of various methods of conducting a research. The researcher used quantitative data as well as qualitative data. This strategy in particular made it possible to measure aspects that cannot be quantitatively measured. The study also followed a descriptive research design. This was a logical alternative or choice as it allowed the researcher to collect both qualitative and quantitative data which was subsequently analysed to come up with a fair conclusion on the major strategic analysis of the impact of Corporate Social Responsibility on corporate image (Saunders et al. 2007).

IV. DISCUSSION OF RESULTS

Response rate

The purpose of this item is to establish a comparison of the possible response rate intended to be covered with the actual response rate of the participants.

Table 1: Average Response Rate

Instrument	Actual response rate	Possible response rate	-/+ response rate
Questionnaires	96%	100%	-4%
Interviews	75%	100%	-25%

Average Total	+ 86%	100%	-14%
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Source: Survey data (2014)

Table 1 shows that the response rate was 86% and respondents who failed to participate owing to some various reasons averaged 14%. This result shows that the average research was successful at 86%. The major reason for the 14% of respondents who did not participate was that they had a busy schedule and could not be reached on time for interviews and complete questionnaires. According to Kerlinger and Lee (2000), a response rate of more than 50% is fair, credible and justified. In this study, a response rate of 86% was achieved, thereby surpassing the 50% mark.

Impact of corporate social responsibility on improving the image of ZIMRA

This objective was the major objective of the study and in this analysis it was measured by customer satisfaction, customer retention and competitiveness and this was all made possible by the participation of ZIMRA staff and customers on whether corporate social responsibility has improved the competitiveness of ZIMRA with other revenue collection agencies.

Extent of corporate social responsibility marketing on customer satisfaction

Corporate social responsibility programs are launched with the basis of improving the firm’s social position in the market. Customer satisfaction in this sense implied that ZIMRA by employing and bearing in mind that satisfaction corporate social responsibility as a strategy, they have to meet the satisfaction needs of the customers. The results in fig 2 on the next page reveal the researcher’s findings.

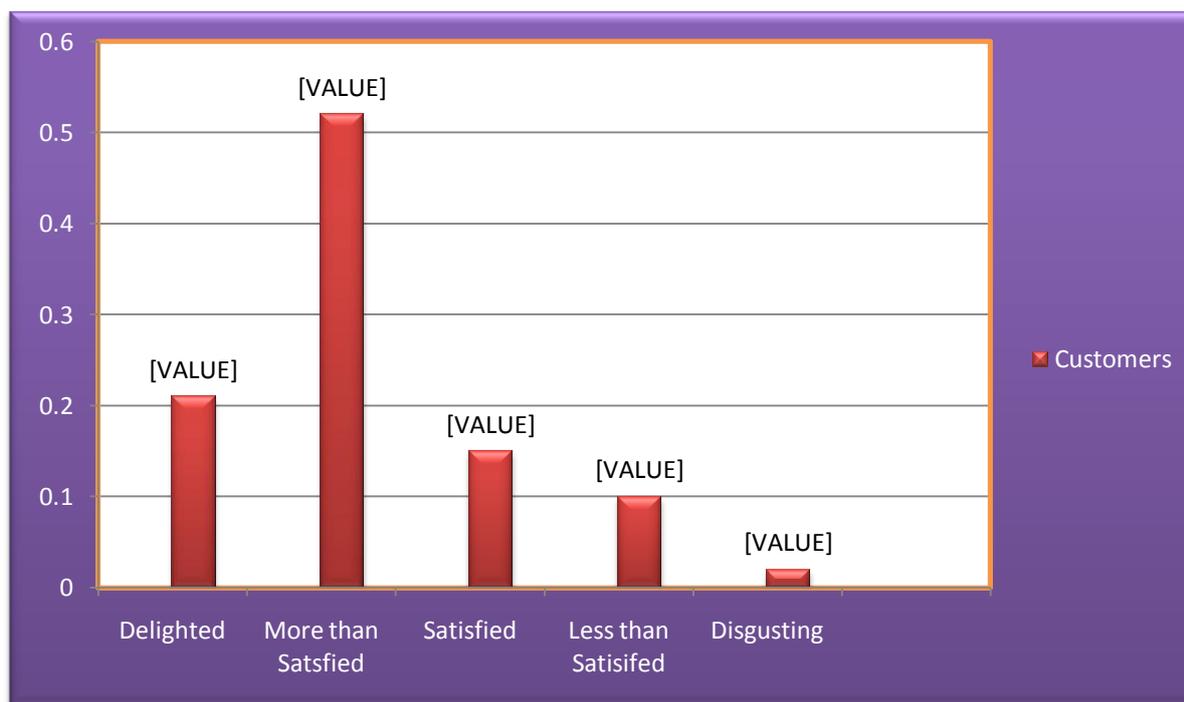


Figure 2: The Extent of satisfaction of ZIMRA Corporate Social Responsibility (CRS) programs on marketing performance

The values of 52% indicate a high degree of customer satisfaction of respondents on ZIMRA Corporate Social Responsibility (CRS) programs. Figure 2 shows that the feelings of respondents on Corporate Social Responsibility (CRS) programs of ZIMRA were skewed to the left, indicating a high degree of satisfaction. 52% of the respondents were happy with the organisation’s Corporate Social Responsibility (CRS), and 21% felt that they were delighted. A mere 2% of the respondents indicated that ZIMRA were disgusting; the possible explanation could be that, the small percentage of customers who felt that the Corporate Social Responsibility (CRS) was disgusting. The result was consistent with the views of Strickland et al (2010), who established that organisation that competent on Corporate Social Responsibility resources have the capacity to deliver superior service to customers.

Impact of corporate social responsibility and competitive position

It is the desire of all the parties that engage in corporate social responsibility to be placed on the competitive position since this comes with positive corporate social image. The results in fig 3 show the impact of corporate social responsibility and competitive position.

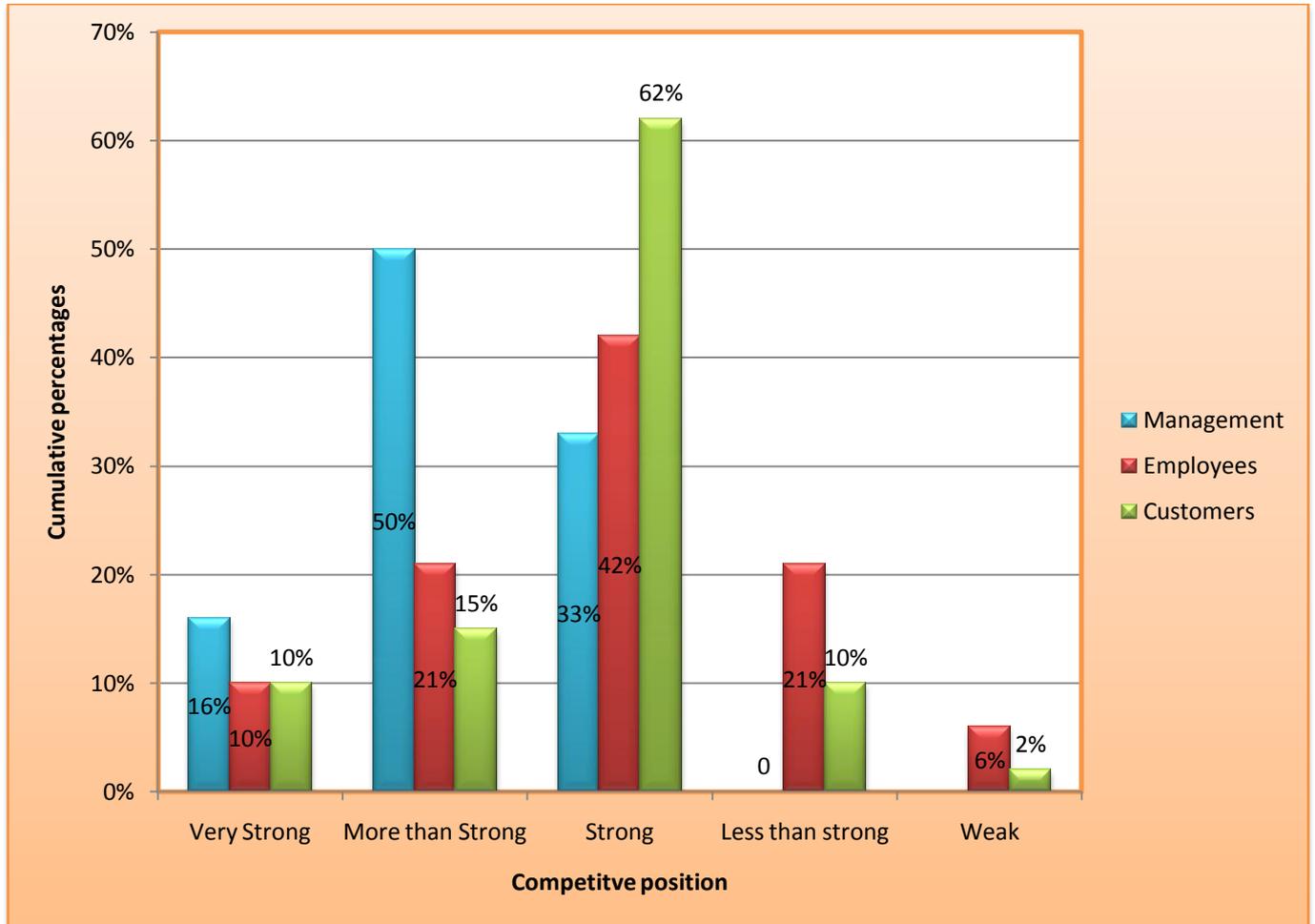


Figure 3: The Extent of competitiveness of ZIMRA Zimbabwe through Corporate Social Responsibility (CRS) programs

The values above indicated a very strong position for ZIMRA on the market through the use of Corporate Social Responsibility (CRS) programs. More than 62% of customers felt that ZIMRA was strong, and 50% of the management felt that the organisation was more than strong. A majority of 42% of employees felt ZIMRA was strong. It was apparent that the majority of respondents were in support of the view that ZIMRA occupied a strong position on the market owing to its marketing programs. This result was consistent with Porter’s (1990) model of competitiveness that companies that offer differentiation occupy a strong position on the market. Agarwal and Wu (2004) highlighted that global companies offer Corporate Social Responsibility (CRS) to become competent in meeting customer needs and wants, and therefore, ZIMRA was moving in the right direction.

The relationship between Corporate Social Responsibility (CRS) and customer retention

Customer retention was also employed as a proxy for a good corporate image and as a variable that seems to imply that corporate social responsibility will give customers an image that they will always associate with the business organization. Hence customers will always have a good image in their minds when they think of a firm that is practicing social responsibility and will always remember that. Fig 4 shows the findings of this study on this aspect.

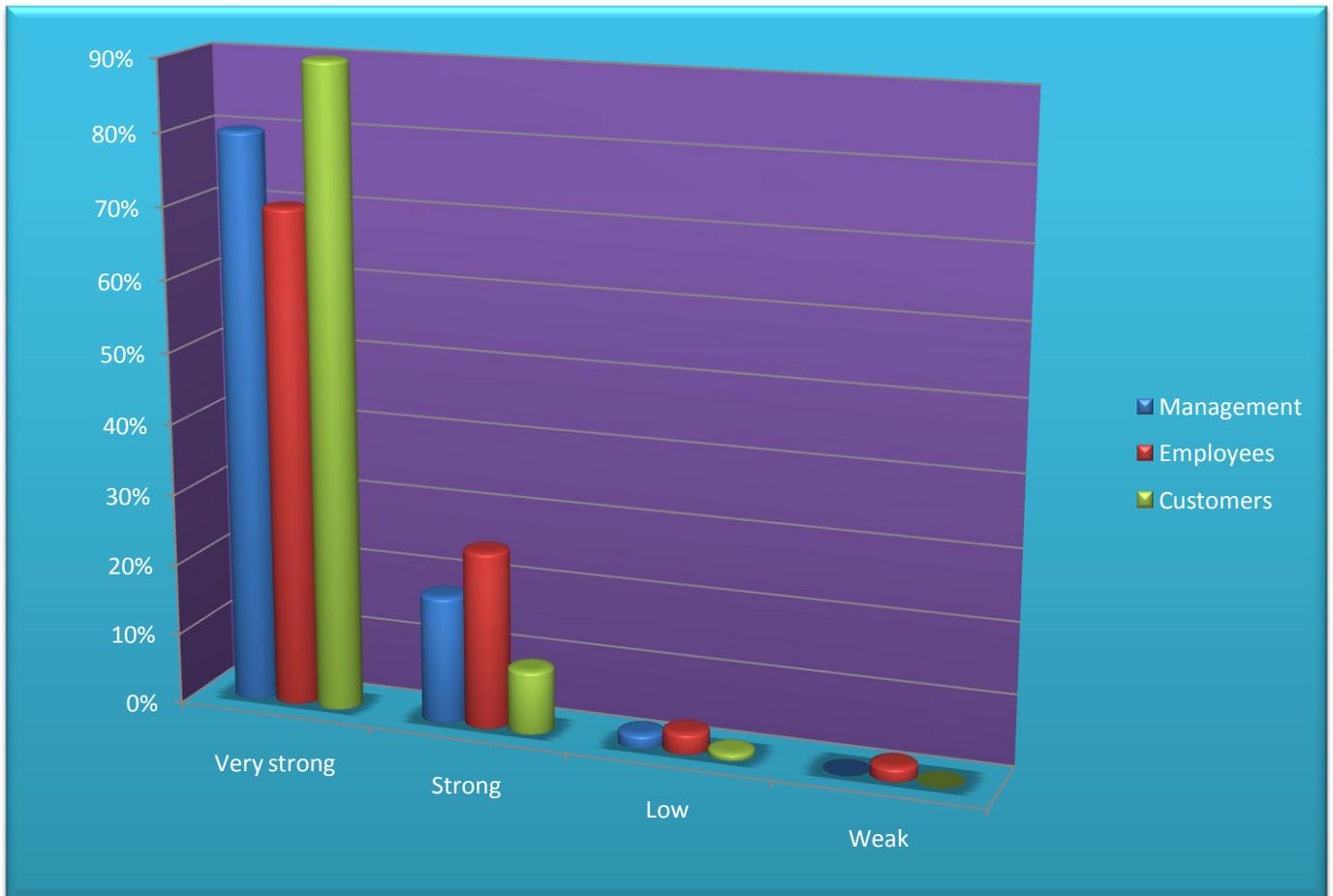


Figure 4: The relationship between Corporate Social Responsibility (CRS) and customer retention

Figure 4 seems to suggest that the relationship between Corporate Social Responsibility (CRS) and customer retention was very strong. The majority of respondents in the management category 80% felt Corporate Social Responsibility (CRS) was very strong, 70% of employees felt the same, and an overwhelmingly 90% of customers felt that the position was very strong. This result could mean that, through Corporate Social Responsibility (CRS), ZIMRA has the capacity to retain more customers, and public image may grow very high.

This result was consistent with Teece, (1981) who argues Corporate Social Responsibility (CRS)s are an excellent way to enable brand-consumer interface and the main reason lies in the time of “consumption”; Corporate Social Responsibility (CRS)s are active before, during and after the event and integrate the brand name to the overall consumer experience. It is also a unique opportunity for brands as they are given the chance to communicate a wide range of the brand personality features thus managing to differentiate themselves from their competitors and that in a world that marketing is switching to customization and personalization of its activities in order to “connect” with audiences, companies need to address the affective level of the brain of consumers, rather than the reflective. The trend is switching from communicating a cheerful brand identity, to instigating it.

Benefits of corporate social responsibility



Figure 5: The Benefits of Corporate Social Responsibility (CRS) at ZIMRA Zimbabwe

Figure 5 shows the benefits of Corporate Social Responsibility (CRS) at ZIMRA Zimbabwe. The majority of respondents in the management category 70% and 60% of employees and finally 80% of the customers felt that Corporate Social Responsibility (CRS) increases the brand image of the organization’s products. This implies that the organization needs to use brand image as the critical component to increase the performance of the organization.

V. CONCLUSION

The study also established that Corporate Social Responsibility (CRS) was highly effective and efficient in increasing customer retention. Corporate Social Responsibility (CRS) was in actual fact a customer retention strategy that organizations may use to increase the performance of the organisation. The results indicated that the position of ZIMRA was very strong owing to its Corporate Social Responsibility (CRS) programs that were in place. The research results show that Corporate Social Responsibility (CRS) program at ZIMRA was crucial enough to increase the performance of the organization. The results show that ZIMRA `benefitted from an improved image improved owing to Corporate Social Responsibility (CRS), and customer support increased as a result of Corporate Social Responsibility (CRS).

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