Corporate Social Responsibility : Existing Practices Vs Csr Framework

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Abstract

Purpose : The purpose of this paper is to study how effective was the social responsibility demonstrated by the Mechanical, Electrical and Civil contracting organizations of the United Arab Emirates, in relation to the CSR framework of European Foundation for Quality Management (EFQM), and to identify the areas of strength and challenges in such CSR practices. Design/Methodology/Approach : A comprehensive review was made on the CSR literature. The recently published articles and best practices in the related subject were taken into consideration, including the EFQM Publications concerned. Our focus in this study was to select a stratified random sample of 50 organizations in the UAE and study their CSR characteristics such as their methodology and evaluation of CSR activities in relation to the best-practices. In this study, 8 constructs were tested to experiment the inter relationship between the variables driving the CSR performance. All the 8 variables were hypothetically proven to have a significant relationship, including the 5 EFQM CSR approaches. Strong areas and deficiencies in CSR initiatives by these organizations were classified and elaborated accordingly. Findings : The existing CSR activities of UAE organizations were compared with the 5 basic approaches of EFQM CSR framework and validated that all these approaches had a significant impact on the CSR performance. Social responsibility was found to gain focus in the UAE, with strong areas being a clear strategic direction and a sound financial capability. Some deficiencies were revealed in demonstrating social responsibility, which were classified into 5 major categories. Considering the UAE Government?s strategic destination termed as ?Vision 2030?, the social responsibility practices need to improve in certain areas as highlighted in this paper. Originality / Value addition in this paper : Even though the study focused on the organizations at UAE, regardless of their country of location, size an

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Findings : The existing CSR activities of UAE organizations were compared with the 5 basic approaches of EFQM CSR framework and validated that all these approaches had a significant impact on the CSR performance. Social responsibility was found to gain focus in the UAE, with strong areas being a clear strategic direction and a sound financial capability. Some deficiencies were revealed in demonstrating social responsibility, which were classified into 5 major categories. Considering the UAE Government's strategic destination termed as "Vision 2030", the social responsibility practices need to improve in certain areas as highlighted in this paper.

Originality / Value addition in this paper : Even though the study focused on the organizations at UAE, regardless of their country of location, size and scope of work, this study is expected to be useful for any organization to get a overview on the method of planning, deploying, evaluating and refining the CSR performance.

2 INTRODUCTION

he term "corporate social responsibility" came in to common use in the late 1960s and early 1970s, after many multinational corporations (MNC) were established in the corporate world. Since then , the Author : Anna University of Technology, Coimbatore, South India. E-mail : hai_durai@yahoo.com Handset +971501974975.

corporate companies gradually included a focus to add value for the society, in addition to their core operational strategies. Even though there are some criticisms on the CSR to divert the corporate performance, CSR is instrumental to benefit the society in compensating the imbalances and improvising the social values such as Health, Safety, Literacy, etc. Now days, several organizations claim to demonstrate the "Corporate Social Responsibility (CSR)" through grand campaigns and publications. The term CSR has been so popular and demanding to the extent that the Google webpage displays 9,780,000 results by May 2011 on the search of "Corporate Social Responsibility" Though it is a good sign to add value to the society, the rationale behind the CSR approach needed to be analyzed further, as different organizations interpret their social responsibility with different themes, budgets and methods.

As Jeremy Moon (2004) has pointed out, CSR is a difficult concept to pin down. It overlaps with other such concepts as corporate citizenship, sustainable business, environmental responsibility, the triple bottom line; social and environmental accountability; business ethics and corporate accountability. It is highly contextual not only in terms of its corporate environment but also in terms of its national environment. Moreover, CSR is an essentially contested concept. Thus any definition will necessarily be challenged by those who wish to contest the reach and application of any version of CSR.

Since 1990, the growth of CSR lobby groups or interested parties was commendable, to name a few were the World Economic Forum, World Business Several organizations have the "CSR Season" on-going and associated budget as well, regardless how they have understood and customized their CSR practices for creating the maximum benefits to society. Further, organizations shall monitor the extent, to which a social change has been achieved because of CSR. All the above needs became driving forces to initiate this study.

3 II.

4 TERMS & DEFINITIONS

? CSR: Corporate Social Responsibility, a self initiative by organizations to serve the society.

? Initiatives : Systematic Plans or Approaches ? Management Systems: Frame work of coordinated activities with a specific objective to maintain and improve.

? EFQM -European Foundation for Quality Management, a non-profit organization owing a business excellence model.

? Sustainability: The state of survival with a capacity to endure for future.

5 III. LITERATURE REVIEW

The term, "Corporate Social Responsibility" has been defined with several perspectives. The European Commission's definition of CSR is "A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis." The World Business Council for Sustainable Development in its publication "Making Good Business Sense" by Lord Holme and Richard Watts used the following definition. "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large", A study on Corporate Sustainability Reporting in Canada(2005) defines CSR as "A company's commitment to operating in an economically, socially and environmentally sustainable manner, while recognizing the interests of its stakeholders

including investors, customers, employees, business partners, local communities, the environment and society at large. In a nutshell, "CSR is a corporate commitment for adding values to the society and community, through their economical, social and environmental performance. Corporate Social Responsibility (CSR) is about how businesses align their values and behavior with the expectations and needs of stakeholders -not just customers and investors, but also employees, suppliers, communities, regulators, special interest groups and society as a whole. CSR demands that businesses balance their economic, environment and social perspectives.

CSR refers to a whole range of fundamentals that organizations are expected to acknowledge and to reflect in their actions. It includes, but not limited to caring the sustainability of the environment, respecting human rights, fair treatment of the workforce, customers and suppliers, being good corporate citizens of the communities, fair trade with business ethics, etc. The literature for CSR is vast and growing dynamically. ? Ethical Responsibility : To be ethical in doing the business ? Discretionary Responsibility : To contribute and add value to the society and community, which is not mandated by the core business.

CSR Approaches: There are so many approaches adapted by the organizations in demonstrating their social responsibility, a few primary approaches obtained from the Wikipedia have been improvised as below:-

? Community Approach : The community will be selected and their social needs will be identified, accordingly the CSR programs will be provided. E. g .Literacy Programs for the nearby village community, Educational Scholarship programs, employment for the people of special needs, etc.

? Philanthropic Approach : Financial and Physical contributions for the needy ? Sustainability Approach : This approach focuses on the conservation of energy, prevention of pollution and environmental sustainability related themes.

? Health and welfare Approach : This approach will make the organizations to organize health and public awareness related campaigns such as "Blood-Donation, Road Safety, HIV-AIDS Awareness, Anti-Tobacco", etc

? Strategic Approach : As a part of organizational Strategy, the CSR theme will be identified and organized. E.g. the energy conservation theme derived from organizational strategy.

? Social Accountability Approach : This approach makes the organization to ensure socially accountable business as a way to serve CSR through fair-trading, fair pay and work conditions, equality in treatment for all employees, ethical consumerism and human rights.

? Emergency Response Approach : Natural Calamity response and relief programs to those affected, such as provision of rescue, food, shelter, domestic appliances, relief fund and health care measures.

According to a survey published in 2008 by " Economist Intelligence Links (Canada)", carried out with 1200 managers from everywhere in the world, and who intended to benefit from the implementation of strategies and policies, the six principal advantages mentioned were:-I. Capacity to attract new customers, II. A greater value for the shareholders, III. An increased profitability, IV. Better capacity to manage the risks, V. Products and processes of better quality and, VI. Capacity to recruit first choice employees.

The Key advantages perceived on CSR, but not limited to are:-? Balancing the society and community against poverty, illiteracy, ill-health and lack of awareness ? Equality in treatment of employees, civilians and corporate stakeholders such as customers, suppliers, etc ? Pollution free or safe environment ? Social balance and security ? Good health and well-being.

But CSR is not absolutely criticism-free, asI.

Not all the organizations demonstrating CSR are having their scope of business appropriate for the society (Like Tobacco companies organizing health programs), II. CSR might distract the focus of maximizing the returns to the investors, described as "It is wiser for firms to act strategically than to be concerned into making investments in CSR" (Husted and Salzar 2008:481) III. Some Considerable percentage of organizations "Preach" CSR rather than demonstrating it and IV. It is difficult to measure the real-time effectiveness of CSR. Managing societal responsibilities requires these organizations to use appropriate measures and the leaders to assume responsibility for those measures. (Malcolm & Baldrige Business Excellence criteria 2011:53) V. As revealed by the Middle East information web resources (AME info FZ LLC), During the World Economic Forum (WEF) May 2008, the Executive Chairman of Alshaya group remarked that the CSR practices at UAE were in the elementary stage, not significantly improved beyond the donations to charity. VI. John Elkington (1999) puts forth that "Social reporting is now well-established, as of course is financial reporting. But further challenges lie ahead for companies looking to evaluate social indicators?" These above citations were instrumental to take a decision to study the CSR practices against a standard framework.

6   b) EFQM CSR Framework

The European Foundation for Quality Management(EFQM) is a global non-for-profit membership foundation based in Brussels, Belgium. With more than 500 members covering more than 55 countries and 50 industries, provides a unique platform for organizations to learn from each other and improve performance.EFQM is the custodian of the EFQM Excellence Model, a proven framework for success that is helping over 30 000 organizations around the globe to strive for Sustainable Excellence. The EFQM Model is at the heart of many organizations who perform consistently outstanding beyond the minimum compliance.

The EFQM model 2010 explains the concept of CSR is put into practice in the following way:-? Excellent organizations adopt a highly ethical approach by being transparent and accountable to their stakeholders for their performance as a responsible organization.

161 ? They give consideration to, and actively promote social responsibility nad ecological sustainability both now
162 and for the future.
163 ? The organization's CSR is expressed in its values and integrated within the organization.
164 ? Through open and inclusive stakeholder engagement, they meet and exceed the expectations and regulations
165 of the local and where appropriate, the global community.
166 ? As a well managed risk, they seek out and promote opportunities to work on mutually beneficial projects
167 with society inspiring and maintaining high levels of confidence with stakeholders.
168 ? They are aware of the organization's impact on both the current and future community and take care to
169 minimize any adverse impact.
170 ? Once the concepts are understood, EFQM highlights the following questions as challenges for the leaders of
171 the organizations:
172 How should the CSR concepts be implemented in an appropriate manner to give benefit to the organization
173 and its stakeholders?
174 How do we know what our stakeholders require?
175 How do we know where to focus our attention? How do we know whether we are achieving the benefits we
176 expected for our organization and our stakeholders?
177 The EFQM Excellence criteria 2010, criteria 8 on Society results, specified the societal requirements on
178 Excellent organizations, as below.
179 Develop and agree a set of performance indicators and related outcomes to determine the successful deployment
180 of their societal and ecological strategy and related policies, based on the needs and expectations of the relevant
181 external stakeholders.
182 ? Set clear targets for Key Results based on the needs and expectations of their external stakeholders, in line
183 with their chosen strategy.
184 ? Demonstrate positive or sustained good Society Results over at least 3 years.
185 ? Clearly understand the underlying reasons and drivers of observed trends and the impact these results
186 Corporate Social Responsibility : Existing Practices Vs Csr Framework will have another performance
187 indicators and related outcomes.
188 ? Anticipate future performance and results.
189 ? Understand how the Key Results they achieve compare to similar organizations and use this data, where
190 relevant, for target setting.
191 ? Segment results to understand the experience, needs and expectations of specific stakeholders within Society.

7   c) EFQM -8a. Perceptions

193 ? This is society's perception of the organization. This may be obtained from a number of sources, including
194 surveys, reports, press articles, public meetings, NGOs, public representatives and governmental authorities.
195 ? These perceptions should give a clear understanding of the effectiveness, from society's perspective of the
196 deployment and execution of the organization's societal and environmental strategy and supporting policies and
197 processes.
198 ? Depending on the purpose of the organization, measures may focus on: ? These are the internal measures
199 used by the organization in order to monitor, understand, predict and improve the performance of the organization
200 and to predict the impact on the perceptions of society.
201 ? These indicators should give a clear understanding of the effectiveness and efficiency of the approaches
202 adopted to manage the organization's societal and environmental responsibilities. The identification of all the
203 appropriate stakeholders and the understanding of their needs, expectations and risks is a crucial starting point
204 for organizations which want to be more socially responsible. c. Conduct a Self-Assessment: Self assessment for
205 CSR is a comprehensive, systematic and regular review by an organization of its activities and results against
206 the EFQM framework for CSR. It aims to understand better the CSR maturity level of the organization and to
207 drive improvement. d. Improve the organization's activities: Based on the outcomes of the self-assessment, an
208 organization should identify the improvement activities. These should help the organization to progress in its
209 CSR journey. e. Review and Report CSR Performance: Public CSR reporting provides insight into what the
210 organization is doing for its stakeholders. It provides measurements and transparency, helping to increase the
211 image of the organization.
212 V.

8   DATA ANALYSIS

214 This study investigated the effectiveness of demonstrating the Social Responsibility by the UAE organizations,
215 represented by a sample group of 50 contractors out of the lot of 400 Contractors. (21 Mechanical Contractors,
216 22 Electrical Contractors and 7 Civil contractors and a stratified random sample of 6 organizations with 1-50
217 staff,41 organizations with 51-100 staff and 3 organizations with more than 100 staff) and the data was analyzed
218 as below:a. Commitment : 18% of the respondents revealed that their top management was committed towards
219 serving the society, 14% of the respondents had their management unwilling towards social responsibilities, 68% of
220 the respondents could not say whether their management was committed or not. b. Budget for CSR : 18% of the

respondents had a clear idea as how much of budget was planned and allocated for CSR. 22% of the respondents revealed no budget for CSR and the remaining 60% had no idea about the budgetary figures related to their organization. c. Formal CSR Initiatives : Only 16% of the respondents accepted that their organizations had formal CSR initiatives implemented, 46% respondents denied of any such formal initiatives and the remaining 38% respondents had no idea on the CSR related initiatives of their organization. d. CSR Action Plan : Regardless of the CSR budget and initiatives, hardly 18% of the responded organizations had action plan framework for demonstrating CSR within their organization, 76% organizations did not have any such action plan and 6% respondents had no idea whether their organizations had action plan or not. e. CSR Approaches : 18% of the respondents revealed that their organizations had CSR initiatives in addition to donations. 64% respondents adapted a philanthropic approach only and not any other initiatives and 18% respondents had no idea on which CSR approach their organization had.

Corporate Social Responsibility : Existing Practices Vs Csr Framework f. CSR & Corporate Strategy : 16% of the organizations accepted that CSR was a part of their corporate strategy. 14% respondents revealed that CSR was not aligned with their corporate strategy and the remaining 70% were not clear of the relationship between CSR and their corporate strategy.

g. CSR Performance Measurement : 16% organizations agreed that their CSR was linked with performance measurement framework such as Balance score card, 40% of organizations had not measured their CSR performance and the remaining 44% respondents had no idea about measuring their CSR performance.

h. CSR Reporting : 22% of responding organizations revealed that the CSR reporting was done in their organization, 34% respondents replied that CSR in their organization was not being reported. 44% respondents were not aware of CSR reporting mechanism.

i. CSR Indicators : 42% respondents agreed that their organizations had certain Key Performance Indicators (KPIs) related to CSR. 32% respondents did not agree with any such KPIs related to CSR. 26% organizations had no idea about the CSR related KPIs. j. Tailor -Made CSR : 38% of the respondents replied that their organization's CSR framework is not generic and has been customized to suit its scope, scale and social needs. 4% of respondents mentioned that their CSR model was generic and not customized. 58% of respondents had no idea on the level of customizing their CSR model.

9   VI. HYPOTHESIS TESTING

Primary collected were analyzed for the internal relationship between variables. To compare the existing CSR practices in relation to the EFQM CSR framework, Hypothesis testing was carried out for 7 constructs, including the 5 EFQM approaches on CSR framework:-As an example, the first one is illustrated below:-? HO : Null hypothesis: There is no relationship between Effectiveness of CSR Programs and identification of Stakeholder needs and expectations.

? Ha : Alternative hypothesis: There is a significant relationship between the CSR programs and Stakeholder needs identification.

The hypothesis was tested as represented in table 1. The null hypothesis was rejected and alternate hypothesis accepted, proving that the process of identifying the needs and expectations of stakeholders had a significant relationship with the effective CSR performance of the organization.

Similar to the test indicated above, other tests were conducted and the result is as below:-There was a significant relationship hypothetically proven between a) Top management's social commitment and the effectiveness of CSR programs.

10   CONCLUSION

Corporate Social Responsibility has been a great tool for solving societal issues and improving the social values.

An in-depth review of CSR literature was made, supported by the EFQM's CSR framework.

The existing CSR activities of UAE organizations were compared with the 5 basic approaches of EFQM CSR framework and validated that all these approaches had a significant impact on the CSR performance.

Through statistical sampling, it is evident that a major proportion of UAE organizations have the following strength areas in their social responsibility:-? Clear Direction setting in the social responsibility by the Government (Executive Council)

? Social responsibility set as a part of national and corporate strategy ? Community development initiatives are mandated such as employment of the UAE Locals, Females and those with special needs.

? A dedicated budget for the social responsibility. There were a few challenges revealed in our study which affect the CSR effectiveness, especially at UAE:-? CSR activities at UAE need to mature well, as in most organizations the scope of social responsibility stopped with donations or charity.

? Though organizations were allocated budget, Social responsibility initiatives were undertaken by a department or a team of staff only, rather than a direct involvement of Top management in partnering with the society and CSR programs. This resulted in a perception that CSR is a non-productive business element.

? Majority of organizations, regardless of their CSR programs, were not clear about which CSR approach they adapt in their organization as well as formal initiatives with action plan for implementation.

10 CONCLUSION

? CSR programs were not systematically monitored to evaluate the effectiveness and efficiency of demonstrating the social responsibility.

? CSR action planning, tracking and quantification of results were found inadequate.

? Internal communication of CSR progress and external communication of CSR performance were found inadequate, which need to be adapted.

The UAE organizations needed to fine-tune their CSR approaches and accountability according to standard frameworks such as the CSR framework approach by EFQM, so that it will be easy for them to quantify the social change contributed by them, in par with the expectations of the Stakeholders for the best interest of the society and community. [1] [2] [3]

Figure 1:

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