

## STAKEHOLDER SATISFACTION TOWARDS THE BENEFITS OF CORPORATE SOCIAL RESPONSIBILITY - FACTOR ANALYSIS

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### **Abstract**

*Corporate Social Responsibility, a new triple bottom line driving force, has replaced the previous bottom line driving force corporate financial responsibility (CFR). Available research on CSR is mainly limited to managerial perceptions on CSR. Many new researches have come up to enhance the understanding of CSR but only in business perspective. Whereas research on the perceptions of stakeholders are very much lacking. Scholarly work on the subject is much limited and what little available is not empirical. The aim of the study is to understand the stakeholder satisfaction towards the benefits of Corporate Social Responsibility.*

**Key words:** *Corporate Social Responsibility, Stakeholder, Satisfaction*

Corporate Social Responsibility can affect a business interest strategically, and therefore it preferably falls under strategic management function. Business managers can strategically plan their corporate financial objectives in alignment with corporate social objectives. To make this alignment possible, there is a need for them to have an in depth understanding of the relationship CSR has, on the stakeholders, their satisfaction and perceptions, and its effect on the business case benefits. As CSR is relatively a new concept and also dynamic in its evolvement, it is felt that the existing knowledge on the subject is not sufficient and needs to be strengthened with new knowledge. Available research on CSR is mainly limited to managerial perceptions on CSR. Many new researches have come up to enhance the understanding of CSR but only in business perspective. Whereas research on the perceptions of stakeholders are very much lacking. Scholarly work on the subject is much limited and what little available is not empirical. The conviction for this study is that CSR in India is an evolving and challenging area of enquiry, which will become even more important when stakeholders are brought into mainstream. Since the CSR in the stakeholders' perspective are profoundly under-researched, it also represents a tremendous opportunity for improving knowledge and understanding about their influence on CSR and vice-versa. Various national and international social institutions, multilateral organisations, industry bodies and others have constantly urged for research on stakeholder perceptions. But, research on CSR and its issues are facing unwarranted apathy among academic researchers in India. This may be highly detrimental to CSR growth in India. Hence, the investigator is of opinion that there is a paramount need for this study, and encouraged the investigator to attempt to take up this study. On the basis of the above, the investigator has stated some of the problems of the study.

### Statement of the Problem

The fruits of global commerce, liberalized economies, shrinking international trade barriers, and multinational investments are desired to transcend still further to nurture benefit to the serving societies and the endangered environment. In aspiring so, the emerging discipline of CSR has been designed as a special purpose vehicle to deliver social and environmental equity and sustainability to look upon with great hopes by both business and its stakeholders. But a finer study on the ground realities may expose that there exists disconnect between the expectations, perceptions, and performances of both the actors of CSR. While examining the possible reasons for this disconnect, the cause is much suspected to be the perceptual differences each actor has on other's performances. As a result, it is not only business and stakeholders who suffer, due to these differences in perceptions, but also it is CSR that suffers collaterally in its objectives. These sufferings need solutions to redress the problems. As CSR is a multi-dimensional concept, so also are the problems it throws up. The perceptual differences as a problem for CSR cannot be stated in simple terms even if it is desired so. Hence the study has been made an attempt to measure the level of satisfaction towards the benefits of the corporate social responsibility.

### Review of Literature

Research suggests that there is a positive relationship between a company's CSR actions and stakeholder' attitudes towards the company (Ellen et al. 2000). Creyer and Ross (1997) focused specifically on company ethics to show a positive relationship between stakeholder' preference for a company and the extent to which their perceptions of the company's ethicality exceed their expectations. Yeosun et al. (2006) found CSR activities improve a company's image when consumers attribute sincere motives, however when motives are perceived as ambiguous or insincere, it may hurt the company's image. Sen and Bhattacharya (2001) have examined the increasing influence of CSR on purchase behavior. Their findings implicate the factors: the CSR issues a company chooses to focus on, the quality of its products, consumers' personal support for CSR issues, and their general beliefs about CSR, are key in the consumers' responses to CSR. The results also highlight the mediating role of consumers' perception of congruence between their own characters and that of the company in their reaction to CSR initiatives. Engaging stakeholders with fairer policies encourages innovation, cost savings and revenue growth through. DTI case studies (2001, 2002) and Kong et al (2002) cite examples of cost savings and revenue growth through fairer supplier policies. Investors will increasingly favour responsible companies and irresponsible companies will find their cost of borrowing rises (Accountability, 2002). Consumer preferences will increasingly favour products and services from socially responsible, transparent and trustworthy firms (Wilmott, 2001 and Mitchell, 2001). But the assertion that stakeholder behaviour will shift to reward social responsibility is grounded in surveys of attitudes and trade-off analysis, and not through observed behaviour. (Knox and

Walker, 2003). Developing Value, published by Sustainability is of opinion that the benefits included significant cost savings (e.g., minimizing energy use and limiting pollution), increased revenues (e.g., the creation of new environmental business lines), reduced business risk, enhanced market reputation, stronger human capital, and improved access to capital (particularly foreign capital).

### Objectives of the Study

To study the stakeholders satisfaction towards the benefits of the corporate social responsibilities.

### Methodology

The study is carried out in Stakeholder satisfaction towards the benefits of the corporate social responsibilities. A single questionnaire was prepared for the benefits of corporate social responsibility in the stakeholder perspective. A sample size of 540 respondents was identified to study both the perspectives of the stakeholders and the questionnaire was administered to them. The responses from 432 stakeholders were considered valid and hence used for the purpose of analysis.

### Stakeholder Satisfactions - towards the Benefits of CSR

Table 1: Rotated Factor Matrix

Sl. No.	Variables	Factor 1	Factor 2	Factor 3	Factor 4
1.	Eradication of Child Labor	.61521	-.20922	-.12406	-.03413
2.	Workplace Health and Safety Measures	.46796	.17254	.17797	.17722
3.	Sustainable Production Process	.44262	.40704	.08530	-.34315
4.	Investor care and services	.42819	.22987	.06044	.02982
5.	Workplace CSR Initiatives	.39751	.20669	.03441	.13314
6.	Internal Stakeholder Engagement	.39627	.17616	.23218	.16938
7.	Gender equity in employment	.34815	-.02254	.05680	.06419
8.	Customer Health and Safety Considerations	.02145	.71929	-.09507	-.12721
9.	Market CSR Initiatives	.13441	.44579	.17521	.31922
10.	Fair dealings with Business Associates	-.27025	.43342	.29550	.23101
11.	External Stakeholder Engagement	.18821	.42963	.00869	.08254
12.	CSR Disclosure and Reports	.21962	-.04208	.58626	-.13774
13.	Code of Conduct	-.12239	.14396	.55181	.07528
14.	Corporate Citizen Policy	.02282	.00834	.53799	.27490
15.	CSR Regulatory Compliances	.18037	-.05334	.50337	-.18383
16.	Adoption of CSR Standards	.20625	.20285	.26915	.17620
17.	Community Care and Welfare	.19460	-.05814	-.12414	.64470
18.	NGO Dialogue and Engagement	.11832	.15358	.11930	.63067
	Eigen value	2.5552	1.3152	1.1807	1.1227
	Percentage of variance	14.2	7.3	6.6	6.2
	Cumulative %	14.2	21.5	28.1	34.3

## Findings

The factor analysis exhibits the rotated factor loadings for the 18 statements (variables) explaining various types of benefits of Corporate social responsibility for both the companies and stakeholders. It is clear from the Table -1 that all the eighteen statements have been extracted into four factors namely F1, F2, F3 and F4. The factors identified are discussed hereunder.

**Factor I (F1):** The statements, 'Eradication of Child Labor (0.61521)', 'Workplace Health and Safety Measures (0.46796)', 'Sustainable Production Process (0.44262)', 'Investor care and services (0.42819)', 'Workplace CSR Initiatives (0.39751)', 'Internal Stakeholder Engagement (0.39627)' and Gender equity in employment (0.34815) have high loadings on Factor I. All these statements represent the internal CSR performances. Hence the name of this Factor I can be termed as '**Internal CSR Satisfaction**'.

**Factor II (F2):** The statements 'Customer Health and Safety Considerations (0.71929)', 'Market CSR Initiatives (0.44579)', 'Fair dealings with Business Associates (0.43342)' and 'External Stakeholder Engagement (0.42963)' have loaded highly on Factor II. All these three statements indicate the external CSR dimensions. Hence the name for this Factor II can be termed as "**External CSR Satisfaction**".

**Factor III (F3):** The statements 'CSR Disclosure and Reports (0.58626)', 'Code of Conduct (0.55181)', 'Corporate Citizen Policy (0.53799)', 'CSR Regulatory Compliances (0.50337)' and 'Adoption of CSR Standards (0.26915)' loaded heavily with Factor III. This shows the operational part of CSR performances. Hence the Factor III can be named as "**Operational CSR Satisfaction**".

**Factor IV (F4):** The statements 'Community Care and Welfare (0.64470)' and 'NGO Dialogue and Engagement (0.63067)' have heavy loadings with Factor IV. The above statements clearly explain the Community and Civic bodies of a company's CSR performances. Hence, this Factor IV may be named as "**Community CSR Satisfaction**".

## Conclusion

It is ascertained from the results of the Factor Analysis, that the variables already grouped under the factors have maintained their presence in the same factors. But the position of the variables within factors has changed or was reallocated. In other words it can be stated that a variable stood in the first position under one factor, moved to the second or third position. Hence, the stability of the factors and the variables has been confirmed again and its significance is made known to this study. What the researcher aimed for the appropriateness of the factor for this study is again established. As a result, business is increasingly working with stakeholders to understand their views and incorporate them into strategic decision-making processes. Stakeholder engagement comes in many forms, and businesses are compelled to engage their stakeholders for myriad reasons. Stakeholders have the ability to influence the success or failure of the business at

various levels. Engagement is the process of exchanging information, listening to and learning from stakeholders with the goal of building understanding and trust on issues of mutual interest and satisfy the stakeholder by improving the benefits of the corporate social responsibility.

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