Relationship Between Corporate Social Responsibility and Marketing Performance: The Mediating Effect Of Customer Value And Market Share

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Abstract

The world is changing and customer's expectation is changing .Now a day's every business entity is facing several competition not only in local market as well as in global market. The Customers not only expecting quality products but they are expecting social responsibilities products. Companies should not have a singular view of profitability. There needs to be a balance between commerce and social responsibility. The companies that are authentic about it will wind up as the companies that make more money. The companies, if they want only profit then they will not stand in the market for longer period, then they will lose the number of existing as well as potential customer. The stake holders of the company include the existing customer, potential customer and society. Every small or large scale firm has its stakeholders with both positive and negative encroachments in the society. Due to the changing scenario, every firm has to focus on its stakeholders, where the business is operating its function. The CSR assessment generates a base of information; the firm can develop a CSR. Every firm has focus on formulating CSR strategies to get the advantages relating to company's image, market share, maximizing the profit, maximizing the sales, maintaining shareholders wealth, employee's satisfaction and to

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meet the customer's expectations. The paper would like the throw a light on framing out new strategies as a tool to boost the sales maximization, market share maximization and to fulfill the customer's expectation and desires.

"The Role of the companies is to make profit by formulating CSR strategies"

Key words: Market share, customer's expectation, Stakeholders, Strategies, Profit maximization

INTRODUCTION

There is growing recognition of the significant effect the activities of the private sector have on society -- on employees, customers, communities, the environment, competitors, business partners, investors, shareholders, governments and others. It is also becoming increasingly clear that firms can contribute to their own wealth and to overall societal wealth by considering the effect they have on the world at large when making decisions.

Report on Business Magazine recently noted that "many business leaders now believe that doing well for others means doing well for shareholders as well."1 Corporate social responsibility activities that integrate broader societal concerns into business strategy and performance are evidence of good management. In addition to building trust with the community and giving firms an edge in attracting good customers and employees, acting responsibly towards workers and others in society can be in the long-term interest of firms and their shareholders.

"There is no way to avoid paying serious attention to corporate citizenship: the costs of failing are simply too high. ... There are countless win-win opportunities waiting to be discovered: every activity in a firm's value chain overlaps in some way with social factors-- everything from how you buy or procure to how you do your research-- yet very few companies have thought about this. The goal is to leverage your company's unique capabilities in supporting social causes, and improve your competitive context at the same time. The job of today's leaders is to stop being defensive and start thinking systematically about corporate responsibility."

Michael Porter, Professor, Harvard Business School, at the April 2005 Business and Society Conference on Corporate Citizenship, sponsored by the University of Toronto's Rotman School of Management

Businesses are an integral part of the communities in which they operate. Their success is based on continued good relations with a wide range of individuals, groups and institutions. As Michael Sabia, President and Chief Executive Officer of BCE Inc., has said, "Corporations are also social institutions. What they do and how they act and the role they play in the community they operate in is important. ... We can build better communities, stronger communities and, frankly, better places to operate business. The opportunity we have is compelling."2

Canadians have high expectations of the private sector for responsible behaviour. Consumers expect goods and services to reflect socially and environmentally responsible business behaviour at competitive prices. Shareholders also search for enhanced financial performance that integrates social and environmental considerations. For example, according to a 2003 Environics poll conducted for Environment Canada, 9 out of 10 Canadian shareholders wanted fund managers to take environmental and social performance into account when valuing companies. In a 2004 Globe Scan survey, while 17 percent of Canadian respondents indicated that they had read a corporate social or environmental report, 77 percent indicated an interest in learning more about corporate social responsibility. In addition, 71 percent noted their belief that consumers can make a difference in how responsibly a company behaves.3

Research by global organizations, including the World Economic Forum, the International Institute for Management Development, and Transparency International, indicates that Canadian business leaders are considered to be among the most credible, most ethical, least corrupt and most value-driven in the world.

At the same time, leading industry associations, such as the Canadian Council of Chief Executives, have suggested Canada might gain a competitive advantage from corporate social responsibility:

"The very turmoil that has created so much market uncertainty therefore creates an opportunity for Canada to establish another important advantage in the global competition for people and investment. Establishing Canada's reputation as the location of choice for well-run and responsible enterprises would represent a powerful contribution to our broader goal of making this country the best place in the world for people to live and to work and for enterprises to invest and to grow."5

But while Canadian firms may have a good reputation on the whole, they risk losing their hard-earned good name when they fail to put systematic approaches in place to ensure continued positive performance. The effect of a tarnished reputation often extends far beyond that one firm: entire sectors and, indeed, nations can suffer. There are several notorious examples of corporations losing their footing as a result of questionable behaviour, with many others subsequently being the victim of the collateral damage. These firms frequently expend considerable time and money attempting to regain their reputation, with mixed results.

So what can be done to increase the likelihood that Canadian firms will enhance their good reputation, and continue to demonstrate positive social and environmental performance?

One thing that governments are well placed to do is share information about best practices and provide guidance to firms concerning systematic approaches to meeting economic, environmental and social objectives in a balanced manner. These are the key objectives of this guide.

Review of literature on CSR

Consideration of the social, economic and political context demonstrates how CSR forms part of a wider strategic direction being taken internationally with regard to state/market relations and the pursuit of a range of objectives and goals. The context is in part provided by concerns about the numerous examples of irresponsible behaviour on the part of corporations, ranging from colluding with oppressive regimes and in the overthrowing of governments (Alston, 2005) to issues relating to working conditions and the impact of unethical marketing practices (Richter, 2001). Such examples have demonstrated the need for the worst excesses of business to be curbed. The globalised economy is understood to raise important issues for businesses and governments due to changes in patterns of production and consumption. In particular it is noted that the manufacturing of goods is "highly mobile" (Cassell, 2001:263) and that supply chains are often dispersed transnationally, creating difficulties in terms of legislation and regulation. The relative power of large corporations compared to that of certain states is significant:

"In their negotiations with the governments of host countries their ability to pick up and leave provides them with a great deal of leverage over states dependent upon the jobs that they provide" (Wells & Elias in Alston, p144, 2005)

Economic globalization therefore presents challenges to the ability of states to protect people's rights (Cassell, 2001). The notion of corporate social responsibility is part of the 'third way' (Gond & Matten, 2007), where the role of the state is now to provide "steering for the promotion of social development and social justice" (Giddens, 2001: 6). There is increased involvement of the private sector in traditionally statutory provision through privatization and public/private partnerships (e.g. see Meehan, 2003). Economic policies have created a need for markets and business to self-regulate in order to continue to pursue an international free market economy, but also to ensure sustainability (of economic, human and other resources, and of the environment). CSR is seen as a solution to these problems of regulation.

The private sector is increasingly seen as a key player in the achievement of many national and international strategic objectives for governments, which is also enabled by CSR. For example, in the UK, CSR is understood: "to maximize the positive contribution that businesses can make to the UK's objectives on international sustainable development - including HR, trade and investment, poverty eradication, environmental protection and corruption - whilst at the same time effectively tackling adverse impacts" (Department for Trade and Industry, 2004:). These objectives are related to a range of international agreements such as the Millennium Development Goals and targets agreed upon at the World Summit on Sustainable Development. The European Multi-stakeholder report identifies key texts to guide CSR development by business, including some key international texts and guidelines that were developed with and for business in particular, such as the OECD Guidelines for Multinational Enterprises (MNEs) (1977, revised 2000), the UN Global Compact (2000) and the ILO Declaration of Principles concerning MNEs and social policy. The report also refers to a range of multilateral and regional agreements relating to human rights, environmental development, consumer protection and worker's rights, which are aimed at the state level, but which they envisage acting as an 'inspiration' to companies in developing CSR strategies. An overview of these various agreements and guidelines is provided below.

Within the UK, legislation has placed a duty on nearly all corporations to report on their treatment of issues included under the umbrella of CSR. The Corporate Responsibility Bill (2002) outlined this duty and penalties for non-compliance, which range from fines to the cessation of operations and imprisonment. Requirements to report the ways in which corporations give consideration to and deal with environmental, social and economic factors, are intended to promote transparency so that companies are able to be held accountable for their operating procedures by consumers and pressure groups. There are a number of incentives for CSR related activities, for example the Dow Jones Sustainability Index and FTSE4Good Index promote environmental reporting, and the Association of Chartered Certified Accountants (ACCA) gives awards for social and environmental reporting internationally (for example see the ACCA website). Reporting consequently has the capacity to add value to a particular brand or to contribute positively to corporate image. In particular, it is seen to enable investors and consumers to make informed choices. Evidence suggests that ethical consumerism is on the rise (Involve, 2005), with sales of ethically marketed goods rising significantly year on year (New Economics Foundation, 2005). In this sense, the power of the ethical consumer and/or investor to pressurize businesses into ethical behaviour through the exercise of choice replaces regulation and legislation as a force for change.

So from a political or governmental perspective, CSR can be seen as a duty (having intrinsic or normative value), but there are also material incentives for corporations to be socially responsible, relating to sustainability and apparent consumer preferences for ethical business (CSR as having instrumental value). In the following section, I will focus more closely upon the debate concerning these two apparently distinct motivations for CSR.

CSR IN THE MARKETING LITERATURE

Within the marketing literature, much fragmentation can be observed in terms of the unit of analysis considered and the dimensions of social responsibility investigated. When marketing scholars started expressing concern for corporate social responsibilities in the 1960s and 1970s, they focused on the social duties attached to the marketing function and not on the overall social role of the firm (e.g., Kotler and Levy 1969; Lazer 1969). As a result, the field ofsocial marketing has emerged and has specialized in the contribution of marketing activities to socially desirable behaviors and goals (Andreasen 1994). Similarly, the marketing literature has developed much knowledge on the ethical perceptions, reasoning, and decision-making process of marketing managers (e.g., Blodgett, Lu, Rose, and Vitel12001; FerreU and Gresham 1985; Goolsby and Hunt 1992) and has allocated little attention to the ethical responsibilities of the firm as a whole. Overall, past studies have rarely considered how marketing thinking and practices can contribute to the development of socially responsible practices throughout the organization. In addition, when marketing scholars investigate CSR, they have a tendency to focus on very limited dimensions of this construct. For example, marketing has developed expertise on cause-related marketing (e.g., Barone et al. 2000) and environmental marketing (e.g., Drumwright 1994; Menon and Menon 1997) but has established little connection between these two research areas. When marketing scholars have examined consumers' responses to CSR (e.g., Brown and Dacin 1997; Handelman and Arnold 1999; Sen and Bhattacharya 2001), they have relied on simplified indicators of CSR and have considered only limited dimensions of this construct. This fragmented view is certainly linked to the scarcity of comprehensive conceptual frameworks originating from the marketing discipline. In sharp contrast with the abundant management literature, theoretical investigations of CSR in marketing have been scarce (for an exception see Robin and Reidenbach 1987) and focused on limited dimensions of CSR such as environmental marketing (e.g., Menon and Menon 1997) or cause-related marketing (Varadarajan and Menon 1988). As a result, past studies have not yielded an encompassing view of CSR that enables tile coordination of various social responsibility initiatives. It is noteworthy that marketing scholars have focused on corporate responsibilities toward two main groups of stakeholders: customers and channel members. As suggested by management scholars themselves (Griffin 2000; McWilliams and Siegel 2001), this knowledge can certainly help understand the nature of responsible corporate behaviors toward other stakeholders.

Concepts and Definitions

`Several definitions of corporate social responsibility have been introduced and different authors interpreted CSR in different ways. While there are various definitions for CRS but it is still an ambiguous concept with blurring boundaries (Talaei and Nejati, 2008) and there is no consensus on the definition of CSR. Evolution of definitions and their completion which are presented in chronological order is identifiable. For example, McGuier (1963) stated that: "The idea of social responsibility assumes that not only companies have economic and legal commitments, but also certain other responsibilities towards the society that is beyond these commitments (McGuire, 1963: 144). Davies (1973) went beyond and stated that: "Social Responsibility begins when the rules end. The company which relies on meeting the minimum legal requirements is not a responsible since this is what every good citizen does; social responsiveness companies go a step beyond and accept social commitments beyond legal requirements "(Davies, 1973: 313). But one of the most complete definitions was introduced by Carroll (1979). By providing a framework, he classified CSR in 4 concepts, and later in 1991 and 1999 completed his concepts that these concepts were further employed by many researchers. His definition was so comprehensive that discussed all CSR-related concepts under a single framework. In his view, corporate social responsibility can be defined in four concepts of economic responsibility, legal responsibility, ethical responsibility and discretionary responsibility (which was later called as philanthropic responsibility in 1991). He stated that the main responsibility of companies is economic responsibility and it is expected that companies produce services and goods as it is demanded and create economic wealth (Maignan and Ferrell, 2001). In developing countries like our country, Iran, commitment to this type of CSR leads to the creation of jobs and revenue for society members (UNIDO, 2002). He believes that the companies should follow the dos and don'ts of society and act within the legal boundaries of society. (Carroll, 1991: 42). For example, it can be referred to issues such as providing security and welfare for employees, offering environmental standards and complying with the tax laws. Ethical responsibility is to do something that is right and fair and avoiding it damages environment and humans. Ethical responsibilities show a higher level of corporate social responsibility and demand issues beyond legal requirements (Garriga and Mele,2004). Finally, discretionary or philanthropic responsibility is introduced at the highest level that aims to improve the quality and welfare of society(Carroll, 1991: 42). The last concept presented by Carroll is very similar to the third generation marketing of Carroll. So it can be concluded that CSR is a key tool for new marketing concepts. In developing countries, philanthropic activities such as pays to charities equal to CSR (Crane and Matten, 2004).

Benefits of Corporate Social Responsibilities

CSR plays a vital role in every organization. The some benefits are as under:-

- Improved financial performance
- Reduced costs
- Build brand image and reputation
- To increase sales and customer loyalty
- Customer satisfaction
- To get the competitive advantage
- Increased ability to attract and retain employees
- To secure the employees
- To maximize the profit and wealth
- To increase the market share
- To increase the slandered of living of employees

Why CSR?

In addition to profit making, every company or organization should earn the goodwill, credibility and trust of stake holders. Both profits and credibility should go together will have scope for social and environmental care. The CSR is a tool for enhancing the good will, and reputation in the society. The CSR is helpful for boosting the sales maximization, market share maximization and it will leads to achieve company's goals and objectives.

Shri Mahatma Gandhi also focused on CSR in earlier days. He has given quote relating to CSR; "You must be change you wish to see in world,' Is fairly apt for business these days."

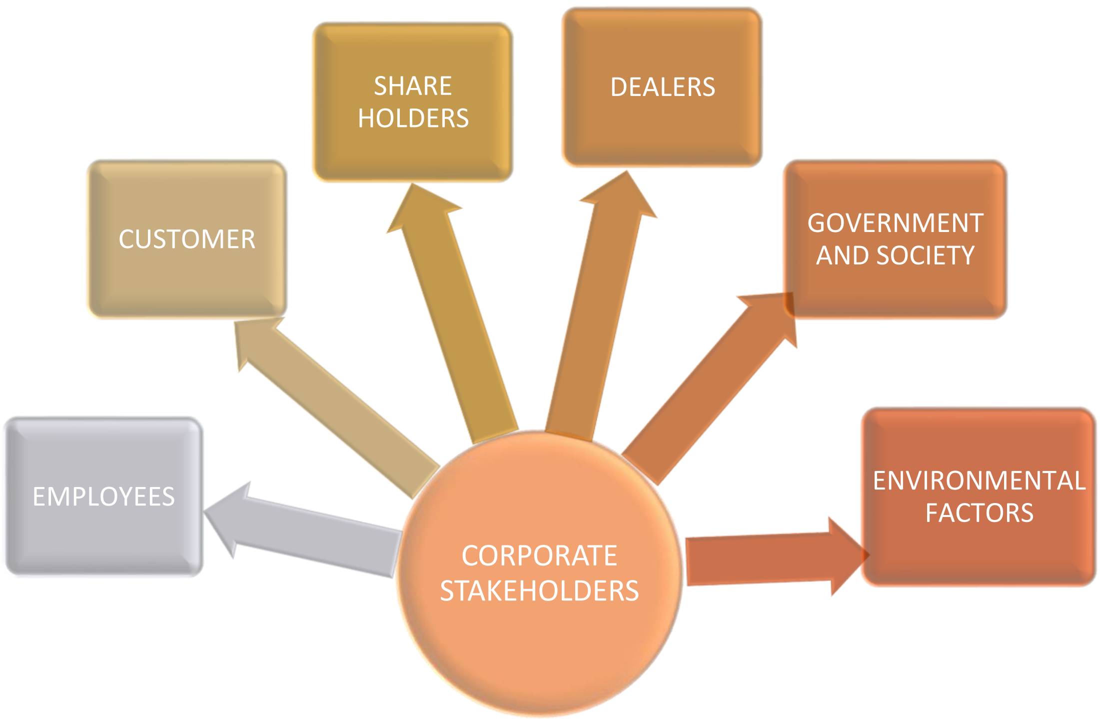
Shri Narendra Modi, Prime Minister Of India has formulated Social Responsibility strategies to boost the Indian market like "MAKE IN INDIA", "FIRST DEVELOP INDIA"

The Strategy is a tool, where we are adopting in an organization to achieve goals and objectives. Every organization has to adopt appropriate strategy to survive in the market, to increase the profit, sales, market share, and growth and to get competitive advantage. If organization drafts appropriate strategy towards CSR, it will gain more profit for maximum years. For example as per ASR (Asian Social Responsibilities) survey The TCS ranked as a number 1 company. Along with the development of company, it has to contribute towards the development of the Stakeholders through CSR. CSR will boost the Stakeholder's economy and it will enhance for the development of Country's economy and World's economy.

CORPORATE STAKEHOLDERS

Fig 1. The stakeholders of the company are:

CORPORATE STAKEHOLDERS



Formulation of CSR Strategies

Corporate can't make more profit without CSR, corporate can't stay longer period in the market without CSR implementation. So every corporate or organization has to formulate CSR strategies along with the organizational strategy. Now a day's CSR is a tool, where every organization is formulating CSR strategy for its stakeholder. Take the example of several companies of India like Infosys, TATA Group, Reliance, Wipro etc are formulating several strategies towards Social Responsibility to survive in the market for longer period. They have their own foundation which attends to social causes like water supply and toilet facilities to schools, guest house to cancer patients and their accompanying person, supply of computers to schools and colleges, and they invest in foot ball academy, hockey academy, sponsor sports tournaments and give scholarship to meritorious students. The CSR is the backbone to boost the organization's economy as well as country's economy and it will leads to World's economy. The below diagram indicates formulation of CSR strategies towards stakeholders.

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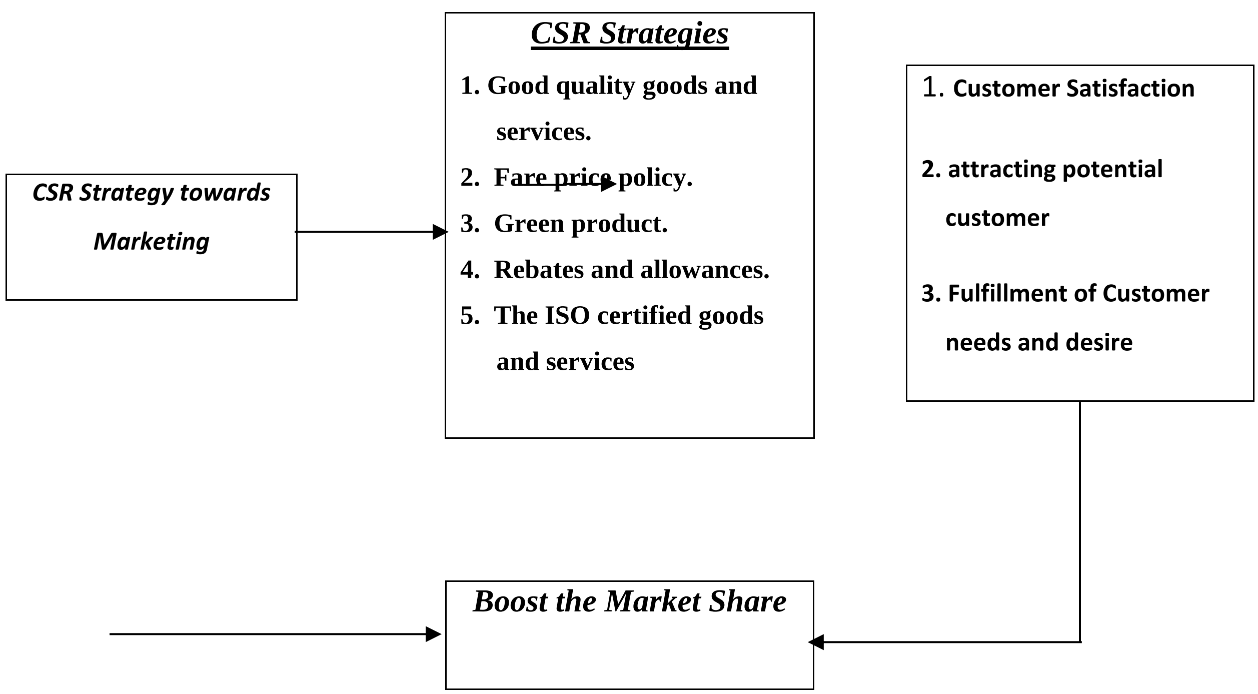
CSR strategies towards Stakeholders:

1. CSR strategy towards customers/Marketing
2. CSR strategy towards shareholders
3. CSR strategy towards dealers
4. CSR strategy towards government and society
5. CSR strategy towards employees
6. CSR strategy towards environmental factors

Here we should formulate CSR straregy towards Marketing/customer is very important concept, because if sales maximized then company can earn more profit as well as it will aquire lager market not only in local market and also in global market.

CSR STRATEGY TOWARDS MARKETING



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Conclusion:

The social marketing in the 21st century plays a vital role in the market place. Now a day's, we are seeing several competition in the local market as well in the global market. Due to globalization many players play in the market to sell their goods and services in the local market and global market. Corporate have to provide the goods and services not only for less price but they also provide social benefit activity for the society. The society includes the existing and potential customer. Finally, this paper concludes that without CSR there is no Market share and no more customers.

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