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Corporate Social Responsibility and Firms' Performance: A Literature Review

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Abstract:

Corporate Social Responsibility (CSR) has been of great contribution especially when it has to do with the success of firms both locally and globally. Even though the concept has become a widely accepted and recognized to be of paramount significance to the growth in value of organizations, some corporate firms are yet to embrace this CSR concept, most corporate bodies focus on achieving profit but neglect the issues that has to do with both the environment and that of the other stakeholders not directly associated with the organization. To this end, the focus of this study is on a holistic assessment of the impact of CSR on organizational performance. This study adopted exploratory research design and since the major emphasis in such a study is on the discovery of ideas and insights, desk review approach was adopted using relevant and related literature. The study showed that some companies only engage in CSR activities just to create good corporate citizen image. The outcome also showed that CSR has an important and positive impact on all the performance indicators used in the review of literatures which are: organizational performance versus time, finance, reputation, employee commitment and brand differentiation. It was therefore recommended that companies should identify their stakeholders' needs before taking CSR initiatives; also, top management must understand the strategic financial benefits of CSR activities and include CSR initiatives in their strategic plan.

Keywords: Corporate citizen, corporate social responsibility, firm performance, organizational performance, reputation, stakeholder theory

1. Introduction

Corporate social responsibility (CSR) is to a great extent a topic that has been on the increase and has become a very important topic that organizations and scholars are recently engaging in. though CSR has been very prevalent, scholars are yet arrive at a universally accepted definition for CSR. Glavas (2016) opined that most of the major corporate organizations are engaged in CSR in one form or the other even though according to him that scholars are yet to come up with one definition of CSR that is accepted globally. Various authors have attempted to define CSR among whom are Safar zad, Farahnaki, and Farahbakhsh (2017) who defined CSR concept as a requirement for a company that is legal and includes the continued commitment of the company towards the community. Carroll (2016) further stated in his pyramid that CSR is of four parts which represents the expectation of the society towards the firms and they are the economic, legal, ethical and philanthropic obligations which should be taken in sequence from the bottom to the top.

CSR over the years has gained traction significantly as shown by the number of published research studies on the relationship between CSR and performance of companies (Demetraides & Auret, 2014; Oh & Park, 2015 and Taiwo & Adeniran 2014). According to Safar zad, et al (2017) the main goal of most corporate entities is often to increase the efficiency and productivity of their operations which will enable them to maximize profit for their shareholders which must be achieved by integrating the community's ethical and environmental expectations into the economic processes of the company. Attempts by authors to find out how CSR aids in the creation of value or destruction of businesses can be categorized according to their outcomes showed that there are positive, negative, or no significant relationships (Fomukong, 2014).

Studies that revealed positive relationships existing between CSR and the performance of firms financially tend to exist dominantly among literatures (Brin, 2019; Kasim, 2012; Mustafa, Othman & Perumal, 2012 and Weshah, Dahiyat, Awwad & Hajjat, 2012). Though those with a negative CSR-FP relationship are not few either as seen from the works of Lioui and Sharma (2012), Rahmawati and Dianita (2011), and Yang, Lin, and Chang (2010). Findings over the years have shown inconsistency on the issue and can be explained by the series of different philosophical concepts underlying the studies of individuals and thus also create opportunities for further studies. The following sections discuss definition of key concepts used in this review and section 3 presenting existing empirical studies on the impact of CSR on firms' performance.

2. Literature Review

2.1. Concept of Corporate Social Responsibility

Čavalić (2017) CSR is relatively a young field of study that appeared during the 60s of the last century for the first time. CSR has been in the front burner and has been discussed by many scholars and researchers which has led to the production of many definitions and concepts. Dartey-Baah and Amponsah-Tawiah (2011) opined that CSR is also known as corporate conscience or citizenship and that sustainable responsible business is generally known as a means by which companies achieve a balance of economic, environmental and social imperatives. CSR refers to a set of moral and personal duties that the employer has to perform as regards policies, decisions, and actions within the framework of the goals and values of society (Martinez, Fernández & Fernández, 2016).

The concept of CSR as a business element focuses on the organizations' policies, practices and tools which are used to meet the expectations of the combined external and internal stakeholder's demands and these stakeholders include customers, employees, pressure groups, environment, legal and government requirements (Albasu & Nyameh, 2017; Bauman & Skitka, 2012). Organizations can be seen as entering into a social contract that makes it compulsory for the organizations to take the interests of the society into consideration at points of decision making (Andreasen & Drumwright, 2001). CSR is mainly made up of four closely related parts namely: economic, legal, ethical and philanthropic and organizations work towards achieving all four at all concurrently. Carroll (2016) pointed out that CSR obligations should be taken in ascending order that is, from bottom to top, starting from economic responsibility through to philanthropic.

It is not that if a firm succeeds in achieving the first responsibility efficiently, then it can proceed to the next. These actions that appear be helping societies for good goes beyond the entities and it is also a requirement of the law and that all of them addressed and formalized to a point, the responsibilities of entities with respect to the social needs of the time (Carroll, 2015; McWilliams & Siegel, 2001). Galant (2017) opined that companies have to help in solving important social problems and the most important problem is to generate income while the second one, to take good care of relationships with the environment and stakeholders it is dependent on which is no less important. Stakeholders are groups that have rights not to be treated as a means to some end and therefore must take part in determining the future direction of the firm in which they have a stake (Freeman & Dmytriyev, 2017).

CSR therefore tends not only to care for today's community and its people, but also for the environment and how to sustain it for the entity's future benefit and it also ensures that the firms operate in a conducive and peaceful environment where all stakeholders and the environment are well taken care of with the aim of enjoying today and days to come. It should be further noted that CSR for most of the time has remained voluntary and depends on self-regulation through codes of conduct with the decision to comply with the codes of conduct firmly within the forte of corporations (Agudelo, Jóhannsdóttir & Davídsdóttir, 2019; Dentchev, Haezendonck & Van Balen, 2015; Dentchev, Van Balen & Haezendonck, 2015; Lamarche & Bodet, 2018; Tamvada, 2020).

2.1.1. Evolution and Dimension of Corporate Social Responsibility

Chaffee (2017) noted that the inception of the social element in corporate behavior can be traced back to the ancient Roman Laws which can be noticed in organizations such as hospitals and orphanages and it was carried on with the English Law during the Middle Ages in academic, municipal and religious institutions but it expanded later into the 16th and 17th centuries under the influence of the English Crown, which saw corporations as an instrument for social development (Chaffee, 2017). The entities also get involved in community developmental issues and not just about profit to hasten shareholders' wealth maximization has been gaining ground in business and in academics. Despite the fact that businesses were found to have involved in some form of social activities or the other during the 19th century era of factory systems, the formal writings on and the developments of the CSR concept came be seen to date back to the 1950s (Maden, Telci & Kantur, 2012).

Having a clear view of the kind of effect that CSR has on the performance firms financially has recently intensified the academic and business interests on the demand for entities to take up more responsibility towards the other stakeholders and not just the needs of the owners of the business (Aguinis & Glavas, 2012). It is now a feature that often appear on the websites of corporations and senior management members are also been appointed to handle issues that are related to CSR while many reputable business schools now engage CSR as both a subject matter and as an integral ideal in business management curricula (Montiel & Delgado-Ceballos, 2014). From a worldwide point of view, organizations have integrated CSR as part of their ideals into their business models, structures and as a profit maximization strategy that takes care of their interests (Servaes & Tamayo, 2013).

Studies that are for the acceptance and growth of CSR including the rise in the importance the global societies are attaching to it making it globally competitive as well as the advances in communication technology and the increasing

concern for safety of the environmental safety and ecological system sustainability (Idemudia, 2011; Keffas & Olulu-Briggs, 2011; Surroca, Tribo & Zahra, 2013 and Wang, Lu, Kweh & Lai, 2014). The concept of CSR has been diverse and researchers are yet to agree on a common definition of the construct. It has been regarded as essential and contested concept, with meanings differing with people and contexts (Saeidi, Sofian, Saeidi, Saeidi, & Saeidi, 2014). The coming into existence of the concept of CSR was met by the nonexistence of cohesion, consensus of definitions and maturity of theories that dominate the literature.

One of the common themes of the CSR that has surfaced relates more to creation of value for the business stakeholders and not just focus only on the entities' shareholders or owners (Peloza & Shang, 2011). The popular definition of CSR which is an off-spring of this theme is as a set of corporate content-specific actions and policies that include the expectations stakeholders and the economic, social and environmental performance of firms (Aguinis & Glavas, 2012). Looking at the definitional gap that CSR has been characterized with presently in the literature, it was accepted for this study that CSR is a volitional business entity action directed toward improving the economic, social, and ecological or environmental conditions of the society including the future generations (Okoye, 2009). The lack of definitional consensus on CSR can be attributed to the divergence of the perspectives that are associated with the construct.

2.1.2. Dimension of CSR

Several aspects of the CSR have been given sufficient research attention. The early conceptualization of CSR was the perspective of philanthropy whereby business entities make donations or contributions to the society out of charity (Carroll, 1991). The entities making the contributions to business entities do exaggerate these acts of in their annual reports to gain the attention of the public for support and legitimacy (Wu & Shen, 2013), despite the fact that the sincerity of the charitable act may be questioned by the profit-making nature of business (Jensen, 2010). Another aspect of CSR that takes a prominent position is the environmental aspect. The concept of CSR mixes with the environmental responsibility of corporations which both the human and natural environment are not often taken into consideration when CSR matters are being discoursed (Idemudia, 2011).

CSR is often seen as a strategy applied by corporations with aim of helping entities to achieve its goals through the implementation of the known management functions like planning, controlling and directing efforts towards prevailing social issues that affects the business as an entity (Saeidi et al, 2014). Mustafa et al. (2012) argued that CSR is now a major strategy employed by businesses with the aim of achieving its desired economic goals. Therefore, the considerations CSR should not to be a burden, but an instrument for innovation and competitive advantage gaining on like the CEOs who use CSR contributions as an instrument for private benefits (Jensen, 2010; Jiraporn & Chintrakarn, 2013), Human rights and labour on the other hand, has seen CSR as an addition to social welfare (Maden et al. 2012), the reason being to encourage employees in the work environment and improve corporate reputation. Jeffrey, Rosenberg and McCabe (2018) also opined that one way to enhance corporate reputation is to embark on CSR activities.

2.1.3. Social Irresponsibility Dimension

Corporate social irresponsibility is another aspect of the CSR that has arisen from failures of businesses to act in accordance with the expectations of the society. From the observations of McWilliams, Siegel and Wright (2006) that it has mostly been neglected in the literatures, Herzig and Moon (2013) and Lange and Washburn (2012) opined that irresponsible conduct of corporation's stem from the decisions not Pareto-optimal (Arnold & Valentin, 2013). The concept centers on the normally observed contemptible corporate deeds including fraud and fraudulent financial reporting, customer deception, cheating of governments, employee's exploitation, putting other stakeholders at risk, and environment pollution (Herzig & Moon, 2013).

Such acts of irresponsibility by corporations helps to fast-track their collapse of which many corporate giants such as Enron and WorldCom are examples of such (Arnold & Valentin, 2013). The global 2007-2008 meltdown was partly attributed to the irresponsibility of the financial sector of the business world (Herzig & Moon, 2013). That notwithstanding, empirical studies of the corporate irresponsible acts are destroyed largely by assessments of observers that are perceptive and subjective in nature which makes it undesirable (Lange & Washburn, 2012). The reactions of observers are often subjective making an objective analysis of corporate social irresponsibility a mirage. The corporate social irresponsibility hypothesis is therefore aimed at providing more complete understanding of the concept of CSR.

2.2. Theoretical Review

2.2.1. Stakeholder Theory of CSR

Freeman (1984) propounded the stakeholder theory is based on the assumption that it is in the best long-term interest of a business to care for its stakeholders on whom the entity relies on for its inputs and outputs. This perspective is a complete shift from the neoclassical theory that focuses only on the shareholders. Stakeholder theory which is also referred to as good management theory, is about doing good to those that the entity interacts with so as to create the enabling environment for the entities to gain competitive advantage that will enable them to grow (Busch & Hoffmann, 2011). The stakeholder theory in the empirical literature is a dominating theory that is well supported by researchers (Ghoul, Guedhami, Kwok & Mishra, 2011). Deng, Kang & Low (2013) in support of the stakeholder theory, found that the acquirer's social performance is positively related to merger performance. Orlitzky (2013) drew attention to the increasing pressure many firms face to become more socially responsible and embrace the CSR in the process.

The stakeholder theory has been equally used to study several other CSR contexts. It was used to test if the CSR creates value after merger of entities, whether stakeholder welfare impacts on the firm valuation, whether the climate

change impacts on the financial performance of organizations, if environmental factors affect the profitability of a business and whether the CSR impacts the financial risk of an entity (Busch & Hoffmann, 2011, Deng et al. 2013, Ghoul et al. 2011, Jiao, 2010 and Lioui & Sharma, 2012). Stakeholder is a broad concept; its scope covers both the internal stakeholders such as managers and employees and the external stakeholders like investors who commit resources based on their perception of the information available to them, the future generations who are affected by the entities' past, present and future activities, and the broad society together with the societal issues that condition human values (Orlitzky, 2013).

The stakeholder theory's populist characteristic is instrumental to the development of the strategic case for the CSR (Becchetti, Ciciretti & Giovannelli, 2013). This is done by integrating the social dimension into all the areas of business process to gain competitive advantage, which will lead to the achievement of the goals of the organization in terms of profitability, stability, and growth (Chen & Wang, 2011). Seen this way, it is possible to clearly identify the goals of the organization and its stakeholders, develop strategies to manage the stakeholders through the manipulation of attitudes, structures, and practices, and finally assess the relationship between stakeholder management and the consequences for the results (Kasim, 2012). This seems to explain why most of the empirical studies into the CSR-FP relation results in the positive relationship, depicting the normal investment-return behavior

2.2.2. Legitimacy Theory

The legitimacy theory was propounded by Dowling and Pfeffer in 1975. The theory assumes the existence of social agreement between business entities and the people living in a society it carries out its operations (Deegan & Unerman 2011). For that reason, business entities thrive to legalize their conducts and actions by involving in CSR activities and disclosures/reporting in order to elicit the acceptance and approval from society and, therefore, ensuring their continuous survival. According to Deegan (2012), social contract represents numerous things that society expects about the way a corporation is expected to conduct its operations. In another study, O'Donovan (2002) contends that the philosophy of legitimacy theory is that for business entities to continuously operate and survive successfully, it is expected to conduct its affairs within the limits and norms of what society perceives as an act of that is socially responsible. The study of Maignan and Ralston (2002) posit that legitimacy of a firm relied largely on the preservation of mutual association with its stakeholders, because the firm is obligated ethically to a wide spectrum of stakeholders.

According to Kytte, Hamilton and Ruggie (2005), reporting on CSR related activities are now a critical management instrument to the ever-growing convolution to businesses involving international management. It was further stated that CSR reporting helps to incorporate CSR activities into business organizations' planned risk management so that the effect of CSR activities can be optimized. Staff members in an organization views about how a business adopts and sustain its responsibilities are largely an integral part of motivation for an employee to choose where to work. Consequently, disclosure of CSR and sustainability related report contribute immensely in positioning a firm to be attracted by employees. These positions can engender reduced staff turnover, encourages staff to be loyal and enhance a firm's capability to draw and maintain dedicated and high-quality staff.

In the study of Margolis and Walsh (2003) business organization involvement in CSR behavior and its reporting and disclosures can encourage organizational performance. The findings from the study revealed a positive association between financial performance of a firm and CSR engagement. According to Roberts (1992), one of the ways that firms consider CSR reporting is to improve firm's ability to access capital and shareholder value by satisfying the expectation of stakeholders. Investors have preference to commit their funds in companies that display greater level of commitments in CSR activities and reporting. Branco and Rodrigues (2008) contend that CSR reporting and disclosures help in enhancing the reputation of an organization and also an indicating a pointer of superior environmental and social conduct. According to Bayoud, Kavanagh, and Slaughter (2012) there is strong relationship between high level of CSR disclosures and corporate reputation.

Supporters of Legitimacy Theory are pervasive and extend the tentacle of social responsibility of corporation more extensive than opined by the approaches involving stakeholders. It was further observed that firms impliedly agreed to meet certain societal expectations in return for being provided with a conducive environment and institutional framework for its operations together with having unhindered access to markets for products and resources (Gray, Owen & Maunders, 1988). Business entities should be receptive to the long-term expectations and wants, effective utilization and optimization of the positive effects and the reduction of the negative effects of its activities towards the society (Lantos, 2001). The content and dimension of CSR actions are predicated on the relationship between the expectations of the society, business managers' style to what they imagine are actions that are legitimate, what society expects and business conduct (Gray et al 1988 and Zenisek, 1979).

However, in a society that is predominantly pluralist, the argument about the philosophy of legitimacy and its implications with regard to business activity is unavoidably arguable. According to Davis (1960) it was argued that business is business and anything which smacks of social responsibility is out of bounds. Contra-wise, some would want businesses to assume the responsibility of somewhat a social godfather, taking care of the less privileged such as orphans, widows, preservation of water, or any other social need, because the business is believed to have enormous social resources. Jensen (2001) criticizes stakeholder theories for failing to strike a balance between diverse interests of stakeholders and how it should be met. It was further stated that stakeholder theory ultimately confers managers with impetus to become inexplicable for their actions/decisions. The capacity to allege that meager performance regarding a separate group of stakeholders is interested in might have been as a result of the need to achieve satisfy other objectives which would benefit other stakeholders, gives room for numerous reasons and excuses for poor performance by management.

2.2.3. Resource-based View of CSR

The resource-based theory ideology was propounded by Barney in 1991. As opined by Barney (1991) the resource-based ideology claims that the source of sustainability and competitiveness of a firm is derived from doing things in a superior way. Resource-based theory assumes that ownership of a tactical resource or asset such as CSR ability can give a business an edge over its contemporaries, particularly if the peers do not possess such resources. According to Hart (1995) social responsibility is a critical capacity that generates viable advantage to an entity. However, what make up entities' resource largely depends on the circumstance. However, to the extent in which the CSR gives social acceptance and legitimacy on its holders, is enhanced by the occurrence of the social legality (Dawkins & Fraas, 2013). In another study of Lioui and Sharma (2012) it was observed that there is a negative association between the environmental CSR and the financial performance. Aside from a firm recognizing the importance of resources at its disposal, it is equally important to consider and evaluate the effect on its performance outcome.

Resource-based has suffered some criticism. Jensen (2010) argued that the proponents failed to indicate how managers should strike a balance among the various conflicting interests, since managers are unable to make decisive decision on resource distribution. It was further argued that managers are unable to explain and provide justification for their actions and, as such, may engage in pursuing personal gains by leveraging on the CSR platforms. In like manner, Orlitzky (2013) is of the view that the stakeholder ideology inbuilt in the CSR is a limitation to value optimization, which is the strategic of a business. This underlines the need to evaluate the weakness in the application of the concept of stakeholder theory.

2.2.4. Social Contract Theory

Social contract theory was propounded by Thomas Hobbes in 1651. The philosophy behind the theory has its chronological preference in Hobbes (1946), Rousseau (1968), and Locke (1986). Donaldson (1982) views the business and the relationship with the society from the philosophical point of view. It was further argued that there are implied social contracts which exist between business and society. Businesses have some seeming duties towards the society in which they carry out their activities. Social contract philosophy is overtly identified as a form of post conformist moral way of thinking (Rest, Narvaez, Bebeau & Thoma, (1999). The theory of social is further supported by Donaldson (1982) and Dunfee, Smith and Ross (1999) who posit a holistic social contract theory as a method whereby business managers can take ethical decision. According to the societal perspective, firms are accountable to society in general, of which they are connected with and part of. The pivotal thought of this ideology is for organization to operate in accordance with the norms acceptable by the society (Van Marrewijk, 2003).

The society approval approach seems to be a deliberate reaction to evolving situation and emerging organizational challenges which hitherto did not occur such as CSR. According to Ramanathan (1976), the concepts of CSR as a social mechanism, social justice, and contribution to the society. Social elements are various social strata to which the company is obligated to have social contracts with. Respective groups can gauge changes in its domain regarding the company culminating from social dealings: thus, it stipulates social equity. As a final point, it is possible to explain the effective social involvement of a firm as the totality of its nonmarket offerings to the wellbeing of the Society, separating non-market removals made by the entity on the resources made available by the society (Toukabri, Ben Jemâa & Jilani, 2014).

According to Dunfee (2006), the theory of social contact will go well with an emerging economy where people are able to employ the limited resources to their most effective valuable use, where government is restricted to its efficient ends, where price system are allowed as a pointer to the comparative value of alternating uses of scarce resources without the misrepresentation of taxes, where the value of money can be predicted, and where rights to personal properties and contracts between parties making decisions on the contracts are enforced in an objective manner (Rest, et al, 1999). One drawback with the social contract theorists, and particularly with Hobbes, is that the whole ideology of the theory is that ethical obligations and duties are shared. For instance, the justification why, you do not scuff cars belonging to other people is in the hope that nobody would scuffs your car. Though, one problem with this argument is that certain groups might be excluded who are not expected to reciprocate any kind gestures extended to them. These set of people could include people that have difficulty in learning or infants as they cannot be held accountable for their own actions.

The theory was criticized by John Locke who believed that our ethical behaviors is neither dependent on law nor social contracts. Indeed, Locke envisioned that the natural state would be a good place to inhabit. The argument is based on the reasoning that we have inherent laws which are inborn which are also referred to laws given by god. Locke recognizes the existence of some sorts of governmental institution, would still be need that guide the human conducts. But in contra wise to Hobbes theory, individuals have equal moral standards would strive to impose and enforce sanctions for unacceptable behaviors behavior. Another drawback of the theory is that individuals could have the urge not to be objective. Another clear flaw of this theory is that the so-called natural state is reliant on lots of religious undertones.

2.3. Empirical Review

2.3.1. The Relationship between CSR and Business Performance

There have been debates over the years and till date, yet without reaching any conclusion in determining if CSR truly boosts the performance of business. While several companies in the advanced economy assert that CSR has transformed their businesses positively, whereas most companies in emerging economies are of the view that CSR is a means of depleting the resources of organizations. (Boafo & Kokuma, 2016). Furthermore, Boafo and Kokuma (2016), assert that CSR and business performance are interwoven. In measuring the success of CSR, they examined "business

performance” through five (5) parameters (giving room for other perspectives); financial, organizational performance; employee’s commitment, corporate reputation and brand differentiation.

2.3.2. CSR and Financial Performance

According to Neely, Gregory and Platts (1995), a performance system is defined as “the set of metrics (standards) used to quantify both the efficiency and effectiveness of actions” (p. 81). Hence, 'Financial Performance' subjectively may be considered as a measurement of to what extent a company can generate revenues leveraging its main business operational assets. In addition, this terminology is adopted as a broad measurement of the complete financial strength an organization across a specified time period and can serve as basis for comparing similar organizations within the same industry. Study shows that in measuring strategic value of CSR to an organization, financial performance is considered as one of the key indicators (Orlitzky, Schmidt and Rynes, 2003).

Meta-analysis carried out by Margolis and Walsh’s (2001) showed that out of 160 studies conducted, 55% of the studies established a positive relationship between CSR and financial performance, while 22% indicated null relationship, 18% discovered combined and a negative relationship was reported by 4%. A different meta-analysis carried out by Orlitzky et al. (2003) returned similar results. The results of these researches have made credible the generally acknowledged concept that in many instances financial performance of firms is enhanced when they engage in CSR. Aguilera, Rupp, Williams and Ganapathi (2007) argued that the evidence showing a significant positive relationship between CSR and financial performance is immense hence an end should be put to any debate on their relationship.

Several debates and explanations have been put forward on why CSR is accepted to have a positive effect on financial performance (Allouche and Laroche, 2006). Notable among the arguments is that financial performance of a firm is affected by the manner in which a firm discloses its CSR activities to the stakeholders and also satisfying them. Orlitzky et al. (2003, p. 405) noted that “the satisfaction of various stakeholder groups is instrumental for organizational financial performance”. Accordingly, it can be argued that in developing countries such as Ghana, the relationship between CSR and the performance of a firm depends on the perceptions of stakeholders and their reaction to efforts on CSR. The response of Stakeholders to CSR efforts is facilitated by the extent to which information on CSR is available and stakeholders’ choices in relation to the options that are available (Schuler & Cording, 2006). According to Hartman, Rubin, and Dhanda (2007), they claimed that irrespective of the purpose of engaging in CSR, organizations should always disclose the reason to their stakeholders.

2.3.3. CSR and Organizational Performance

According to Business Dictionary (2014), the performance of a firm is tied to comparing the goals and objectives of the firm to its performance. As obtainable in large business entities, performance is analyzed under three key areas which are financial, market and shareholder value (sometimes production capacity may be considered). Substantial steps have been taken to comprehend CSR activities’ impact on organizational performance. (Husted and Salazar, 2006; Maron, 2006; Moneva, Rivera-Lirio & Muñoz-Torres, 2007; Orlitzky et al., 2003). Pava and Krausz’s (1995).

Pava and Krausz’s (1995), discovered from their extensive evaluation of empirical studies of relationship between CSR and organizational performance that, generally, organizations that seem to have fulfilled social responsibility standards have better performance or at par with organizations that are not particularly engaged in CSR activities. The result of meta-analysis the relationship between CSR and organizational performance by Orlitzky et al. (2003) lend credence to the positive relationship that exist between the two.

2.3.4. CSR and Employees’ Commitment

Generally, employees’ commitment is defined as “the extent to which a business unit’s employees are fond of the organization, see their future tied to that of the organization, and are willing to make personal sacrifices for the business unit” (Jaworski and Kohli, 1993, p. 60). As noted by Aguilera et al. (2007), the CSR drives of employers are judged by their staff in line with their observance the organization’s CSR activities, the results of the CSR activities and how the process of implementing the CSR is handled. The researchers assert that “socially responsible or irresponsible acts are of serious consequences to employees” (p. 843). Several studies have examined the relationship between CSR and employee commitment (Albinger and Freeman, 2000; Backhaus, Stone & Heiner, 2002).

General previous studies reveal that organizations CSR activities are important to its employees (Albinger and Freeman, 2000; Greening and Turban, 2000; Peterson, 2004), and seem to affect employees’ commitment positively. Branco and Rodrigues (2006), indicated that organizations that seem to be identified with pronounced CSR reputation are better positioned to draw superior candidate looking for jobs, keep them when they are employed and maintain their confidence in the organization. In the same vein, Maignan et al. (1999) proposed that organizations that carry out CSR programs can potentially derive benefits from improved degree of employee commitment because of two major aims; their commitment to making sure that the experience at the place of work is excellent and addressing societal problems like environmental protection or community’s welfare which affect the society generally including the employees

2.3.5. CSR and Corporate Reputation

Brown and Logsdon (1999, p.169) defined reputation as “outsiders’ assessments about what the organization is, how well it meets its commitments and conforms to stakeholders’ expectations, and how effectively its overall performance fits with its socio-political environment.”

To a large extent, stakeholders’ perception of organization as good or not bad is dependent on the organizations’ reputational status which is a common feature of organization. (Roberts & Dowling 2002, p. 1078). Therefore, reputation

that is positive is an indication that an organization is noble or respected (Weiss, Anderson & MacInnis, 1999). Study shows indication to submit that organizations reputational status is an important intangible asset that supports an organization to compete better (Roberts and Dowling, 2002; Shamsie, 2003) "precisely because the development of a good reputation takes considerable time and depends on a firm making stable and consistent investments overtime" (Roberts and Dowling, 2002, p. 1091). The firm's reputation strengthened or damaged by the organizations' resolve to carry out or fail to carry out CSR programs.

Bhattacharya and Sen (2003) argued that CSR "builds a reservoir of goodwill that firms can draw upon in times of crisis". Likewise, McWilliams and Siegel (2001, p. 120) stated that CSR "creates a reputation that a firm is reliable and honest". The relationship between CSR and corporate reputation in developing countries is not direct. As against employee commitment where staff can follow their companies' activities on CSR, the effect of CSR on corporate reputation, before diverse but majorly external stakeholders, is determined by the organization's communication regarding their CSR initiatives and the manner of reporting these activities in the nationwide and other communication media platforms. Branco and Rodrigues (2006) indicated that when organizations are able to establish that their operations can comply with social and ethical standards through effective communication with the great number of stakeholders, they are able to strengthen their reputation positively otherwise they face reputational damage if they fail to comply.

2.3.6. CSR and Brand Differentiation

Organizations struggle for a unique selling proposition that can differentiate them from their competitors in the mind of their customers in densely populated market areas. CSR can be utilized to build consumer loyalty on the basis of unique ethical standards. A number of large brands like

The Co-operative Group, The Body Shop and American Apparel are built on ethical values. Business service firms can take advantage from creating a reputation for integrity and best practice (Wikipedia, 2009). Whereas critics are of the opinion that organizations may not derive any advantage from CSR activities, the researchers believe that stakeholders do care and are particular about organizations actions. They do not react negatively either. On the contrary, people respond to CSR undertaking because of their bond or identification with organizations engaging in CSR initiatives they are interested in. People are consequently entrained into buying from socially responsible organizations, as a way of supporting what they do.

3. Methodology

This study adopted exploratory research design. The major emphasis in such studies is on the discovery of ideas and insights. Desk review research approach was adopted, relevant and related literature in the published works of other researchers and practitioners were carried out. Materials were sourced from scholarly journals, library sources and database and other reputable online resources relevant to this paper. The presentation approach is largely discursive. However, at the end appropriate recommendations and conclusion will be made on the way forward

4. Discussion and Implications

This revision sheds light on how corporate social responsibility as a social aspect of firm's engagement with the peripheral environment, as well as its approach towards internal constituents may advantage a firm. The study contributes to the literature in several ways. First, the previous studies tend to focus on the relationship between CSR and firm performance, regardless any other strategic factors; such as the firm's reputation, publicity of its social activities, public reach of the firm, and some other strategic factors that tend to play significant role in determining the extent to which a firm may benefit from its social engagement and contributions. Also, the study shed light on the importance of the fit between the social initiatives the firm makes and the stakeholders' expectations. However, there is a consensus that CSR has become a business strategy in recent years, as much as it is a response to external pressures from several constituents in the external environment, such as government, suppliers, consumers, and non-governmental organizations.

That said, combined with the findings of previous studies that CSR is one important criterion used by institutional investors to make their investment decisions, it is very important to study their impact after they have made their decisions in investing in socially responsible firms. The study also extends the existing research on the relationship between CSR and firm performance; it will provide additional support for the previous research findings regarding this relationship. The study has also practical implications for managers, it presents an evidence on the importance of media relations, public relations, firm interaction with consumers, suppliers, competitors, and all stakeholders who matter to the firm as to ensure that they fully understand the firm message and also make them aware of its socially responsible behavior so the firm can capitalize on such publicly established reputation.

5. Conclusion/Recommendation

In the recent years, CSR has become a key field of interest for academic researchers in the business space. Scholars from various fields of learning such as finance, management, and economics have been concentrating on the firm's social activities, the scopes of these activities, and the degree to which such activities will impact the firm financially. Conclusions from the prior studies showed diversified results and variances about the relationship and impact of CSR on firm's performance. The present study examines the various empirical and theoretical literature on the relationships between CSR and firm's performance. The expected findings will suggest that the more consistent, integrative, and appropriate the firm's social initiatives, the more positive impact it will have on the firm performance.

The conclusions will propose that as the organizations carry out CSR initiatives and activities, it is anticipated that these activities will impact positively on the performance of the organization when it can be seen by larger number of

parties and stakeholders. The promotion of the organization's activities can stimulate the relationship between CSR initiatives and financial performance positively. The expected outcomes would also suggest that, as the institutional investors consider CSR as essential yardstick in their investment decision making process, it is expected that the investors will bring into line such social initiatives putting into consideration the organization's best interest. In addition, they are expected to have more information on the external environment, on where, when, and how to initiate social activities that would meet stakeholder's demands, expectations, and in the meantime benefit the firm financially.

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