

## **PHILANTHROPY, PARTNERSHIP, PROFIT: A MULTISTAKEHOLDER REVIEW OF CSR INITIATIVES**

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### **Introduction**

Companies are going beyond the traditional marketing mix to incorporate corporate-level intangible assets such as their identities and reputations, as well as the goodwill associated with being a good corporate citizen, into their marketing initiatives. These organizations do this in order to gain sustainable competitive advantages in this era of global competition, declining brand differentiation, and increasing media clutter (Sen, 2006). Corporate Social Responsibility (CSR) and the multistakeholder approach are extremely integral in understanding the role of business in society (Kakabadse, Rozuel, & Lee-Davies, 2005). Corporate affiliations are the new realm for stakeholders; more organizations than ever before are striving to use the relationships that stakeholders have with them in order to obtain persistent strategic advantages over their competitors (Sen, 2006). CSR is part of a long-term economic benefit perspective that may not be financially measurable but may create a valuable asset for future profitability and, eventually, "social power."

Furthermore, CSR entails going beyond the firm's limited economic, technological, and regulatory obligations. As a result, following the law does not automatically imply being socially responsible. CSR implicitly expresses a voluntary effort by which the corporation complies with ethical norms, rather than solely economic or legal imperatives. Another feature of CSR is the idea that businesses are accountable to numerous stakeholders that may be recognized and have a legal or moral claim on the business actions that affect them (Kakabadse, Rozuel, & Lee-Davies, 2005). These multistakeholder are essential for the establishment of the aforementioned unique identity and brand presentation. For instance, when an organization gives back to the community through environmentally sustainable efforts or through offering its employees great social and health benefits, its social power is automatically enhanced. This outcome is usually attributed to multiple stakeholders like partners, employees, investors, and customers. When these stakeholders are aware of the CSR initiative, there is a higher chance of propensity to purchase

items, seek employment, and invest in the organization (Santoso et al., 2019). As a result, CSR action has the ability to boost not just CSR associations, attitudes, and identification, but also stakeholders' willingness to dedicate personal resources (e.g., money, labor, etc.) to the company's benefit (Sen, 2006). In its entirety, CSR is run primarily through a balance of philanthropic executions, long-run profitable goals, and a great partnership with multiple stakeholders. However, which element is higher in an organization's CSR depends on multiple factors like who are their stakeholders, where they are located, what product they are selling, etc. For instance, CSR is usually linked with philanthropy or charity in developing countries such as Indonesia. This corporate philanthropy is usually done through corporate social investment in education, health, sustainability, and other community activities (Iwannanda, Sudarmiatin, & Adiputra, 2017).

### **Background:**

The principle underlying CSR is not new. It dates back virtually to the beginning of time, albeit it was only recently coined, as it was theoretically formalized only in the 1950s. However, its initial modern definition came from Adam Smith, an 18th-century economist, philosopher, and novelist who emphasized the moral implications of economic theory in his work. Before a widely acknowledged definition of CSR existed, corporate responsibility had already been real and concrete through numerous practices such as sponsorships, charity activity, and philanthropy. In the middle of the nineteenth century, Adam Smith asserted that enterprises, although obviously seeking profit, are also seeking the most considerable potential social good. For that, a corporation often turns to activities that society benefits from (Tsilikis, 2020). This in turn made CSR an effective marketing strategy tool, where customers began expecting more from firms than a product of excellent quality at a reasonable price. This collective adoption of CSR led to the formulation of multiple policies and laws that urges and mandates organizations, industries, manufacturers, and more to incorporate CSR in their day-to-day activities. However, all of this didn't happen naturally since the ultimate goal of corporations is profit maximization. CSR became increasingly mainstream when these customer expectations and policies were combined with the competitive advantage corporations might gain by integrating CSR into their company plan, which focuses on the corporation's fundamental values. Corporations soon realized that focusing on these social principles can help establish a better company image for increased profits by improving consumer sentiments (Malmberg & Hallberger, 2014).

However, the partnership in a company's CSR cannot sustain without taking into account its multiple stakeholders. A stakeholder is defined as an organization, group, or individual who may influence and affect the organization's goal. CSR operations serve to translate the company's effort to develop excellent relationships with other stakeholders, particularly the local community. Stakeholders are classified into two types: internal stakeholders and external

stakeholders. Internal stakeholders include employees, managers, and shareholders, whereas external stakeholders include distributors, customers, society, and government because their existence extends beyond the boundaries of the organization. They are further subdivided by the criteria of interest and decision, as well as stakeholder satisfaction with the company's existence. For instance, shareholders may influence or get influenced by the financial performance of the company, or the local community can be a stakeholder often impacted by philanthropic executions of a corporation towards the betterment of the said community (Santoso et al., 2019).

As aforementioned, a CSR strategy of an organization can only be beneficial if it offers a balance of the three P's, Philanthropy, Partnership, and Profit, and positively influences the stakeholders involved in the corporation. Like the multistakeholder approach, a corporation's philanthropic interests highly influence the kind of CSR strategy it adopts. For instance, a company's consumer base, shareholders, and investors may be determined by the community projects in which the corporation had a key part or gave considerable support — civic and cultural programs, youth activities, student and social activities, and local environmental programs are among them. Another determining factor can be donating a part of the profit to federation campaigns, education programs, urban/civic concerns, and cultural activities (Kakabadse, Rozuel, & Lee-Davies, 2005). However, these philanthropic interests are often not selfless — they are driven by profits. CSR can significantly affect consumers' buying intentions which directly impacts the intended profits; for example, CSR activities may impact consumers' purchasing intentions more than pricing. This often forms the basis for organizations to adapt and formulate a CSR strategy in the first place (Bhardwaj et al., 2018). However, CSRs are not always implemented to attract stakeholders or increase the brand's positive reception. They are often used with an ulterior motive to cover up damages or execute a cover-up strategy in the name of CSR.

### **Discussion:**

This balance between the elements above comes at a cost. CSR programs may be expensive, and they may compete for enterprises' limited financial resources for marketing operations like developing new goods and advertising. Firms are typically worried about the economic effect of CSR (Bhardwaj et al., 2018). However, this influential relationship between the three often pays off. The organization chooses to invest in CSR programs because they need that philanthropic output toward its multiple stakeholders in order to reap profits in the long run. Corporations require a healthy society in order to be successful, and the reciprocal interdependence between businesses and society implies that both sides benefit (Twingler & Afriyie, 2017). But initially, internal stakeholders of an organization, like shareholders and investors often rejected CSR programs by viewing them as a financial drainage in exchange for philanthropic gains. This was often attributed to the confusion in differentiating corporate philanthropy from the larger process

of CSR. Corporate Philanthropy is the concept of a company 'giving back' (financially) to society as part of the riches it has produced due to society's contributions. CSR encompasses but is not limited to, philanthropic efforts. Indeed, it may be argued that while charity is highly sought after and valued, it is really less significant than the other categories of social responsibility (Kakabadse, Rozuel, & Lee-Davies, 2005). This confusion was visible during the adoption of the CSR program by FORD which was delayed by decades due to this very perception of a larger sustainable responsibility towards its community (Twingler & Afriyie, 2017).

But during the COVID years, the real benefit of CSR, and its influence on the organization's stakeholders became clearly apparent. For instance, like FORD, there were multiple companies that believed in returns more than the benefit of the community it was serving. Based on the 2008 financial crisis, organizations were conscious of the necessity of CSR at the time. Yet when it was time for execution, the majority of the corporate social responsibility initiatives were canceled. Only initiatives that were part of the main business were pursued. Profit was prioritized over stakeholder values by the organizations (Basnet, 2020). However, after COVID struck the world and organizations were struggling to sustain, organizations like Walmart executed a CSR project that was beneficial to the corporation and its stakeholders. Walmart was assisting its local community through philanthropic practices and other ways since they were a key stakeholder in how the brand functioned in society. Walmart donated \$35 million to the global COVID relief and response campaign during the COVID timeframe. Walmart maintained its food donations initiative and even encouraged customers to support food banks. Walmart collaborated with and sponsored various organizations and efforts to provide disadvantaged individuals with access to food, healthcare, and technology (Basnet, 2020). Apart from working for the local community, Walmart made sure to take care of its internal stakeholders as well — its employees. Their partnership with the people who are responsible for running the corporation from below was extremely integral in executing their program effectively. Instead of layoffs, Walmart hired 300,000 new employees, with 85% of them being contractual or part-time. During that particular period, Walmart offered two special cash incentives to all its hourly staff. Walmart raised temporary wages by \$2 per hour. Employees were allowed to work from home, and leaves were waived. In addition to paid days off, the COVID leave plan was implemented, which provided quarantine pay, protected leave, and compensation, if there was a proven case of illness. Phone, in-person, and video counseling sessions were available for colleagues and health insurance was provided to cope with COVID or other concerns. But Walmart didn't implement this CSR just to help its brand image, it made sure to take care of its profits by making it easy for its external stakeholders to access its products. Walmart offered earlier eCommerce services as well as grocery pickup, delivery, and express services. To make buying easier for elders, first responders, individuals with impairments, and high-risk customers, special in-store shopping events and pick-up services were provided. The Nextdoor app, which enables neighbors to help

neighbors, was developed to assist less fortunate community members. Fair and affordable pricing was maintained, however, purchasing of specific kinds of items had to be limited to maintain inventory availability for other consumers (Basnet, 2020). This move, helped Walmart stay afloat in a period when turning profits was almost impossible.

But CSRs are only sometimes constructed to help the community and its other stakeholders in need. Sometimes, CSR programs are built to hide an organization's ills. Using CSR communication for an identity and image crisis reflects a type of defense of a business's legitimacy; nevertheless, in defending themselves, companies often end up protesting too much, making their efforts appear suspicious to consumers and thus producing the opposite effects than desired. Furthermore, entrenched interests and a lack of a solid reputation are known to impair the credibility of legitimate initiatives. CSR communication is essentially a company's persuasive attempt to build favorable consumer views of their brand image so these organizations can save themselves from bad publicity like racism, exploitation, etc., and maximize their profits (Vanhamme & Grobden, 2009).

**Conclusion:**

CSR has become an unavoidable responsibility for organizations worldwide. Unfortunately, businesses continue to conceive of CSR in broad strokes. The majority of current research and business practices are focused on CSR's capacity to function as a reaction to and solution for the adverse consequences of business ill actions and capitalism (Schneider, 2019). While companies with a lengthy history of CSR activity have earned the right to advertise their good actions without generating consumer mistrust, companies that have very recently begun a CSR program, on the other hand, have not earned that privilege. When these organizations succumb to the temptation and publicize their recently launched CSR initiatives, they often confront customer skepticism and incredulity, and, as a result, risk the company's integrity (Vanhamme & Grobden, 2009). Despite these loopholes, every organization needs CSR which acts as a bridge between stakeholders and the corporation. CSR necessitates the development of new capabilities by firms in order to integrate the additional obligations into existing management processes. Furthermore, they must position themselves in the evolving interaction processes with non-governmental organizations (NGOs), corporate and public actors, and other stakeholders through which the new duties are expressed. CSR is not only important in the commercial world. If CSR is to grow on a firm basis, it must be nurtured in the future by incorporating social concerns and expectations voiced by genuine stakeholders into the organization's day-to-day plans, policies, and activities (Nijhof, de Bruijn, & Honders, 2008). An effective CSR strategy is impossible to execute without responding to the legitimate expectations of its stakeholders. By the same token, these expectations are often answered through the betterment of the brand image of a corporation, irrespective of whether it is for general social good or for concealing exploitative

activities. When comparing identical products, consumers have been shown to reward responsible firms and buy from them, and CSR might therefore be a technique for developing a better brand image and associating the company with favorable customer attitudes, which is a source of competitive advantage and long-term profit for the company (Malmberg & Hallberger, 2014). Likewise, for a business to not crash, employee engagement is extremely integral. This is often increased through CSR. These businesses tend to attract individuals who want to make a difference in the world while supporting themselves economically. There is power in numbers in huge corporations, and collaborative employee efforts may accomplish significant outcomes, which promotes workplace morale and productivity. In conclusion, companies and consumers may use Corporate Social Responsibility to create a positive influence on local and global communities. Businesses that execute a social responsibility strategy that aligns with their beliefs and company values stand to gain in terms of consumer retention and loyalty.

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