

Corporate social responsibility: A stackedholder's management approach

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Abstract: Nowadays, organizations are required to acknowledge that their survival is no longer depending only on shareholders, but also on other stakeholders. Companies must identify all the legitimate parties of interest and manage them properly. Corporate social responsibility (CSR) has proven to be an efficient tool that can be used in this regard, aiming to balance efficiently the interest of the economic entity and its stakeholders. The paper intends to provide a comprehensive framework of how corporate social responsibility can be integrated in the management principles of stakeholders. The research methodology was based on the collection and analysis of secondary data, respectively scientific articles, and relevant books for the subject. The results outline the idea that businesses can no longer function properly without considering the needs of various stakeholders and fulfilling them in a responsible manner.

Keywords: stakeholders, corporate social responsibility

JEL: M14, I31

1. Introduction

In the past decades, the globalization phenomenon has revealed many opportunities for business to grow. Several economic and social trends have risen as possibilities that might contribute to the survival and welfare of companies. The current business environment requires organizations to adapt rapidly to those ascending trends in order to remain competitive. Humanity, sustainable and durable development represents required factors that should be considered by economic entities giving their perceived and acknowledged impact among other parties. Giving the limited resources and boundaries, companies are not able to fulfill all expectations. In this context, the business organization's strategy and management of requirements plays an important role in its ability to perform and achieve its objectives in line with current demands.

Nowadays, organizations are required to acknowledge that their survival is no longer depending only on shareholders, but also on other stakeholders. As it is impossible to address the needs of all parties of interest, companies must identify the relevant partners and find a solution for managing them properly. Corporate social responsibility (CSR) has proven to be an efficient tool that can be used in this regard. Furthermore, it represents a multidimensional concept that encompasses a company's economic, legal, ethical, and social responsibilities and aims to balance efficiently the interest of the economic entity and its stakeholders (Toma, 2006; Toma, 2008; Toma, Stanciu and Irimia, 2011; Toma and Marinescu, 2011; Toma and Hudea, 2012). The paper intends to provide a comprehensive framework of how CSRE can be integrated in the management principles of stakeholders.

2. Literature review

Approaches regarding social responsibility

Since the mid of the last century social responsibility has become a subject of interest for many researchers as it is found in various organizations from different domains (Marinescu, Toma and Constantin, 2010; Toma, Stanciu and Irimia, 2011; O'Sullivan, Toma and Marinescu, 2015; Imbrișcă and Toma, 2020; Zainea, et al, 2020). The notion of CSR can be briefly described as a series of responsibilities of an organization (Toma and Marinescu, 2013). The concept emerged due to the pressuring need of encouraging the development of a healthy and people-oriented business environment while increasing profits. Furthermore, CSR can be perceived as a process based on two questions, namely which are the responsibilities of the company and to whom the organization should be responsible to. Developing an understanding of which are these parties of interest of a company that should be addressed through a responsible orientation represents a common topic in the existing literature. A chronological synthesis of the most relevant approaches to social responsibility can be considered the following: the shareholder, the stakeholders and the societal approach (Oprea, 2011; Toma, 2013).

The shareholder approach implies that a firm should only focus on its responsibility towards shareholders and maximizing profits. Milton Friedman supported this perspective firmly stating that "the social responsibility of business is to make a profit. Other initiatives of social

responsibilities should be handled by national governments” (Benedict, 2015). Indeed, the first responsibility of a company is to be profitable, but it should not be the only objective (Voiculescu and Neagu, 2016). Nowadays, the modern and global business environment requires organization do to more and to contribute on both social and economic levels (Dumitraşcu, 2015).

Therefore, the second approach, respectively the stakeholder theory stated by Freeman has been embraced as the dominant paradigm of corporate social responsibility (Oprea, 2011). This approach suggested that an organization should consider all its partners of interest and it has been recently developed and debated in existing literature as a consequence of the pressuring social issues. Freeman defined stakeholders as “any group or individual that can affect or is affected by the achievement of an organization’s objective” (Benn and Bolton, 2013, pp.196). Identifying the types of stakeholders relevant for a company represents an important step towards establishing strong relationship by fulfilling existing social needs and developing effective models of interaction with these partners (Simionescu, 2018). Stakeholders have been categorized into internal (employees, shareholders, owners/managers) and external (suppliers, customers, local communities, non-governmental organizations and associations, governments and national and international) ones (Voiculescu and Neagu, 2016). In the context of stakeholder approach, CSR has been described as an acknowledgment to internal and external stakeholders’ demands (Lock and Seele, 2016). Existing studies classified CSR into internal and external activities based on the nature of an organization’s stakeholders (Lokuwaduge and De Silva, 2019). Moreover, companies which integrated CSR into their business strategy seem to consolidate their relationship with its partners by minimizing conflicts that may appear and increasing loyalty among them (Lokuwaduge and De Silva, 2019). Therefore, corporate social responsibility has been perceived as an efficient way of building strong relationship with the relevant stakeholders identified of the company.

On the other hand, the societal approach highlights the fact that companies should also consider the responsibilities they have in regards with the society. The environment and the society should be perceived as stakeholders, taking into consideration their contribution to the growth of business (Benn and Bolton, 2013). The environment provides the energetic resources that are essential for producing goods, and a prosperous society means an opportune environment for economic growth. CSR represents „a concept of a company’s responsibility to support itself through balanced relationships with the society and the environment in which it operates” (DincerandDincer, 2013, p.178).

A stakeholder approach to corporate social responsibility

Stakeholder theory provided a new framework for identifying organizational duties (Polonskyand Jevons, 2009). It shifted attention away from straight profit maximization by implying that the interests of shareholders cannot be addressed without some degree of satisfaction of the requirements of other stakeholders (Jamali, 2008). In other words, even if a company’s primary goal is to serve its shareholders, it might nevertheless fail. Therefore, extending the focus of companies to a broader picture could be appreciated as a business strategy that makes sense since it allows economic entities to maximize shareholder wealth while simultaneously improving the total value generated (Sroufe, 2018).

Additionally, stakeholder theory sustains that all parties of interest are important and that businesses should take into consideration the needs and expectations of all of them (Jamali, 2008). Thus, this balancing act of interest managed by an organization has proven to be challenging to implement in practice. Rather than creating all types of social benefit for all stakeholders, companies are hampered in practice by limited resources and boundaries (Enquist, et al., 2006). Considering these barriers that economic entities face, identifying and prioritizing mutual beneficial relationships is required (Maignan, Ferrell and Ferrell, 2005). Moreover, varied interests should be comprehended. Customers, employees, suppliers, and investors, for example, may have various needs, and a fine-grained approach may be required to determine even distinctions among main stakeholder groups (Harrison and Freeman, 1999). Individual stakeholders, on the other hand, frequently have comparable expectations regarding desired company activities and impacts (Maignan, Ferrell and Ferrell, 2005).

Stakeholders are vital for organizations as they provide resources that are necessary for the long-term performance (Freeman, 1984). For instance: „stockholders can provide capital; suppliers, material resources or intangible knowledge; local communities may contribute with an infrastructure or even a location; employees and managers with expertise, leadership and commitment; customers with loyalty and positive word-of-mouth; and the media can help spread positive corporate images. Stakeholders have control over the organization because they may withdraw or threaten to remove required resources” (Ferrell, et al., 2005, pp.934). The relevance of stakeholders can be measured based the following aspects: the organizational principles and norms; the pressure of stakeholders groups and the legitimacy of the parties of interests (Mitchell, Agle and Wood, 1997).

After identifying the relevant stakeholders, companies should figure out how to manage them properly. The nine most referenced principles of stakeholder management in building stakeholder relationships have been established as the following: acknowledge, monitor, listen, communicate, adopt, recognize, work, avoid and acknowledge conflicts (Clarkson, 1999). CSR may be perceived as a suitable approach for building and managing relationship established between an organization and its parties of interest as being defined as a multidimensional construct that encompasses a company’s economic, legal, ethical, and charitable responsibilities (Enquist, Johnson and Skálén, 2006). In a nutshell, “CSR refers to a company’s ethical behaviour toward society. This includes management operating responsibly in its interactions with all stakeholders that have a real interest in the company, not only shareholders” (Scott, 2007). Companies engage in CSR efforts in order to build and maintain positive connections with a variety of stakeholders (Olaru and Pirnea, 2012). The concept addresses several parts of interests such as: “the shareholders by being a long-term profitable approach; the employees by including flexible and fair workplace policies, opportunities for career development; the customers by taking care of the respect for consumer rights, disclosing of accurate information about products and focusing on customer satisfaction; government by paying taxes regularly and complying with legal regulations; local communities by making charitable donations; the environment by recycling initiatives and by developing more sustainable products and processes” (Chaudhary, 2017).

A CSR orientation helps organizations to inquire benefits and achieve objectives by considering the needs of relevant stakeholders. Increasing profits remains a key objective of modern organizations, but how this financial gain is obtained is equally important nowadays.

3. Research methodology

The present study represents a quantitative research involving gathering and analysis of secondary data (scientific articles and books). After setting the research objective, respectively developing an understanding of how CSR might be implemented in the management of stakeholders and how it may contribute to this regard. Based on exiting literature, the first step conducted in this research in order to achieve the stated objectives was finding relevant scientific journals for defining the concept. Well-known sources such as Emerald Insights and Science Direct were used in this scope.

The second step followed was identifying key connections between the stakeholder theory and its relevance for the CSR concept. Furthermore, a structure of the process of integrating CSR in the management of stakeholders has been provided.

The research has started with a briefly introduction of the most relevant approaches regarding social responsibility, focusing afterwards on the stakeholder's perspective and how CSR might be used for managing the relevant partners and for the company overall. Starting from Clarkson's nine principles, a two-phase process has been developed. In the first phase, organizations should make an assessment regarding its own identity and directions for growth. Understanding its current needs and objectives and critically evaluating to what extend it is a responsible company, facilitates the further analysis of stakeholders. Partners should be also evaluated based on their own performance and importance for the company. Following step is building relationships with the parties which share common values or objective and prove to be relevant for the firm. By adopting CSR practices such as opened and constant communications in order to identify possible issues from stakeholders and fulfilling moral, ethical and legal obligations, firms could establish beneficial collaborations with its partners of interest. Once build, relationships should be maintained. Recognizing and motivating stakeholders play an important part in the maintenance process, development of commitment and avoidance of conflicts or pressure from stakeholders. Overall, the second phase outlines a constant effort that should made in a responsible manner in order to be build strong collaborations that might benefit the company's performance.

4. Results and discussions

Findings show that the society's conceptions regarding the responsibilities of an organization are always changing. Moreover, the global business environment sustains a sustainable economic and social development. CSR popularity increased considerable in this context being perceived as a new way of doing business by focusing on gaining profits and considering the wellbeing of people and the planet.

This paper sustains that the stakeholder approach is quite possibly the most broadly utilized perspective for clarifying the idea of what CSR is and how this concept might be beneficial for

organizations. Furthermore, from a management point of view, a CSR approach helps companies to understand to who they should be responsible and what needs of all parties that contribute in a way or another to the survival and profitability of an economic entity should be met considering the organization’s values, requirements and priorities. This outcome is in line with several existing studies such as Chaudhary (2017) and Lokuwaduge and De Silva (2019). Thus, shareholders remain a valuable component of companies, but they can no longer be seen as a stand-alone priority giving the concerns of other parts of interest and the pressure and influence, they have in the current business environment. Moreover, starting from Clarkson’s principles regarding stakeholder management a step-by-step approach for implementing CSR can be developed (Fig.1).

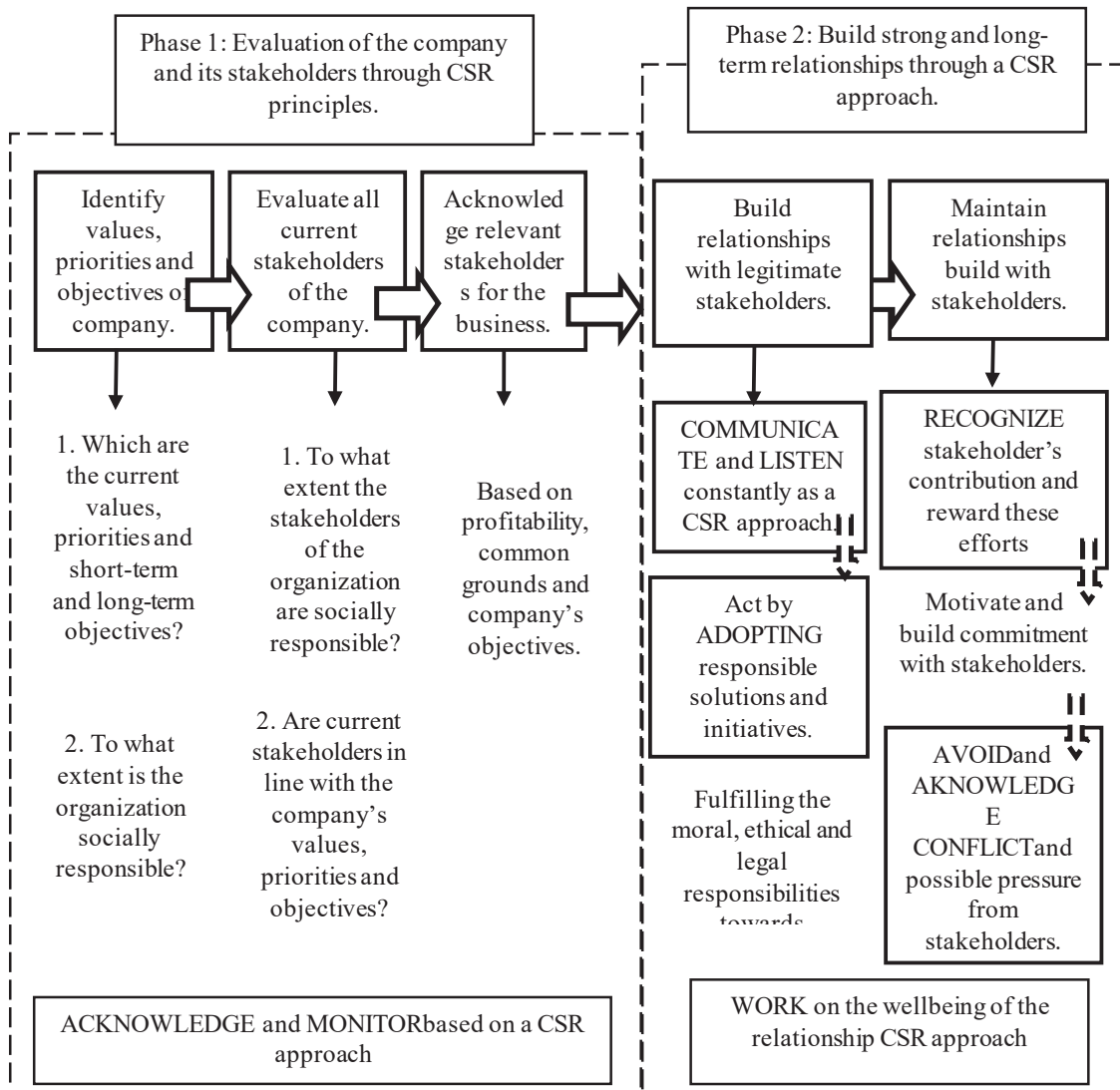


Figure 1: Framework for implementing CSR in managing stakeholders

Source: Author's own contribution based on literature review analysis

As a first step, managers should make an assessment regarding its own values and current objectives. Afterwards, an evaluation of internal and external stakeholders based on the firm's priorities is required. In this phase of the process managers acknowledge and monitor in a responsible manner the current relationships established by a company with its parties of interest and evaluates potential and recognizes both concerns, the company's and the stakeholder's ones. Secondly, relationships with relevant parts of interests should be grown and maintained. Managers can contribute to the wellbeing of these relationships by communicating constantly and listening to stakeholders. If the concerns that have been raised by partners are legitimated, then companies should act in consequence and restore the balance by adopting responsible practices, policies and initiatives. Thus, relationships can be sustained by developing commitment. Fulfilling the moral, ethical and legal duties contributes significantly to the avoidance of conflicts and welfare of collaborations established. Partnerships suppose working together and recognizing each of other's contributions and reward these efforts accordantly.

5. Conclusions

Businesses can no longer function properly without considering the needs of various partners, such as the society and other relevant stakeholders. Some of a company's duties seem to be obvious while others, more or less, have a voluntary character. For example, the responsibility of the firm to serve the financial interests of shareholders and provide employee satisfaction could be perceived as a priority for organizations. On the other hand, supporting local communities might be treated as an optional obligation for companies. Active companies, of any kind, do have an impact among various stakeholders and all the affected parties usually have expectations that are supposed to be meet by firms.

Indeed, existing studies revealed that economic entities, regardless of their type or dimension, do not benefit from financial resources or capabilities to fulfill unmet needs of all stakeholders. In this case, the management approach is extremely important. Social and economic development can be approached unquestionably through a CSR orientation. CSR covers a variety of stakeholders and needs. CSR enables companies to manage efficiently stakeholders and to build and maintain partnerships created based on ethical, moral and legal considerations.

This paper presented the manner in which CSR practices can be included in the most used principles regarding stakeholder's management theory elaborated by Clarkson. Similar approach for developing an understanding of how stakeholders can be managed through CSR has been followed by other authors, for instance Ferrell (2015). Further studies can be conducted in order to improve the proposed model regarding the implementation of CSR in management practice of stakeholders.

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