

The Status of Corporate Social Responsibility

Weikai Mao¹

¹ Monash University, Mel, VIC, Australia

Correspondence: Weikai Mao, Monash University, Mel, VIC, Australia. Tel: 61-45-211-0319.

Received: October 23, 2019

Accepted: November 14, 2019

Online Published: December 14, 2019

doi:10.20849/abr.v4i3.683

URL: <https://doi.org/10.20849/abr.v4i3.683>

Abstract

This report shows the reason why corporate social responsibility (CSR) is needed by Australia companies with a brief introduction of CSR, and in order to achieve sustainability, organisations should fulfil social expectations. Both organisations and society can benefit from acting CSR. Internally, acting CSR can decrease the turnover of employees and the company's potential risk, improve customers satisfaction and the company's reputation. In addition, externally, acting CSR will protect the environment, facilitate the economic development and improve organisations' ability to survive. However, CSR is an uncompleted concept, it still has some limitations in comparability, consistency, reliability, and relevance. Therefore, effective regulatory system should be designed to monitor those companies that introduced CSR policies.

Keywords: CSR, Australia, social, company, limitation

1. Introduction

1.1 Background

Companies purpose are making profits legally. In a normal situation, managers should be in the best interest of the company while being for the benefits of creditors when companies are facing the risk of going bankrupt. However, previously, what people are relying on to measure a company's position is financial report. However, merely using financial reporting to evaluate a corporation is not comprehensive, which was asserted by Wang (2018). Because there are many limitations to using the financial report to measure a company. For example, only financial information can be recorded in a financial report, which can not reflect a company's social environment. Furthermore, only the items that meet the requirement of making an economic profit in the future, or the cost can be identified should be recorded in the financial report. However, more importantly, there is not a standard to measure whether a company has acted its social responsibility, such as employees' welfare treatment and corporations' sustainability. Therefore, the corporate social responsibility (CSR) report is necessary to measure the quality of the enterprise's sustainable development. Moreover, it is also necessary for the development of society and enterprises. From the CSR report, Investors and consumers can monitor the behaviour of the company through CSR reports. Therefore, CSR is not only can increase the transparency of enterprises and prevent enterprises from evading responsibility, but also is the direction for enterprises to seek sustainable development in the future. In this paper, we explore the current state of CSR from the internal and external benefits of CSR and the difficulties in implementing CSR in order to show the status of corporate social responsibility.

1.2 Corporate Social Responsibility

CSR is a concept with different practices, and it mainly includes three sustainable developments, which are economic, social and environmental (Definition of corporate social responsibility). Firstly, the environmental responsibility requests corporations should protect the environment, such as reducing pollution and using renewable energy resources. Moreover, social sustainability is to limit unfair competition or illegal social phenomenon, for instance, monopoly and squeezing labour. Finally, for economic sustainability, it is claimed that companies should pay attention to the long-term profit and maintain the economic balance as well as disclosure. Hence, every company should strive for sustainability and make its sustainable strategies.

After years of development, CSR has become one of the essential concepts for corporations instead of a social idea. Besides, in recent years, it has become an implicit measurement using by directors to make strategic management and make an internal adjustment. Furthermore, Terlutter (2017) considered that paying more attention to the CSR can not only improve the company's reputation in the society but also enhance the relationships with cooperative enterprises and realise a better development in the future.

2. The Benefits of CSR

2.1 Internal Benefits

2.1.1 Reduce Staff Turnover

CSR policies could help companies reduce staff turnover. Managers suggest that employees play a vital role in the development of companies. (Price Waterhouse Coopers, 2007). This is because employee turnover is associated with the ability of enterprise competition. Many companies do not want to take on excess corporate social responsibility, and believe that such corporate social responsibility will increase the amount that companies should be able to avoid. However, in the long run, by introducing the principle of corporate social responsibility, by introducing Corporate Social Responsibility principle, companies are more likely to improve and perfect the employee welfare benefits such as offering a bonus to excellent staffs and improving staff's working environment, which could improve employee well-being, sense of belonging and reduce employee draining rate. Meanwhile, a series of CSR practices of the company may attract more loyal staff to achieve the sustainable development of companies (Gupta, 2009).

2.1.2 Increase Customer and Investor Confidence

CSR policies could also assist companies to improve customers' satisfaction. Customer satisfaction, as described by Anderson et al. (1994), is the primary index to measure a company. Therefore, obtaining a high level of customer satisfaction has become one of the necessary conditions for a company. In fact, for the customer, not only pay attention to the quality and price of the product, but some consumers will also consider whether the company has taken its social responsibility. For investors, they will also judge the corporate is good or not is dependent on whether the company's social responsibility system is complete. For example, investors are more willing to invest in a company that can maintain a stable development and have a sustainable and complete development system. However, many companies ignore this in their operation business and do not willing to take their social responsibilities. Therefore, through introducing policies related to Corporate Social Responsibility, companies may improve the quality of their products and service, and try to make themselves more transparent to consumers. For example, they may treat customers and consumers more faithfully, demonstrated and fairness, which could meet the public's need and attract more loyal consumers.

2.1.3 Improve Corporate Reputation

Weiss, Anderson and MacInnis (1999) argue that a positive reputation is critical for companies to gain respect from publics and get long-term benefit. According to Cone research (2007), When the price and quality of products are similar, 87% of consumers from America are more likely to choose the brand with a high reputation when buying products. Moreover, 66% of consumers considered to boycott products from a company that have terrible responsible behaviour.

Corporate Social Responsibility can improve the reputation of enterprises effectively. For example, if a company can pay more attention to corporate social responsibility, it means that the company is also excellent in other aspects, because the company will be more focused on sustainable development when it with stable earnings and rapid expansion. Moreover, corporate social responsibility is an essential aspect of the company's sustainable development. Corporate social responsibility will help companies conduct more activities which contain the aspect of social responsibility in order to fulfil the expectation of stakeholders (Brickley, Smith & Zimmerman, 2002). If a company's social responsibility can be reported by the media and recognised by the public, this will undoubtedly improve the company's reputation and brand awareness, and will also promote the development of the company. For instance, organisations in Australia, the USA, and other industrialised countries could stand out from competitors as they choose to support social activities by spending resources (Birch, 2002).

2.1.4 Reduce the Company's Risk

CSR-related activities could reduce the company's risk and enhance business opportunities in many aspects. Firstly, the CSR could help firms minimize the risk of corporate default. For example, successful implementation of CSR policies will increase investor confidence and provide long-term, stable investment. Moreover, on the other side, the effective implementation of CSR policies also can help companies increase the confidence of consumers and attract more consumers. When the company has sufficient investment and the confidence of consumers increases, the company will have more cash flow available in its operating business, and sufficient cash flow can prevent the company from getting into trouble and reduce the risk of default. Besides, the CSR help companies eliminate the operating pressure in order to keep long-term development in a stable status (D'Aveni & Ilinitch, 1992).

Moreover, firms with positive CSR work on managerial activities such as environmental protection and

stakeholder management (Wood, 1991), that help them decrease potential sources of operational risk, thereby avoiding a range of potential threats, including environmental disruption, governmental supervision, and labour contract dispute. For example, the effective implementation of CSR policies by highly polluting enterprises can help enterprises regularly update and upgrade their pollution treatment equipment. This not only protects the environment, but also avoids accidents that cause massive losses due to equipment failure.

2.1.5 CSR Promotes Better Development of Enterprises

The purpose of corporate social responsibility (CSR) theory is undoubtedly to help enterprise maintain sustained develop and draw more attention to the corporate social responsibility aspects. Enterprises that give more attention to CSR will be more conducive to the development of the company. Although it seems that more expenditures have paid for corporate social responsibility, but in the long term, it is beneficial for the enterprises' development. CSR can not only urge companies to take responsibility for their employees and the social environment, but also encourage more companies to accept CSR. For example, highly polluting companies invest more to protect the environment and upgrade more efficient and less polluting equipment. On the one hand, enterprises have assumed their social responsibility to protect the environment. On the other hand, the equipment has also been upgraded, reducing the risk of further losses due to equipment failure.

2.2 *The External Benefits of CSR*

2.2.1 Promote Environment Sustainability

In the current, there is an increasing number of consumers expect some large companies to assume responsibility for the environment and strengthen environmental management while making a profit (Bonini, McKillop and Mendonca, 2007). CSR policies introduced by companies could promote environmental sustainability. This is because companies need to develop a green sustainable business model for producing more green products, reducing emissions of waste and recycling of materials to meet stakeholders' expectation, which could help them to survive in the fierce competition and development. For instance, due to the failure to recognize the importance of CSR-related practices, about 2000 factories in PRDR are facing closure because of the negative effect of environment (SCMP, 2006a). Cheung, Welford and Hills (2009) argue that suppliers also need to meet the environmental requirements to satisfy customer demands because they want to maintain a sustainable relationship with key influencers for orders.

2.2.2 Improve Forecast Analyst

The analyst's forecast could become more efficient because of CSR activities. Dhaliwal, O.Z, A and G.Y (2011) demonstrate that CSR reports are always associated with a lower level of analyst forecast error. This is because companies volunteer to disclose more information in the CSR report, which could help stakeholder generate useful information from the CSR report. One the one hand, stakeholders could have an opportunity to find out more about companies, which could help them reduce the cost of investment risk through more accurate forecasting and analysis. On the other hand, researchers can use more information from the CSR report to more accurately analyze and predict. In 2003, according to Deloitte, CSR Europe, and Euronext surveyed, 50% of investors represent that they acquired useful information from the CSR report provided by management. (Deloitte, CSR Europe, and EuroNext 2003). Moreover, CSR indicators also influence the government's forecasts for the economy, which become more efficient and more uncomplicated.

2.2.3 CSR Could Promote Social and Economic Development.

Espigares and López (2006) proposed that a positive link between CSR indicators and economic growth. Technically, Corporate social responsibility might enhance the image and reputation of the company, strengthen communication with stakeholders and meet public expectations. In reality, enterprises participating in social responsibility activities and supporting public welfare undertakings will have a positive impact on society. Besides, motivating more and more companies to participate in social responsibility activities will help establish a fair and justice social atmosphere. Therefore, the social responsibility of all enterprises can be transformed into economic benefits and promote social and economic development.

2.2.4 CSR Will Enhance People's Awareness

Many currently companies do not pay attention to corporate social responsibility, and this status also reflect that ignore corporate social responsibility for enterprises. However, the effective implementation of CSR policies can help companies regulate social responsibility and disclose more useful information. The popularity of CSR will attract people's attention. This means that in the development of enterprises and the assessment of comprehensive capabilities, people will naturally consider corporate social responsibility. The universal application of CSR not only encourages companies to be more willing to disclose information about corporate social responsibility to

enhance the company's reputation, but also encourages companies to consider corporate social responsibility in their daily operations. If CSR is applied to more companies, it can not only improve the corporate system, but also get more people's awareness.

3. Limitations of CSR

Corporate Social Responsibility (CSR) is proposed to disclose corporate social responsibility better and consider more factors to promote sustainable development. People cannot deny that corporate social responsibility disclosure will bring the benefits of economic, social and sustainable development. However, why all companies do not quickly adopt corporate social responsibility is worth thinking. The main reason is that corporate social responsibility politics still has limitations, and these limitations hinder the development of CSR. As Tschopp and Huefner (2015) announce that although CSR is not a new concept, it has not been adequately applied so far. The limitations of CSR are divided into three aspects, which are the problem of CSR theory, the difficult application of CSR theory and the actual challenges faced by CSR. These limitations limit the CSR work. If enterprises want to implement CSR better, people must address the limitations of what mentioned in the following.

3.1 The Problem of CSR Theory

3.1.1 Hard to Unify CSR Standards

Although corporate social responsibility(CSR) was proposed for more than 100 years, it is still challenging to find a unified standard to measure social enterprise responsibility in the world. For example, in the whole world, different countries have different economic environments, policy systems, and social culture, and these differences will cause the focus of corporate social responsibility is different. This is the reason why corporate social responsibility standard is difficult to form a unified level, and it is also the reason for all countries impossible to give an accurate definition of corporate social responsibility. Bashtovaya (2014) states that the US report contains topics on the scope of environmental performance, while Russian companies pay more attention to social performance and CSR issues related to employees and consumers. Which means different countries have a different emphasis on factors affecting CSR. For multinational companies, despite the CSR standards are similar, it is still a challenge to unify CSR standards all over the world. (Einwiller et al., 2016). Therefore, there are no uniform standards for CSR is a critical limiting factor for the promotion of CSR and reduces comparability.

3.1.2 Hard to Measure CSR Factors

The main reason why the unified CSR standard cannot be formed is how to determine the factors affecting CSR and how to allocate the proportion of elements. There are many differences for this issue due to different people have a different emphasis on priorities of elements affecting CSR. For example, some people believe that environmental factors in corporate social responsibility should account for more; while others believe that employee benefits should be considered more in the standards of corporate social responsibility. This difference has made corporate social responsibility standard is difficult to allocate the proportion of factors that measure CSR. Furthermore, some factors affect CSR that are difficult to be measured, such as the employee's wellness and environmental pollution. How to develop a practical standard to measure the factors affecting CSR is also a challenge.

3.2 The Difficult Application of CSR Theory

3.2.1 Small and Medium-Sized Enterprises(SMEs)

Except the difficulties to create an adequate standard to measure the elements which would affect the implementation of CSR and unification of CSR standards, for the small and medium-sized enterprises(SMEs), the CSR theory is unavailable. Fassin (2008) notes that SMEs are not adequately considered in the process of promoting CSR and the CSR for SMEs undoubtedly increases cost and pressure to enterprises due to the differences between SMEs and large companies. Which means that CSR can not be directly applied to SMEs due to many SMEs' responsibility communication is different from large companies, such as the supply chain. Therefore, it is not mandatory to adopt CSR in Australian companies, and companies can voluntarily disclose according to their circumstances. Moreover, the solution of CSR for large companies cannot be directly transformed into a solution for SMEs (Fassin, 2008). Which means the social responsibility of small and medium-sized enterprises requires a specific approach to adapt to the corporate nature of SMEs. Therefore, CSR may not be applicable for SMEs due to there is not a specific approach that can be applied by SEMs.

3.2.2 Increased Pressures on Directors

In addition to the difficulty of implementing CSR in small and medium-sized enterprises, there are some

difficulties for enterprises who are using CSR. On the one hand, for investors, the implementation of corporate social responsibility increases corporate spending and reduces profits, thereby reducing the short-term interests of investors and affecting the choice of investors who only focus on financial performance. On the other hand, the implementation of CSR will increase the pressure on directors. Directors have to consider more to keep the balance of the multifaceted factors of shareholders, consumers, employees and suppliers. For example, directors only need to pay attention to the interests of shareholders and the financial performance of the company at before. However, now, directors also need to consider environmental and social factors. The factors that need to be considered have changed from shareholders to stakeholders. Besides, directors have to consider whether the implementation of CSR will violate the law, which means that according to the corporate law, directors should not consider the interests of employees at the expense of the interests of the company's shareholders. However, directors sacrifice the interests of shareholders to ensure the welfare of some employees is contrary to law. Both sides increase the pressures for directors to make decisions.

3.2.3 Doubt About the Benefits of CSR

Many executives in Australian companies are sceptical about the benefits of CSR (Birch, 2002). That means CSR has not been fully recognized and promoted. Due to the inconsistency between CSR standards and measurement methods, many company executives have doubts about the benefits of CSR. This is also an essential obstacle in the implementation of CSR. When company executives are hard to recognize the benefits of CSR, it is challenging to consider corporate social responsibility in the company's daily operations.

3.3 The Actual Challenges Acting CSR Are Facing

3.3.1 CSR Reliability and Comparability

By investigating corporate reporting policy practices in 45 countries, 134 mandatory policies covering different aspects of corporate responsibility reporting and 53 voluntary policies were identified (KPMG et al., 2013). Which means that enterprises can selectively disclose information that is beneficial to their business under non-mandatory policies. Thereby, reducing the reliability and comparability of the report. For example, in Australia, disclosure of corporate social responsibility is not mandatory. Moreover, companies can choose between two standards of disclosure: integrated reporting or global reporting initiative.

3.3.2 Companies May Not Act CSR Sincerely

The reliability and practical significance of CSR are doubtful. Is it true that CSR theory can improve corporate awareness of social responsibility? Fassin (2008) considers that the CSR does not constitute verification of real corporate social responsibility, nor does it prove that the company has good ethical behaviour. The purpose of most enterprises enhancing their employees' welfare, building a better relationship with customers, and striving for R&D and innovation are improving their business, not for social responsibility. For some companies, CSR cannot awaken corporate social responsibility awareness because some enterprises only imitate other enterprises to adopt CSR, which is not contributing to society.

4. Conclusion and Recommendations

In summary, although corporate social responsibility brings many benefits. For example, reducing employee turnover, increase a company's reputation and achieve sustainable company growth. However, the development of CSR still faces significant challenges. First, it is difficult for CSR to form a unified standard, which undoubtedly reduces comparability between companies. Secondly, the cost of undertaking corporate social responsibility is too high for SMEs. Therefore, the adoption of CSR will only increase the cost, which leads to the fact that most SMEs cannot accept CSR. Last but not least, some corporate executives do not recognize CSR benefits, and there is unclear whether CSR can arouse corporate social responsibility.

It is undeniable that CSR does promote sustainable development in the world, but CSR need a practical CSR guideline to meet all needs of different countries. Although the global reporting initiative on CSR was introduced in 1997, it does not apply to all countries and all companies. Therefore, in the initial stage of CSR, the recommendation is that the government can adopt some policies to make enterprises undertake corporate social responsibility. For example, the Australian government take action that tax on carbon dioxide emissions for enterprises. On the one hand, this politic can reduce carbon dioxide emissions; on the other hand, carbon dioxide tax as a production cost is shared by consumers and enterprises, which also reduces the burden on enterprises.

References

- Anderson, E. W., Fornell, C., & Lehmann, D. R. (1994). Customer satisfaction, market share, and profitability: Findings from Sweden. *Journal of Marketing*, 58(3), 53-66.

- Bashtovaya, V. (2014). *Social Responsibility Journal*, 10(1), 68-84.
- Birch, D. (2002). Corporate citizenship in Australia: Some ups, some downs. *Journal of Corporate Citizenship*, 73-84.
- Bonini, S. M., McKillop, K., & Mendonca, L. T. (2007). What consumers expect from companies. *The McKinsey Quarterly*, 2, 11-17.
- Brickley, J. A., Smith Jr, C. W., & Zimmerman, J. L. (2002). Business ethics and organizational architecture. *Journal of Banking & Finance*, 26(9), 1821-1835.
- Cheung, D. K., Welford, R. J., & Hills, P. R. (2009). CSR and the environment: business supply chain partnerships in Hong Kong and PRDR, China. *Corporate Social Responsibility and Environmental Management*, 16(5), 250-263.
- Cone (2007). *Cause evolution survey*. Retrieved 19 May 2008, from <http://www.coneinc.com/content1091>
- D'Aveni, R. A., & Ilinitch, A. Y. (1992). Complex patterns of vertical integration in the forest products industry: Systematic and bankruptcy risks. *Academy of management Journal*, 35(3), 596-625.
- Deloitte, CSR Europe, and EuroNext. (2003). *Investing in Responsible Business*. Retrieved from <http://www.deloitte.com/assets/Dcom-Belgium/Local%20Assets/Documents/CSREInvestinginresponsiblebusiness1>
- Dhaliwal, D. S., Li, O. Z., Tsang, A., & Yang, Y. G. (2011). Voluntary nonfinancial disclosure and the cost of equity capital: The initiation of corporate social responsibility reporting. *The Accounting Review*, 86(1), 59-100.
- Diehl, S., Karmasin, M., Mueller, B., Terlutter, R., & Weder, F. (Eds.) (2017). *Handbook of Integrated CSR Communication*. Springer International Publishing.
- Einwiller, S., Ruppel, C., & Schnauber, A. (2016). Harmonization and differences in CSR reporting of US and German companies: Analyzing the role of global reporting standards and country-of-origin. *Corporate Communications: An International Journal*, 21(2), 230-245.
- Fassin, Y. (2008). SMEs and the fallacy of formalising CSR. *Business Ethics: A European Review*, 17(4), 364-378.
- Gupta, S., & Sharma, N. (2009). CSR-A business opportunity. *Indian Journal of Industrial Relations*, 396-401.
- KPMG, Centre for Corporate Governance in Africa, Global Reporting Initiative and the United Nations Environment Programme. (2013). *Carrots and Sticks – Sustainability reporting policies worldwide, today's best practice, tomorrow's trends (2013 Survey)*.
- Navarro Espigares, J. L., & González López, J. M. (2006). Corporate Social Responsibility and Economic Growth/Responsabilidad social corporativa y crecimiento económico. *Estudios de economía aplicada*, 24, 637-27á.
- PricewaterhouseCoopers. (2007). *10th Annual Global CEO Survey*. PricewaterhouseCoopers, New York, NY.
- SCMP (South China Morning Post). (2006a). *Dirty Hong Kong factories in delta face closure*, Cheung CF (Ed.). Hong Kong, 15 May.
- Tschopp, D., & Huefner, R. J. (2015). Comparing the evolution of CSR reporting to that of financial reporting. *Journal of Business Ethics*, 127(3), 565-577.
- Wang, X. (2018). Mandatory Corporate Social Responsibility (CSR) Reporting and Financial Reporting Quality: Evidence from a Quasi-Natural Experiment. *Journal of Business Ethics*, 152(1), 253-274.
- Weiss, A. M., Anderson, E., & MacInnis, D. J. (1999). Reputation management as a motivation for sales structure decisions. *Journal of Marketing*, 63(4), 74-89.
- Wood, D. J. (1991). Corporate social performance revisited. *Academy of Management Review*, 16(4), 691-718.

Copyrights

Copyright for this article is retained by the author(s), with first publication rights granted to the journal.

This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (<http://creativecommons.org/licenses/by/4.0/>).