Is inverting in csr profitable or not

[Business](), [Management]()

Is Investing in CARS profitable to business? At any juncture when an organization goes past simply legitimate compliances and emphatically engages in activities that seem to more extensive social good which is for the most part outside the diversions of the firm and is more customized towards the more extensive socialresponsibility, the firm Is said to have embraced the concept of Corporate Social Responsibility (CARS) (McMillan et al. 2006). The terms corporate social responsibility (CARS), corporate governance (CGI corporate sustainability (CSS), corporate citizenship and triple bottom line (TAB) are all being seed synonymously with each other and all these terms fall Into the broader concept of " ethical business" (Cast et al. , 2004). CARS Is taking the responsibility to empower people both socially and economically (Albuquerque, 2010).

Holmes and Watts (1999) suggest that " CARS Is a duty of every corporate body to protect the Interest of society at large and although every business's mall motive Is to earn profit, corporate should take the initiative for welfare of the society and should perform Its satellites accordingly". CARS includes elements such as environmental protection, social equity ND economic growth and has a strong empathy with the founding principles of quality management (Leonard and Macadam, 2003).

A fundamental belief among business and society scholars is that CARS 'pays off for the organization as well as for the stakeholders and the society in general (Burke and Logon, 1996). The concept of CARS contrasts the classic economic argument that management has only one responsibility which is the wealth minimization of its owners. Classical economist Milton Friedman argued that the main aim of management is " to make as muchmoneyas possible while conforming to the basic rules of the society, both those embodied in the law and those embodied in ethical custom" (Friedman, 2007).

Even economists such as Friedman, who had previously suggested that social matters were not the concerns of business people and that these problems had to be resolved by unrestricted workings of the free market system, had to change their views regarding corporate social responsibility (Carroll, 1991). A theory called the agency theory exists which suggests that CARS is a complete misuse of corporate resources that could have been spent on value-added internal projects or even have been returned to the shareholders (McMillan et al. 006). Alexander and Buckshot (1978) and Bowman and Hair (1975) have contrasting views suggesting that stakeholders might have a positive view when managers implement CARS and might consider that to be a standout management skill because a firm that Invests In the society Increases It's perceived social reputation which In turn helps build the company's Image whereas companies that do not contribute to the society might not reap equal benefits.

Mousse's and Evans (1986) suggest that socially responsible activities have a significant Impact on firm's standing especially with such Important areas such as inkers, Investors, the government and engaging In social satellites Is a pivotal part of decision makings In banks and other Institutions these days. A direct Implication of this might be that the businesses can secure more capital from Investors Just because of their perceived social reputation.

Investors are only drawn in generally if the profitability then obviously investors would not be interested.

There are many organizations embracing the concept of CARS and there are many examples which show significant relationship between CARS and profitability. There have been other retinues too who have suggested a negative relation between social responsibility and profitability and have in fact argued that engaging in socially responsible activities are an added cost to the business that puts the firm at an economic loss compared to firms that are less socially responsible (Brandon and Merlin, 1985).

However, this traditional concept of cost increment has been downplayed by many organizations that have adopted the concept and the results are quite promising too. One such organization is Timberland which has provided employees the opportunity o take significant amounts of paid time off to volunteer for social causes of their choosing (Peppier, 2003). Louis Button has been introducing CEO-friendly products and has been actively supporting environmental causes which could in turn entice customers to purchase the company's luxury items (Does and Schooner, 2009).

Wall-Mart reduced transportation costs by $3. 5 million, saved 3, 424 tons of corrugated materials, 1, 358 barrels of oil, 5, 190 trees and 727 shipping containers through their CARS initiative (Hampton et al.). Ecology andEnvironmentInc. (2008) reported an 80% deduction in its annual carbon emissions from its headquarters noting that the efficiency gains resulted giving the company an estimated net savings of approximately $232, 000 from 1998 to 2008 (Sprinkle and Amines, 2010).

Another prime example is Body Shop which generates so much profit because it advertises itself as being ethical as it bansanimal testingand considers effect on endangered species when choosing ingredients for the company's products (Dennis et al. , 1998). Companies that engage in social performance by adapting CARS as a concept have often increased their ability to entice and to retain employees which in turn leads to owe turnover and significantly less training and recruitment costs (Turban and Greening, 1997). Merck has donated more than 2. Billion tablets of drug Emaciate (vermilion) to help eradicate river blindness in parts of Africa, Latin America, and the Middle easy and some observers noted that there were few financial benefits to Merck (Dick, 2009). Organizationalcultureis equally important at the workplace because it is directly related to ethical principles. A manager might promote unethical practices so as to achieve targets or higher profits causing fear among employees of the company's practices which might be detriment to their own good in the long run (Ross and Perry, 1999).

Cornell and Shapiro (1987) induced a new theory whereby they claim that firms with a perceived social image might discover to have substantially lower cost than those of competitors which means they have a better financial performance. Even multinationals have engaged in socially responsible activities abroad. An example is Shell, an oil company based in London that came under intense criticism from various group over their drilling operations in Nigeria ND to compensate that Shell invested over $50 million inhealth, education, agriculture, Job creation, women's programmer, youth training and sponsorship (Eagleburger, 2003).

The need for CARS emerged as it goes beyond Just the legal framework and various attempt have been made by governments of various countries to try and blend the concept with existing legal paradigms. An example has nothing at all for the wide range of stakeholders that could be affected by the company's decisions such as consumers, employees or the local communities (Frankest, 2001). In the I-J, a number of commissions have been setup since the sass like the Hamper Commission (Committee on Corporate Governance, 1998) which rejected the idea quoting the fact that " accountabilityto many is accountability to none" (Frankest, 2001).

Being socially responsible has many positive effects for the business. Socially responsible companies not only Just enjoy the benefits of brand image and reputation but also have less risk of negative risk events such as bribery, corruption, child labor scandals and sweatshops which could damage their reputation and cost millions of dollars in information and advertising campaigns Outsource, 2004). Marigold et al(2007) studied the empirical link between corporate social performance and corporate financial performance and found out that the overall correlation was positive.

They also found that the association was strongest for specific dimension of charitable contributions, revealed misdeeds, and environmental performance. While selecting normal business rules and especially when it comes to selecting a profitable outcome, companies select CARS activities which yield the highest total payoffs in terms of collective benefits to the firm and its takeovers and which fall within the range indicated for strategic CARS of a firm as suggested by (Burke and Logon, 1996).

Companies that adopt the CARS principles in the product industry run less risk of having to recall defective product lines and pay heavy fines for excessivepollutionwhich means consumers can trust the companies that are seen to be investing heavily in CARS activities (Outsource, 2004). While helping reduce staff turnover, if CARS activity can hold one highly trained specialist who earns $100, 000 this can translate into a $400, 000 benefit for the company as the cost of employee turnover can range from 50% to 400% base salary (Sprinkle and Amines, 2010).

According to Martin(2002), " Corporations often willingly engage in socially responsible behavior precisely because it enhances shareholder value". Academicresearchers face difficulty in measuring the relation between social and financial performance. Business students and business faculty members and even fortune rankings have been found to have used subjective indicators (Outsource, 2004).

Other researchers have however used survey instruments, behavioral and recapture measures, rating seems, combination of surveys: financial statements, articles on companies in press, academic Journals and government reports to asses profitability against various dimensions (Outsource, 2004). The problem with academicians and researchers is that it is hard to measure profitability Just on one dimension of the broad dimensions that corporate social responsibility has to offer.

Another problem underlying the concept of corporate social responsibility is that it can only come into reality if managers adopting it become moral instead of amoral or amoral (Carroll, 1991). The philanthropic functions and ethical functions (Carroll, 1991) have taken a significant place in recent years making it even difficult for any measurement as such.

Other variables can be measured through statistical tools and dependent and independent variables analysis can also be done. Burke and Longed (1996) suggest that there are five strategic dimensions which help firm assess the value created for the firm by CARS programmer: centrality, specificity, their strategic proposition can expect really good results compared to the ones that just eliminate CARS activities.

Caravan and McGuire(2010) suggest that 'increasingly, human resource development (HARD) is viewed as having a role in helping organizations achieve societal, environmental and economicgoals'. CARS as previously mentioned by the author is linked to other departments too. Companies engaging in CARS can actually produce efficient results such as helping to raise awareness among employees, developing potential attitudes towards sustainability, environmental awareness and corporate citizenship.

CARS is interrelated with other components of managementscience. For example, Press et al (2009) suggest that HARD investment as been found to be associated with a positive impact on the triple bottom line of business, social and economic performance and various other literatures aforementioned have suggested how CARS has contributed to reducing staff turnovers hence contributing to a better organizational performance in all sects of the firm itself.

There is an argument that exists between business students on how CARS has become a part of business and management courses worldwide and the fundamental aim of business is to make profit; the students deduce the fact that if CARS was not profitable why would it even be considered as a feature in the study of equines and management as suggested by (Mullions, 2007). There are a few organizations that have adopted CARS and used it as a marketing tool.

Tell bank was a bank which was successful because it marketed itself as an ethical bank and other Islamic banks which have tailored their services to meet the religious and cultural needs of the local people are found to have done relatively well (Wilson, 2005). Many organizations have adapted to the concept of implementing CARS activities and even gone on to using it for strategic purposes and almost all of the time to increase their revenues (Wilson, 2005).

Classic literatures in business and society proclaimed that while CARS might have short term costs, it actually pays off in the long run as suggested by (Davis K, 1997 and Steiner G. C (1980). Burke and Logon (1996) suggest that companies should carry out the following analysis while implementing CARS so as to increase their profits: Firms need to identify the stakeholders which are vital for achieving the firm's mission, aims or strategic objectives. Firms need to find out policies that are relevant to CARS, programmer and related activities which tailors to the wide range of stakeholders. Firms need to access the opportunities that offered by implementing CARS project so as to attain their strategic objectives or so as to solve problems and threats facing the problem (certainty). Firms need to access the cost benefit analysis of CARS projects which can be captured or internalized by a firm opposed to other firms in the same industry especially the competitors (Specificity). Firms need to anticipate future changes in the organizations environment and changes in the needs of key stakeholders which could be addressed through proactive CARS policies and activities (Proactively). Firms need to determine the starting point of mandated requirements in order to find out the opportunities for voluntary activities (voluntarism). Firms need to identify opportunities so as to create positive visibility with relevant internal or external stakeholders from CARS activities (Visibility). Finally, firms need to measure and associate the value or future value that is expected from various CARS projects various countries bringing out new legislations and have recognized environment, employees and consumers to be significant and legitimate stakeholders of business. Carroll (1991) suggest that " corporate executives have had to wrestle with how they balance their commitments to the corporation's owners with their obligations to an ever-broadening group of stakeholders who claim both legal and ethical rights".

Various literatures have suggested both positive and negative correlation between profitability and corporate social responsibility. However, there is no compelling evidence from literature to suggest that there is negative correlation between the two. Organizations that have adapted the concept of CARS and have made it part of heir strategy have found to have done well (see examples above) (Albuquerque, 2010). It might be the prime reason why various organization in different parts of the world have used the concept of CARS in their strategic decision making phase.

There might be some organizations which have embraced the concept of social responsibility as a voluntary activity but research literatures show that organizations that have used and tailored programmer to social good have in fact benefited in terms of financial performance too. Companies and board of directors now discuss he term CARS in their annual general meetings and are seen to be keen on engaging in these activities and even go as far as advertising what they did in their brochures which are generally released in various Scams.

This paper recommends the use of CARS by businesses and there are academic and research evidences to suggest that engaging in these activities will help increase profit levels for different organizations but Outsource(2004) views suggests that extensive studies are needed to explore the casual mechanism linking CARS to profitability and to determine whether or not those relationships hold consistently over time.