Corporate Social Responsibility as a Tool for Sustainability in Entrepreneurship

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Corporate social responsibility (CSR) is increasingly gaining attention as an essential component of business. In the current environment, entrepreneurs may be searching for strategies to maintain a competitive advantage. CSR-based initiatives may help businesses differentiate themselves from others in the market, attracting customers that align with their values. This paper includes a review of the CSR concept and the role that CSR can play in increasing competitiveness in entrepreneurship. The literature revealed that businesses that engage in CSR based activities see increased customer loyalty, trust, and profit. Therefore, engaging in CSR behaviors may enhance sustainability and growth for entrepreneurial ventures.

Keywords: entrepreneurship, corporate social responsibility, sustainability

INTRODUCTION

Corporate social responsibility (CSR) is a business's efforts to positively contribute toward society (Ahmad et al., 2021). According to Carroll (1991), CSR includes four social responsibilities that include (a) economic, (b) legal, (c) ethical, and (d) philanthropic. When combined, these four components represent the total social responsiveness of a business (Daft, 2014). Embracing each of these responsibilities is vital for the sake of society and for the sake of the firm (Abd Rahim et al., 2011).

CSR is increasingly gaining business relevance (Medina et al., 2021). In the modern business environment, CSR is significant because businesses recognize the benefits of focusing on the perceptions and needs of stakeholders, rather than solely focusing on wealth (Min et al., 2012; Raman et al., 2012). According to Maamoun (2013), engaging in CSR is crucial because consumers may avoid making purchases from companies that do not demonstrate a commitment to CSR.

A growing interest exists for responsible entrepreneurship (Adomako & Tran, 2023). Businesses are commonly judged by the consumer based on the extent to which societal interests are considered (Chae, 2020). Business leaders understand the significance of using CSR as a strategic tool, because the purchasing intentions of consumers depend upon the ethical and moral positions of a business (Raman et al., 2012). According to Pradhan (2018), consumers believe a business is obligated to give back to society. Abd Rahim et al. (2011) suggested that companies that do not meet consumer expectations or offend consumer values risk consumer support withdrawal and business loss.

PURPOSE

Entrepreneurs may seek strategies to maintain a competitive advantage in the current environment. Increased competition has created a need for differentiation, and CSR is an important attribute to improve the image of a company and win consumer loyalty (Suley & Yuanqiong, 2019). Additionally, the COVID-19 pandemic has created a greater need for businesses to understand what drives some businesses to be socially responsible as well as focus on the opportunities that CSR related activities can provide (He & Harris, 2020). The following paper will outline the benefits of engaging in CSR based behaviors.

OVERVIEW OF THE LITERATURE

Theoretical Foundation

Carroll's (1991) CSR pyramid provides a basis for understanding the constantly changing nature of a businesses' economic, legal, ethical, and philanthropic performance. The pyramid is a useful method for graphically displaying the components of the CSR construct (Schwartz & Carroll, 2003). According to Wagner-Tsukamoto (2019), the CSR pyramid is one of the leading CSR models.

Carroll's (1991) CSR pyramid model provides a theoretical foundation to examine CSR activities and gain a deeper understanding of the relationship between consumers and businesses. According to Smith et al. (2001), the dimensions outlined by Carroll (1979) provide a useful way to discover how various factors may influence perceptions of the different components of CSR. By understanding the associations between CSR and consumer desires, business leaders can create specific CSR initiatives responsive to consumer preferences (Abd Rahim et al., 2011).

Corporate Social Responsibility

Since the 1950s, CSR has been an important progressing topic (Carroll, 2016). According to Carroll (1991), CSR includes four social responsibilities that include (a) economic, (b) legal, (c) ethical, and (d) philanthropic. Carroll argued that embracing these responsibilities is vital for the sake of society and the firm (Abd Rahim et al., 2011). According to Moran et al. (2019), CSR is a concept that has endured time and continues to grow.

Opponents of CSR believed that in addition to taking profits from shareholders, engaging in CSR activities could raise consumer prices and lower employee wages (Mahmood & Humphrey, 2013). Leaders may be hesitant to engage in CSR activities for fear of consuming resources and increasing costs, making CSR-related activities a burden to the business (Shuqin, 2014). However, Nwidobie (2014) examined the effect of CSR on profit margins, and found that although CSR activities may increase company costs, the increase may not affect profit because CSR generally compensates by increasing sales.

CSR is a key issue because of the resulting benefits to both the business and consumer. (Madrakhimova, 2013). The concept of CSR is also the focus of a substantial amount of scholarly attention (Lizhen Chen et al., 2016). As clearer definitions of CSR continue to emerge, leaders in the 21st century recognized CSR as a responsible way to conduct business (Hack et al., 2014).

Benefits of Engaging in Corporate Social Responsibility

Existing literature indicated that businesses benefit from CSR activities (Joireman et al., 2015). According to Madrakhimova (2013), social responsibility increases the development and value of a business. Further, Wang and Li (2016) indicated that companies that engage in social responsibility have higher market value. Implementation of CSR activities may help a business achieve higher levels of success by satisfying the needs and expectations of stakeholders (Juščius et al., 2013).

CSR may make a business more attractive to a consumer; therefore, it is becoming increasingly common for businesses to integrate CSR activities into their practices (Azmat & Ha, 2013). Social responsibility directly affects the trust and loyalty of the consumer (Iglesias et al., 2020). Hillenbrand et al. (2013) argued that the main benefit of engaging in CSR activities is the increased support of stakeholders.

Abd Rahim et al. (2011) indicated that each of the CSR components outlined by Carroll play a large role in consumers' purchasing behaviors. Businesses must understand CSR perspectives to design CSR initiatives that increase trust and influence purchasing intentions (Lin et al., 2011). By engaging in CSR initiatives, a business can enhance long-term sustainability (Taran & Betts, 2015). Financial and social benefits may result from socially responsible behaviors (Jariko et al., 2016). CSR can increase sales, increase profits, and increase investor attraction (Creasey, 2015).

Corporate Social Responsibility and Entrepreneurship

Entrepreneurship is shifting toward a more sustainable future (Rosário et al., 2022). Entrepreneurs may provide positive social impact and contribute to achieving sustainable development through CSR (İyigün, 2015). Overall, CSR based strategies and entrepreneurship are central to building a sustainable future as they encourage businesses to focus on ethical practices in addition to profitability.

Consumers may not support a business that follows a strict economic perspective, and may develop a stronger connection with a company that behaves socially responsibly (Clementina, 2013). A consumer is likely to be more loyal to a business that engages in higher levels of CSR (Ahmad et al., 2021). Furthermore, Chang and Yeh (2017) indicated that CSR perceptions affect consumer loyalty and satisfaction.

Businesses and society may be connected through CSR (Singh & Misra, 2022). Consumers have a strong understanding of the socially responsible actions of a business (Abd Rahim et al., 2011). Socially responsible behaviors influence whether or not the stakeholder will support a business (Vidaver-Cohen & Brønn, 2015). Because the presence of CSR behaviors increases the likelihood that consumers will feel comfortable purchasing from a business, consumers' perspectives impact how leaders create and respond to CSR initiatives (Okpara & Wynn, 2012).

FINDINGS

A review of literature suggests that consumer support increases from engaging in CSR behaviors. Businesses should integrate CSR practices into their strategies due to consumers' increasingly socially conscious behavior (Prendergast & Tsang, 2019). Authentic CSR builds a rapport between a business and customers (He & Harris, 2020).

The primary goal of a business is to gain loyal customers that will give the business a competitive edge (Ashraf et al., 2017). Engaging in CSR behaviors may provide entrepreneurs with an advantage over the competition. Because stakeholders value CSR behaviors, businesses can improve their reputation and increase profits by engaging in CSR activities (Dusuki & Yusof, 2008). According to Julie Juan and Xuan (2013), each dimension of CSR can potentially increase business performance by providing benefits to the consumer, building brand image, and increasing profit.

CONCLUSION

When CSR initiatives are implemented into business strategy, they may enhance the reputation of a business and contribute to positive societal impacts. According to Hategan et al. (2018), CSR related activities are necessary in the current environment to meet stakeholder demands and be long-term sustainable. According to Gherghina and Simionescu (2015), a statistically significant relationship does exist between CSR related activities and financial performance. Engaging in CSR-related activities results in customer trust, satisfaction, and loyalty (Ashraf et al., 2017). Additionally, the CSR perceptions of consumers directly impacts the commitment to the organization (Shah & Khan, 2019). Ultimately, CSR can be a source of competitive advantage, resulting in superior business performance (Julie Juan & Xuan, 2013). Therefore, engaging in CSR behaviors may be a source of sustainability in entrepreneurship.

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