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Corporate social responsibility: As a tool to competitive advantage

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Abstract

Every organization tries to create a competitive advantage in the industry. The objective of this paper was examining CSR Practices a tool to creating competitive advantage practices practised by the select MNC in Hyderabad. This study adopts descriptive research design involving stratified random sampling procedure. Primary data was collected using Questionnaire method. The sample size was 375 comprising 5 sectors including Pharma, IT, Automobile, FMCG and Electronics. The statistical tools applied were Standard Deviation, ANOVA and Chi square Test.

Keywords: CSR, Competitive advantage, and IT

Introduction

Corporate social responsibility is a business idea that stresses the importance of keeping the best interests of stakeholders in mind. Earning profit every year and taking business to new heights is likely to be the main objective of every business, but it is also important to consider the stakeholders in the business as well. However, corporate social responsibility is not just about picking a charity to donate to every year; it is the responsibility of every business to pay back to every stakeholder who is attached with the business directly or indirectly. Businesses by contributing a portion of their profits prove to the public that they are working towards the wellbeing of society as well as of the business. Corporate Social Responsibility is an appropriate subject to study as it is a rather urgent issue nowadays with all the major companies in the world spending considerable resources in this field primarily to establish and uphold a proper rapport with their stakeholders both inside and outside the companies. Corporates have moved on from the traditional assumption that the business of business is to make profits.

Corporate social responsibility gains its importance from the margins to the mainstream of business over the last three decades. Now, CSR understood to be a worldwide concern of strategic significance for policymakers and companies. Proper attention is paid towards CSR policies of the companies which further allow business to be more sustainable. But, CSR enables businesses to give something back to its stakeholders by making efforts towards creating social, economical and environmental innovation.

A strategic approach to CSR is increasingly important to a company's competitiveness. It can bring benefits in terms of risk management, cost savings, access to capital, customer relationships, human resource management, and innovation capacity. It also encourages more social and environmental responsibility from the corporate sector at a time when the crisis has damaged consumer confidence and the levels of trust in business.

Review of Literature

RamaSatyanarayana. M and Mohan P. (2017) ^[1] in his conceptual review paper had examined the Business Perspectives of Corporate Social Responsibility. This paper had examined the conceptual reviews on the aspect of corporate social responsibility. It analyzes the underlined business perspectives of CSR and estimates the strength of review made therein to structuralize the substance of Corporate Social Responsibility. The review thoroughly examined the historical aspects on the origin of CSR practices and the pros and cons of CSR, CSR under the purview of business case purpose, CSR practices for gaining competitive advantage, CSR practices for reputation and legitimacy CSR practices under the context of corporate philosophy. The paper concludes that synergistic value creation arguments hold that CSR activities may present opportunities for a firm that would allow it

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to fulfill the needs of its stakeholders and at the same time pursue its profit goals. Anand (2002) [2] studied social responsibility initiatives as building block of corporate reputation in the Indian context. He analyzed the reputation from a stakeholder perspective. Reputation of a firm contributes in positioning a firm's identity in a proper and more attractive way. This has been proved in the case of socially responsible Indian firms which are also considered to have good reputation. Truscott, Bartlett, Trwoniak (2009) [3], paper "The reputation of Corporate Social Responsibility industry in Australia" in Australian marketing journal, based on case study methodology. On the basis of the interview of key persons of industries in Australia, the term CSR has been explained. The industrialist revealed that CSR increasingly has become significant. They shared their views of CSR in economic, legal and ethical roles of business in society. Beside this, the industrialist viewed CSR as a model of corporate reputation. Suprava Sahu (2014) [4] conducted a study on "CSR activities of maharatna companies in India: an analytical case-based approach" Sustainable development for India will require a multi-disciplinary approach, spanning departments and regions and considering a long term impact. The new policy, though a good start, lacks evidence based, bottom up approach for the moment and concluded that CSR more robust and useful in achieving its goal of sustainable development. Noppakoran Klinton (2015) [5] in his article "The influence of corporate social responsibility on Brand Equity" he focused on the influence of CSR practices while building a brand. The study has empirically proved that CSR initiatives definitely influence brand awareness, brand image, brand equity and brand loyalty, perceived quality. Ultimately as it leads to win win situation. Srinivas Pallekonda (2015) [6] conducted a study on "Corporate Social Responsibility: A Tool to Inclusive Society (A case study of Dr. Reddy's Laboratories, Hyderabad. AP India)" he identified CSR activities which were conducted by sample organisation and the researcher concluded that the beneficiaries highly satisfied through the CSR activities of Dr. Reddy's in Andhra Pradesh. The major activities include skill development training programmes and vocational training for under privileged youth. The Government of India has identified and felicitated that the best CSR organisation in India for the year of 2014.

Objectives

1. To assess how the Select MNC s are using CSR activities as Competitive Advantage for Corporate sustainability.
2. To suggest certain policy measures for the effective implementation of CSR policies for creating competitive advantage.

Hypothesis

H1: CSR activities practiced by sample organizations have a significant impact on competitive advantage.

Research Methodology: The present study adopts descriptive Research Design. Stratified Random sampling technique was applied to collect the data from the sample. Questionnaire method was employed in order to collect the primary data and it possess a 5-point Likert Scale method. (Strongly agree to strongly disagree). The secondary data involves various published documents. The list of Multinational Corporations registered under Telangana state. 5 MNC's purposively chosen for the study namely, Pharma, IT, Automobile, FMCG and Electronics. From each sector 75 sample respondents were drawn the total sample size is 375 (75*5) Thus the sample size was fixed at 375. The statistical tools applied for the data analysis were Standard Deviation, ANOVA and Chi-square test.

Data Analysis

Table 1: Gender of the sample respondents

| Sl. No | Gender | Frequency | Percent |
|--------|--------|-----------|---------|
| 1 | Female | 74 | 19.7 |
| 2 | Male | 301 | 80.3 |
| | Total | 375 | 100 |

Source: filed survey

The above table represents the gender wise classification of the sample respondents working in sample Multinational Corporations of the selected region. It shows that out of total sample respondents as any as 80.3 per cent of the respondents who are male whereas 19.7 per cent of the respondents who are female. It can be concluded that male respondents are higher than female respondents.

Table 2: Questionnaire on Organizational efforts for Competitive Advantage towards sustainability Minimum, Maximum, Mean & standard deviation-

| S. No | Items | N | Min | Max | Mean | Std |
|-------|--|-----|-----|-----|------|-------|
| 1 | CSR initiatives has been promoted corporate image of our company | 375 | 2 | 5 | 4.39 | 0.374 |
| 2 | Motivation of top management has increased due to CSR initiatives | 375 | 2 | 5 | 4.62 | 0.712 |
| 3 | Active Involvement of employees in CSR has increased production | 375 | 2 | 5 | 4.92 | 1.216 |
| 4 | The company's CSR initiatives are helping to created brand awareness | 375 | 2 | 5 | 4.57 | 0.712 |
| 5 | Our company has done lot of cost savings because of CSR | 375 | 2 | 5 | 3.86 | 1.315 |
| 6 | CSR initiatives results in goodwill of the organization | 375 | 3 | 5 | 4.28 | 0.564 |
| 7 | Due to CSR, organization is working in the area of economic empowerment | 375 | 2 | 5 | 4.19 | 0.614 |
| 8 | Our company targets sustainable growth And it is possible due to CSR | 375 | 3 | 5 | 4.78 | 0.732 |
| 9 | Customer satisfaction development through continuous interactions has highly improved due to CSR | 375 | 3 | 5 | 4.86 | 0.816 |
| 10 | CSR has created an environmental friendly technology and process for production | 375 | 3 | 5 | 4.27 | 0.829 |
| 11 | Market share has increased substantially due to CSR activities | 375 | 2 | 5 | 4.19 | 1.136 |
| 12 | Innovative products and services have resulted in our company due to CSR efforts. | 375 | 2 | 5 | 4.17 | 0.912 |
| 13 | Our organization value has improved due to CSR | 375 | 3 | 5 | 4.38 | 0.726 |
| 14 | Our company has easily comply with the standards and regulations based on CSR | 375 | 2 | 5 | 4.44 | 0.765 |
| 15 | Better community relations result leads to better Profit to the organization | 375 | 2 | 5 | 4.36 | 0.728 |
| 16 | Our company could easily create revenue streams due to CSR | 375 | 2 | 5 | 3.72 | 1.127 |

Source: Field survey.

The above table shows the responses of the respondents working in MNC s with regard to the organizational efforts for competitive advantage towards sustainability which includes maximum, minimum responses received from the respondents and also provides the mean, standard deviation values of each item.

Hypothesis testing

H1. CSR activities practiced by sample organizations have a significant impact on competitive advantage.

Table 3: Pearson Correlation – Hypothesis

| | | | |
|---------|---------------------|----------------|---------------|
| | | Part-IV | Part-V |
| Part-IV | Pearson Correlation | 1 | 0.022** |
| | Sig (2 Tailed) | | 0.814 |
| | N | 375 | 375 |
| Part-V | Pearson correlation | 0.022** | 1 |
| | Sig (2-Tailed) | 0.814 | |
| | N | 375 | 375 |

**Correlation is Significant at the 0.01 Level (2-Tailed).

Part-IV – Dependent variable and Part-V –Independent variable

Table 4: ANOVA test- Hypothesis testing

| ANOVA | | | | | | |
|-----------------------------------|------------|----------------|-----|-------------|-------|-------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 0.022 | 1 | 0.022 | 0.116 | 0.814 |
| | Residual | 55.216 | 373 | 0.189 | | |
| | Total | 55.238 | 374 | | | |
| a. Predictors: (Constant), part-V | | | | | | |
| b. Dependent Variable: part-IV | | | | | | |

Source: field survey analysis

From the ANOVA table the F-test statistic is 0.116 with p-value of 0.814.

Since the sig p-value is greater than 0.05 and the researcher concludes there is no statistical significance between Part-IV which is the company puts measures on corporate strategies and Part-V. Thus the proposed hypothesis is rejected. This shows that the CSR efforts put by the Multi-National Corporations with respect to competitive advantages as a measure towards sustainability have to be improved and enhanced in greater extent in Hyderabad region.

Major Findings of the Study

- It was found from the study shows that 70.5 percent of the respondents had strongly agreed towards the statement that CSR initiatives adopted by their organization has promoted corporate image among the competitors.
- It is also found that study shows that 68.8 percent of the respondents had strongly agreed towards the statement that the organization’s CSR initiatives are helping to create brand awareness.
- It is found from the analysis that the study shows that 70.5 percent of the respondents had strongly agreed towards the statement that CSR initiatives results in goodwill of the organization.
- The study shows that 28.8 percent of the respondents had disagreed towards the statement that their organization could easily create revenue streams due to CSR. However, 35.2 percent of the respondents are neutral towards this statement.

Suggestions

Based on the above findings and observations, the following suggestions are made as a matter of policy implication. They are as follows:

1. It is suggested that the corporate social responsibility practices designed and executed by the Multi National Corporations should be in such a way that they should help the image building and also create competitive advantage to the firm operating in India.
2. The sample organizations (Multi National Corporations) should effectively evaluate their corporate social responsibility activities in order to provide a standard tar for the government in the process of formulating the national policy on corporate social responsibility.
3. The MNC s should effectively utilize the services of Non-governmental organizations (NGOs) and foundations/ trusts in the execution of corporate social responsibility practices so that the organizations will be focus on CSR activities through that it is easy to create a competitive advantage to the firm and also sustainable economic and social empowerment could be possible.

Conclusion

CSR is increasingly important to the competitiveness of enterprises which can lead to sustainability. Multi-National corporations aims to ensure that it is operating its businesses within a responsible environmental and social framework whilst continuing to maximize long term shareholder value. Integrating these important factors into the management of business operations is increasingly recognized as a lever to ongoing success.

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