CORPORATE SOCIAL RESPONSIBILITY: OPPORTUNITIES, DRIVERS AND BARRIERS

Sasan GHASEMI [1]
ALA Excellence Consulting Group

Mehran NEJATI [2]
Graduate School of Business, University of Science Malaysia (USM)

ABSTRACT

The following study employed a qualitative research methodology in order to explore the views of Iranian business professionals about the opportunities, drivers and barriers of corporate social responsibility (CSR). Thirteen Iranian business professionals with 9.2 years of overall working experience participated in in-depth interviews. The study revealed that majority of interviewees consider CSR as a threat for Iranian businesses in the short-term, yet as an opportunity in long-run in case businesses are ready to transform and commit to their responsibilities. The findings also included the emerging themes for the key drivers and barriers of CSR from the interviewees' perspectives.

KEYWORDS

Corporate social responsibility, CSR drivers, CSR barriers, Developing countries, Iran

JEL CLASSIFICATION

M14

INTRODUCTION

Corporate social responsibility (CSR) has become the centre-point of interest by many researchers and organizations, resulting in an increased momentum for CSR movement over the past number of years (Crawford and Scaletta, 2005). CSR can provide both opportunities and challenges for a firm, and influence its performance depending on how well the organization addresses the social demands from its stakeholders. Successful stakeholder engagement and strategic undertaking of firm's social responsibilities can enhance the customer loyalty (Bhattachary and Sen, 2001; 2004), improve the firm's reputation (Fombrun, 2005) and ultimately result in improved financial performance (Barnett and Salomon, 2012). While there is a growing trend in empirical studies on CSR from developing countries, still majority of studies on CSR are embedded in the economic and organizational contexts of Europe and the US (Raman, 2006). Moreover, as the concept of CSR has

---
[1]Correspondence address: Sasan GHASEMI; CEO, ALA Excellence Consulting Group, Isfahan, Iran
[2]Correspondence address: Assoc. Prof. Mehran Nejati, Ph.D.; Mehran@usm.my; Post-Doctoral Fellow, Graduate School of Business, University of Science Malaysia (USM)

been claimed to be ambiguous (Fischer, 2004) and unclear (McWilliams, 2001), it might be interpreted and addressed differently in various contexts and communities. Thus, understanding the dynamics of social responsibility from the perspective of managers in a developing country can enrich the CSR literature and provide fresh insights from contexts where CSR is still at its infancy level. The current study aims to investigate the opportunities arising from CSR from the perspective of several Iranian managers and identifies their views on the drivers and barriers of CSR.

Literature Review

Previous studies on corporate social responsibility in Asian developing countries have been conducted in Bangladesh (e.g., Belal and Owen, 2007), China (e.g., Lam, 2011), India (e.g., Arevalo and Aravind, 2011), Iran (e.g., Nejati and Ghasemi, 2012, 2013; Valmohammadi, 2011), and Lebanon (e.g., Menassa, 2010). These studies have addressed various issues on social responsibility such as CSR challenges, drivers, barriers, outcomes, disclosure, managers' views, and employees' perspectives.

Arevalo and Aravind (2011) investigated the interpretation of CSR by Indian corporations and found that they are mostly in favour of stakeholder approach and caring or the moral motive. Moreover, the most significant impediments to CSR implementation were reported to be the lack of resources and CSR complexity. Belal and Owen (2007) examined the perspective of senior managers from 23 Bangladeshi companies on social reporting in Bangladesh and found that the major motivation for current social reporting is a mixture of desire for managing powerful stakeholder groups and external pressures. Nejati and Ghasemi (2012) investigated CSR practices in Iran from the perspective of employees and revealed that despite a low score in all four investigated areas of CSR, Iranian employees perceived their organizations to be fairly committed to CSR. In a more recent effort, Nejati and Ghasemi (2013) empirically examined and confirmed the positive influence of corporate social responsibility on the organizational commitment of business professionals in Iran. Moreover, Menassa (2010) explored the quality and type of social disclosed by 24 Lebanese commercial banks and examined its link with size, financial performance and age. The findings of this study revealed a low availability and extent of environmental disclosure, as the banks attributed the greatest importance to human resource, product and customers in their reporting. Moreover, a strong association was observed between corporate social disclosure and size, as well as between corporate social disclosure and financial performance However, the link between social disclosure and bank age was not confirmed.

Research Method

This study applied a qualitative approach to examine the perception of business professionals about the opportunities, drivers and barriers of corporate social responsibility. Qualitative inquiry seems to be appropriate for this study as qualitative methods are considered most helpful to examine situations where real-life context is important (Sinkovics et al., 2005; Sykes, 1990).

According to McCracken (1988), eight long interviews are a sufficient basis for qualitative research projects and for in-depth exploration a small but diverse sample is recommended (Öberseder et al., 2011). In this study, semi-structured in-depth interviews were conducted with 13 business professionals working in various industrial and manufacturing businesses, located in Isfahan, Iran. The interviewees aged between 26 and 41, averaging 31.9 years of age. Moreover, they had an average of 9.2 years of overall working experience and 6.33 years of experience in their current company. Majority of interviewees had a bachelor degree in engineering, while 4 of the interviewees had obtained a master degree.

According to Mohr et al. (2001), studies of ethics-related topics are vulnerable to social desirability bias. Thus, to reduce the issue of social desirability in responses and minimize the pressure on the

interviewees, prior to the interview session, participants were briefed about the objectives of the study and advised that there were no right and wrong answers to the interview questions.

Findings and Discussion

Analysis of the interviews revealed that majority of interviewees considered social responsibility as either a direct threat for businesses or a threat in the beginning, whereas 5 interviewees argued that CSR could be an opportunity for the firms in society. Those who considered CSR as a threat to businesses often claimed that the society and businesses in Iran are not yet ready for and receptive of CSR. However, they believed that CSR can become an opportunity in the long-run. One of the interviewees (41 years old, 23 years of working experience) mentioned that:

"CSR might be initially a threat in our society for businesses. However, ultimately it can become an opportunity. It helps companies to leave a good name for themselves in society."

Another interviewee (28 years old, 7 years of working experience) believed that:

"CSR can be an opportunity for responsible business and a threat to those which do not accept their responsibilities."

Moreover, two of the interviewees considered CSR as the "forgotten element of businesses in Iran". With regards to the drivers for CSR, the most frequently mentioned CSR drivers included branding and image (5 times), profitability (4 times), community welfare and organizational conscious (4 times). Moreover, quality improvement, customer retention, and environmental preservation were among the other key drivers for CSR perceived by the interviewees. Figure 1 depicts the key drivers of CSR from the perspective of the interviewees. These findings are almost consistent earlier studies which argue that social responsibility is driven by a concern to improve corporate image (Belal and Owen, 2007). However, no indication of addressing the expectations of stakeholders was provided in the interviews, which could be due to the lack of stakeholder salience with regards to CSR in Iran.

Figure 1 **CSR Drivers**

Furthermore, interviewees believed that the most significant obstacles for CSR implementation in Iran include insufficient financial resources for Iranian businesses and the managerial views of

Iranian managers towards CSR. Additionally, lack of will by managers for CSR implementation, lack to time, lack of the technical expertise, foreign sanctions, and marginal profit of most businesses were also mentioned as other barriers of CSR implementation.

CONCLUSION

The current study explored the perception of several Iranian business professionals about corporate social responsibility and its drivers and barriers. Using a qualitative approach through semi-structured interviews, this study found that majority of interviewees consider CSR as a threat for Iranian businesses in the short-term, yet argue that it can lead to a good opportunity if companies transform themselves. Moreover, the key drivers for social responsibility implementation were found to be strategic reasons including branding and profitability for the company. According to Graafland and van de Ven (2006) there are two major dimensions which motivate organizations to pursue CSR, namely strategic motives and moral motives. Thus, it appears that the strategic motives of CSR are more prevalent from the perspective of the interviewed business professionals. Besides, the major obstacles for CSR implementations were perceived to include lack of financial resources and narrow views of Iranian managers towards CSR.

This study also found that interviewees considered the lack profit margin and striving for business survival as another key obstacle for CSR implementation. This is an interesting finding which confirms the earlier result pertaining to the managerial views towards CSR and confirms that Iranian managers lack a thorough understanding about CSR and its benefits. As CSR has been seen as a vital factor in the long-term survival of companies (Khan et al., 2009), efforts must be made to educate Iranian managers about the importance, nature and significance of social responsibility and sustainability initiatives, and how they can ultimately enhance the firm's efficiency and profitability in long term. Nonetheless, this finding is not limited to Iran and Hargett and Williams (2009) have also shown that CSR and sustainability are not typically understood as the execution strategy among majority of companies' leaders and employees.

Being a qualitative study in nature, this paper is limited in terms of generalizability. Yet, findings of this study contribute to literature of CSR from developing countries and can help future researchers in designing relevant scales for measuring CSR, its antecedents and outcomes in similar contexts.

REFERENCES

Arevalo, J. A. and Aravind, D. (2011), "Corporate social responsibility practices in India: approach, drivers, and barriers", *Corporate Governance*, Vol. 11 No. 4, pp. 399-414.

Barnett, M. L. and Salomon, R. M. (2012), "Does it pay to be really good? Addressing the shape of the relationship between social and financial performance", *Strategic Management Journal*, Vol. 33 No. 11, pp. 1304-1320.

Belal, A. R. and Owen, D. L. (2007), "The views of corporate managers on the current state of, and future prospects for, social reporting in Bangladesh: An engagement-based study", *Accounting, Auditing & Accountability Journal*, Vol. 20 No. 3, pp. 472-494.

Bhattacharya, C. B. and Sen, S. (2001), "Does doing good always lead to doing better? Consumer reactions to corporate social responsibility", *Journal of Marketing Research*, Vol. 38 No. 2, pp. 225-243.

Crawford, D. and Scaletta, T. (2005), "The balanced scorecard and corporate social responsibility: aligning values and profits", *CMA Management*, Vol. 79 No. 6, pp. 20-7.

Fischer, J. (2004), "Social responsibility and ethics: clarifying the concepts", *Journal of Business Ethics*, Vol. 52 No. 4, pp. 391-400.

Fombrun, C. J. (2005), "The leadership Challenge: Building Resilient Corporate Reputations", In J. P. Doh & S. A. Stumpf (Eds.), *Handbook on responsible leadership and governance in global business*: 54-68. Cheltenham, UK: Edward Elgar.

Hargett, T. R., & Williams, M. F. (2009). Wilh. Wilhelmsen Shipping Company: moving from CSR tradition to CSR leadership. *Corporate Governance*, 9(1), 73-82.

Graafland, J., & van de Ven, B. (2006). Strategic and moral motivation for corporate social responsibility. *Journal of Corporate Citizenship*, 2006(22), 111-123.

Khan, M. H. U. Z., Halabi, A. K., & Samy, M. (2009). Corporate social responsibility (CSR) reporting: a study of selected banking companies in Bangladesh. *Social Responsibility Journal*, 5(3), 344-357.

Lam, M. L. L. (2011), "Challenges of sustainable environmental programs of foreign multinational enterprises in China", *Management Research Review*, Vol. 34 No. 11, pp. 1153-1168.

McCracken, G. (1988). *The long interview*. Newbury Park, CA: Sage.

McWilliams, A. (2001), "Corporate social responsibility: a theory of the firm perspective", *Academy of Management Review*, Vol. 26 No. 1, pp. 117-28.

Menassa, E. (2010), "Corporate social responsibility: an exploratory study of the quality and extent of social disclosures by Lebanese commercial banks", *Journal of Applied Accounting Research*, Vol. 11 No. 1, pp. 4-23.

Mohr, L. A., Webb, D. J., & Harris, K. E. (2001). Do consumers expect companies to be socially responsible? The impact of corporate social responsibility on buying behavior. *Journal of Consumer Affairs*, 35(1), 45-72.

Nejati, M. and Ghasemi, S. (2012), "Corporate social responsibility in Iran from the perspective of employees", *Social Responsibility Journal*, Vol. 8 No. 4, pp. 578-588.

Nejati, M. and Ghasemi, S. (2013), "Corporate social responsibility and organizational commitment: Empirical findings from a developing country", *Journal of Global Responsibility*, Vol. 4 No. 2, pp. 263-275.

Öberseder, M., Schlegelmilch, B. B., & Gruber, V. (2011). "Why Don't Consumers Care About CSR?": A Qualitative Study Exploring the Role of CSR in Consumption Decisions. *Journal of Business Ethics*, 104(4), 449-460.

Raman, S.R. (2006), "Corporate social reporting in India: a view from the top", *Global Business Review*, Vol. 7 No. 2, pp. 313-24.

Sinkovics, R. R., Penz, E., & Ghauri, P. N. (2005). Analysing textual data in international marketing research. *Qualitative Market Research*, 8(1), 9-38.

Sykes, W. (1990). Validity and reliability in qualitative market research: A review of the literature. *Journal of the Market Research Society*, 32(3), 289-328.

Valmohammadi, C. (2011). Investigating corporate social responsibility practices in Iranian organizations: an ISO 26000 perspective. *Business Strategy Series*, Vol. 12 No. 5, pp. 257-263.