Impact of Corporate Social Responsibility on the Performance of the Companies

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ABSTRACT
This study aimed to identify the effect of corporate social responsibility (CSR) on the profitability of the companies. As business organizations increasingly invest in corporate social responsibility (CSR), it becomes critical to accurately examine the effects of these endeavours. In particular, business leaders should be able to rely on a coherent set of metrics to assess and prioritize the goals of different stakeholders—the ultimate beneficiaries of CSR programs—and to regularly evaluate progress made by the company in pursuing those goals. The study recommends that the companies should increase the efficiency of workers constantly in order to improve efficiency and productivity to maximize profits. Industrial companies should pay more attention to public interest for the community. The most important findings indicate that there is a significant relationship between CSR activities and profitability of the industrial companies in general and there is effect of the variables.

Key words:
Corporate social responsibility; profitability; companies; non-profit organizations

Introduction
Business organizations use CSR initiatives to build and strengthen relationships with multiple stakeholder groups. These groups may extend even beyond customers, suppliers, and competitors to include investors, employees, and members of the board of directors, local communities, regulators, media, and financial markets. CSR activities affect a variety of different stakeholders, with potentially conflicting interests and goals. Because of the complexity of this context, corporations need to rely on a set of metrics to compare, integrate, and reconcile what may be quite disparate objectives. This report discusses a stakeholder-based approach to measuring the effectiveness of CSR activities. Profitability enhancement Two reasons have been suggested for companies engaging in CSR initiatives: as a route to profitability and as an end in itself. First, company managers believe that CSR initiatives focusing on intermediate non-financial objectives with short-term negative cash flows may have a positive long-term effect on firm value. Corporate social responsibility can increase firm value in a variety of ways; specifically, by:
• facilitating the design of innovative products;
• attracting labour;
• attracting and retaining customers;
• reducing manufacturing costs; and
• providing reputation insurance in a crisis
In addition, the mere conduct of CSR activities can send a positive signal to regulators and investors, in turn generating financial results. A qualitatively different reason espoused for CSR activities is that internal stakeholders such as employees, management, and board members may have a set of extra-financial values and life goals that motivates them to feel good about themselves by returning to society part of the wealth they create through their service at the corporation. CSR is about how companies manage the business processes to produce an overall positive impact on society. For these reasons, measuring (financial and extra-financial) costs and benefits of CSR to a range of stakeholders is critical for companies to make informed decisions regarding their CSR initiatives. However, CSR effects can be hard to identify and calibrate, as evidenced by over one-third of a century of research into whether (and when) CSR activities add value to the
firm, over what time period, and through which pathways.

**Corporate social responsibility**

Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

**Positive impact of corporate social responsibility activities**

**Corporate Social Responsibility – Corporations**

The current consumer climate doesn’t allow for companies to simply be in business for the sake of making a profit. While consumers may rely on corporations for goods and services, the level of competition allows customers to make decisions based on how much good a corporation is doing outside of the workplace and how they are positively impacting their community.

**Public Image**

A corporation’s public image is at the mercy of its social responsibility programs. According to a study by Cone Communications, 9 out of 10 consumers would refrain from doing business with a corporation if there existed no corporate social responsibility plan.

For example, if a company is heavily involved in the practice of donating funds or goods to local non-profit organizations and schools, consumers are more likely to use their product. Or if a corporation takes great care to ensure the materials used in its products are environmentally safe and the process is sustainable, this goes a long way in the eye of the public.

Remember, consumers feel good shopping at institutions that help the community. And that’s good for business

**Media Visibility**

The amount of positive media coverage a corporation receives can have a significant impact on the company’s bottom line. How much good a company does in its community or beyond reflects its corporate social responsibility values. And the more positive the benefits to the community, the more media coverage a company will likely receive.

On the other hand, the media will often also cover corporations that participate in production or activities resulting in negative community impact. Media visibility is only useful when it sheds a positive light on your organization.

**Positive workplace environment**

It’s just common sense – employees like working for a company that has a good public image and is constantly in the media for positive reasons. Happy employees almost always equal positive output.

**Corporate Social Responsibility – Nonprofit Organizations**

How corporations embrace corporate social responsibility is of great importance to nonprofit organizations. Corporate giving programs include matching gifts and volunteer grants. These programs, which vastly increase the positive impact corporations can have, are vital to nonprofit organizations because they are the ones receiving the monetary donations and volunteer time.

**Employee Matching Gift Programs**

Corporations that offer matching gift programs are essentially doubling donations that its employees might give to eligible nonprofits. For example, if an employee provides a $100 check to a non-profit organization of their choice, an employer with a matching gift program will write an additional $100 check, thereby increasing total funds brought in!
It should come as no surprise that matching gift programs increase employee engagement for companies that offer these programs, but they also help foster deeper non-profit/donor relationships. If you’re looking to increase fundraising from existing donors, matching gift programs are a great place to start.

**Employee Volunteer Grant Programs**

Corporations that offer volunteer grants, or even offer paid time off to volunteer at non-profit organizations, are bringing in helping hands to eligible non-profit organizations. For example, a corporation might offer a $250 check to a non-profit once an employee has volunteered at least 10 hours with the organization.

These corporate giving programs are a win-win for both parties involved, and a huge reason why corporate social responsibility is important to nonprofits!

**Corporate Partnerships**

Another positive impact corporate social responsibility has on non-profit organizations is the possibility of corporate partnerships. These partnerships are vital to the positive impact a corporation has on its local community, and important to a non-profit that may not have the resources for major marketing campaigns. Long term corporate/non-profit partnerships can benefit everyone.

For a corporation, a partnership with a local or national non-profit organization improves the company’s image in the public eye, as consumers can clearly see the positive impact a corporation is having on their community. A key benefit is that it makes it easier for consumers to trust a company.

For a non-profit organization, a partnership with a local or national corporation puts its name on tons of marketing materials that otherwise could not have been afforded on tight budgets. A key benefit is the partnership brings additional awareness to the non-profit's cause.

Many of the highly ranked CSR programs on the Havas list predictably feature green initiatives, often, as with Leroy Merlin, highlighting how the company’s own employees personally volunteer in repair and recycling efforts around the world. Here too, with this volunteerism, we’re a long way from the passive check-writing that defined the old CSR. The message to consumers is, again, personal. Since people commit themselves, their own time and sweat, to these responsibility programs, it’s no reach to infer that they do the same when they manufacture the home improvement products that have a direct impact on our lives.

In a report, Research found that “the closer the company’s business is related to consumer electronics, the higher its CSR score.” Companies like IBM, HP, and Texas Instruments topped the charts for transparency and reported results. For starters, their sustainability initiatives have impressed consumers, the report suggests.

These sector-leading companies have pushed hard to highlight their greater focus on enhanced sustainable design, manufacturing, distribution, use, and end-of-use management. The message is, our products are socially responsible across a broad spectrum of consumer needs, beginning with the benign impact they have on the world in which they’re used.

In turn, that message rivets consumer attention on the products themselves and encourages the compelling supposition that responsibly manufactured products are simply better products.

**Conclusion**

“Businesses must reconnect company success with social progress”, Arguments exist that support the view that firms which have solid financial performance have more resources
available to invest in social performance domains, such as employee relations, environmental concerns, or community relations. Financially strong companies can afford to invest in ways that have a more long-term strategic impact, such as providing services for the community and their employees. Those allocations may be strategically linked to a better public image and improved relationships with the community in addition to an improved ability to attract more skilled employees. Financial performance also depends on good or socially responsible performance. Socially responsible companies have an enhanced brand image and a positive reputation among consumers; they also have the ability to attract more accomplished employees and business partners. Socially responsible companies also have less risk of negative rare events. Companies that adopt the CSR principles are more transparent and have less risk of bribery

References


