

Doing well by doing good? How to succeed at CSR in developing economies

Review

How should you define corporate reputation? The term is much in evidence in the business pages of newspapers and magazines when, usually for some negative reason, firms are in the news as a result of their activities. In the early years of the 2000s, corporate reputations have been discussed at length as never before – in addition to the spotlight energized by the global financial crisis and subsequent downturns in economies, there have been scandals and witch hunts which have dominated the headlines. Made louder and gaudier by the megaphone effect of social media.

All of which has also drawn attention to what firms can do to deflect much of the criticism and mitigate any perceived excesses through corporate social responsibility (CSR) activities. First recognized as a fundamental part of a firm's corporate life in the 1970s and 1980s, all firms have a CSR program to some extent, with many choosing to position it at the heart of what they do. This is sometimes done naturally, sometimes it is forced and sometimes it is downright cynical – but nevertheless it is understood that CSR activities are the “right thing to do”, with many firms excelling at their responsibilities and making capital out of it as a result. Indeed, they seem to be able to enhance their corporate reputation – whatever that is.

Defining corporate reputation

Despite some people's cynicism, corporate reputation does indeed mean something to a good many people, and at face value should a good one should mean a better run company rewarded with more loyal customers and higher levels of sales. But is this actually the case? One cannot help but think there must be something to it, although one also is inclined to believe context will be a major consideration. This is where Researchers Samuel Famiyeh, Amoako Kwarteng and Samuel Ato Dadzie come in with their article “Corporate social responsibility and reputation: some empirical perspectives” (2016). As well as surveying the corporate reputation landscape, they also seek to investigate the situation in Ghana, and what the effect of CSR activities have not just on reputation, but also the efficiency and effectiveness of a firm's operations.

But first, corporate reputation. The authors provide a very comprehensive overview of what this means at least from the perspective of academics and those who study form's behaviors and activities. As such, corporate reputation can be variously defined as being related to the image, goodwill or prestige of a firm, although some would seek to differentiate image as being of the moment, whereas reputation should be considered as being built up over a period of time. As such, the definition accepted by the authors focuses on, “aggregate perceptual representation of company's past actions and future prospects, compared against some standard” (p. 261).

CSR and reputation

Similarly, CSR has a number of varying definitions, focussing on ethical behavior, work-life balance of employees, impact on local inhabitants, stakeholder interests and



general community well-being at large. While many people have argued for some or all these factors to be acknowledged by firms and have them engrained in their culture, critics have also pointed to the willingness of some firms to treat CSR as a necessary evil – a box to be ticked to keep certain quarters happy, and regarded as a barrier rather than a catalyst to improved business operations.

However, an increasing number of scholars believe, and indeed have shown, that CSR activities can in fact improve the growth and profitability of a company, and this is where Famiyeh *et al.* (2016) put CSR to the test. Unusually, they do this with Ghanaian firms operating in Ghana to explore what, if any, differences may occur for firms operating in a developing economy. As part of their study, they include a number of different proposals to test out:

- CSR initiatives have a positive effect on the quality of the firm's products and services;
- CSR initiatives have a positive effect on managerial performance;
- the quality of a firm's products and services, and of the firm's managerial performance, will in turn have a positive effect on a firm's sales and market share indicators; and
- as a result of the above, CSR initiatives can be said to have a positive effect on a firm's sales and market share indicators.

Is CSR the answer?

Using surveys and robust statistical methodology, the authors worked through a large amount of data to uncover some answers to the questions they had posed. When the results were in, they found that when CSR activities are integrated into a firm's culture, then managerial performance as well as product and service quality is indeed enhanced. Furthermore, this enhancement is to a significant degree, and could not be argued away as merely coincidence.

Moving on to the next propositions, the authors also found that improved corporate reputation also led to improved bottom lines and market shares. This may be very much expected, but nevertheless starts to paint a very clear picture for firms' corporate strategists around whether or not to integrate CSR activities as part of a growth plan rather than something that has to be done as a compliance issue or something similar.

Finally, the finally part of the golden thread was confirmed by the research, and CSR initiatives did overall have a positive effect on firm's key performance measures. Therefore, as the authors note, not only do CSR initiatives improve a firm's performance, any investment required to fund them proves to be very much worthwhile on behalf of Ghanaian firms' owners and operators. As Famiyeh *et al.* (2016) themselves note, it is vital for the managers of firms in this position to identify and promote CSR opportunities for their firm, particularly where the company's corporate reputation may be enhanced by increased activity.

Comment

The article "Corporate social responsibility and reputation: some empirical perspectives" by Famiyeh *et al.* (2016) is able to remove any doubt, should any exist, of the value of CSR activities, especially for firms operating in emerging economies. Unlike many academic texts, there is a clear path laid out for managers to pursue

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3,1 CSR opportunities in the full knowledge that they should improve their firm's reputation, which will in turn enhance the environment for stakeholders and shareholders alike.

Simon Linacre

64

Reference

Famiyeh, S., Kwarteng, A. and Ato Dadzie, S. (2016), "Corporate social responsibility and reputation: some empirical perspectives", *Journal of Global Responsibility*, Vol. 7 No. 2, pp. 258-274.