

Performance Analysis of Manufacturing Organizations on Corporate Social Responsibilities in Sustainable Future of Kerala

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Abstract

Corporate Social Responsibility (CSR) is being the corporate philanthropy and business ethics together adding value globally in terms of responsible and sustainable business culture. CSR plays major role in the corporate philanthropy of giving back to the concerned society and it shows every corporate's ethical behavior towards society and public. In the course of recent decades, the manner by which organizations direct their business has changed significantly. Also, organizations can't right now receive untrustworthy strategic approaches, such as natural contamination, unjustifiable work practices, well-being concerns, and without presenting themselves to a negative response from their business sectors and from society all in all. Organizations are progressively attempted CSR exercises to more readily adjust their inside procedures to their financial, social and natural objectives, to complete successful development activities, and to draw in clients and workers.

Major focus of this research paper is on the Performance assessment of the CSR parameters of corporates by undertaking core competitive factors with respect to stakeholders, customers and suppliers and integrating those elements to CSR activity implementations and practices which in turn results in social commitment as well as prosperity of corporates in terms of fame and profits and also for sustainable management performance goals. The methodology implemented here is the data collection via survey forms and statistical analysis practices outputs from IBM SPSS tool to undergo the assessment process. Also the selected sector undergoes 25 manufacturing organizations from Kerala region to study the impact of manufacturing sector response towards CSR performances and practices.

Nowadays CSR holds to be a healthy element of corporate's and thus providing philanthropic practices to the society with a good percentage of profits and compulsory auditing and motivations are carried out through managerial decisions. Managerial motivated decisions are relevant in the manufacturing organizations in Kerala also public well-being concerns takes into the integration of all CSR practices.

Keywords: Philanthropy, Sustainable business, Stakeholders, Statistical analysis

1. Introduction

The corporate sector across the globe is coming to terms with its new role, to meet the needs of the present generation without compromising the ability of the next generation. Businesses are slowly but surely assuming responsibilities for the ways their operations impact society and the natural environment. The aim of all business is to improve the quality of life and build leadership that will generate a sense of trust among people. CSR represents the human face of the highly competitive world of commerce. Perception of this human face is a vital and necessary part of society's willingness to accept the significant and sometimes difficult changes brought about by elements of globalization. If international companies set policies, however well intentioned, from remote corporate headquarters without also fostering partnerships and local involvement in the communities in which they do business, they are likely to fuel feelings of alienation and suspicion. Business today simply cannot afford such alienation since those very communities are vital to a company's continued commercial success. Business needs a stable social environment that provides a predictable climate for investment and trade. CSR is the means by which business contributes to that stability rather than detracting from it. By establishing and maintaining a corporate agenda which recognizes social priorities and is tailored to meet them, business displays its human face to consumers, communities and opinion leaders.

Globalization is often portrayed as a new era, bringing changes that are as momentous as those of the Industrial Revolution there has been a marked shift in the nature of CSR with the advent of globalization. Writers such as Wood et al (1991), Crane and Matten (2004) tie corporate social responsibility to the social, political and environmental challenges of globalization. This is because globalization is associated, on the one hand with a limited set of global governance mechanisms and weakened national governments, and on the other, with unprecedented private sector, wealth, power and impact. CSR has thus become an important means of addressing the fundamental problem with contemporary globalization (Stiglitz, 1984) – a system of global governance without global government. Despite numerous efforts to bring about a clear and unbiased definition of CSR, there is still some confusion as to how CSR should be defined. The definitions of CSR have evolved over the years. Earlier it was referred to the responsibilities of businesses over and above the economic and legal obligations (Carroll, 1979; Waddock, 1997). CSR was associated with voluntary and philanthropic acts undertaken by business organizations in order to alleviate social ills. CSR is now increasingly seen as achieving commercial success in a way that honors ethical values and respect people, communities and the natural environment. This implies that businesses minimize any negative social and environmental impact and maximize the positive ones.

This field has now grown considerably and contains a great proliferation of theories and approaches. Recently renewed interest for corporate social responsibilities and new alternative concepts has been proposed including corporate citizenship and corporate sustainability. These new concepts are being compared with the classic notion of CSR. Also, some of the theories combine different approaches and use the same terminology with different meanings. It has been said that CSR means something, but not always the same thing to everybody. "To some, it conveys the idea of legal responsibility or liability; to others, it means socially responsible behavior, many equate it with charitable contribution, some take it to mean socially conscious; many of those who embrace it more passionately see it as a mere synonym for legitimacy in the context of being proper or valid; a few see it as a fiduciary duty imposing higher standard of behavior on businessmen than on the citizens at large" (Votaw, 1972). The situation now is no better. The growing interest in 'CSR' and 'sustainable development' can be attributed to the growing size of businesses and the corresponding shrinking role of governments. With the advent of scientific inventions

and the dominance of democratic forms of governance in most parts of the world and the exponential growth of the middle class all over the world, the expectations from corporate houses have increased manifold. The concept of CSR emerged from the sense of responsibility among polluting industries such as oil, chemicals, tobacco and mining. CSR today is thriving, with full time managers, websites, newsletters and professional associations. The annual report of almost every major company has several pages devoted to the social goals and community activities undertaken by it. Although economic considerations constitute the main driving factor in any business activity, there is a growing resistance against the conventional view that business is chiefly meant for improving the economic condition of an individual or a group of individuals. The concept of CSR is qualitatively different from the traditional concept of philanthropy. As Indian companies grow global, in many corporate houses, ownership is becoming distinct from management. This coupled with other socio- economic pressures has resulted in a shift from corporate philanthropy to corporate social investment.

This study gains its importance from the increasingly strategic business weight and attention paid to Corporate Social Responsibility, which allows business to be more sustainable, and enables it to give something back to societies they are placed in, and make efforts to create social, economic and environmental innovation. It may provide a framework for companies to evaluate their CSR activities. The companies included in the study represent the top CSR funding companies of the Kerala economy and the role of these companies in shaping the economic, social and environmental future of the country is very significant. The mainstreaming of CSR activities is catching up in Kerala too now. Businesses have realized that consumers are willing to pay more to a company that acts on ideals. Increasingly, it is not enough to be just perceived as a company that does no harm. Today, companies need to be seen as institutions that also does good.

2. LITERATURE REVIEW

Corporate Social Responsibility (CSR) is created to become socially accountable amidst the organizations' objectives of maximizing benefits with their consequent actions and the need of being responsible to society and environment. Although CSR has been and is a very subjective concept, it has been a subject of extensive research and arguments over the last few decades (Jamali, 2008).

With increasing competitiveness for business today, performance depends on a firm's ability to manage intangible assets, i.e., corporate identity (CI) (Gambetti, Melewar, & Martin, 2017). Moreover, managers are required to behave ethically and in a socially responsible manner through fair competition, environmental friendly and sustainability, and sound employment practices (David, Kline, & Dai, 2005) and to abide by normative rules. This may have resulted from recent corporate scandals, attracting researcher and practitioner attention to business ethics. Furthermore, proper government regulation, enhanced media vigilance and stakeholder pressures have put ethics and corporate social responsibility (CSR) on strategic agendas everywhere (Sweetin, Knowles, Summey, & McQueen, 2013).

Recently, Lindgreen et al.'s (2009) framework for leveraging CSR in brand-building activities has been one of many variants, but is limited by being applied to corporate brands; not every business has, plans to have, wants or even needs a corporate brand (Kitchen, Tourky, Dean, & Shaalan, 2013), which limits its generalizability. Moreover, Lindgreen et al.'s study focuses on a few corporate brand elements (i.e., brand architecture, values and type of industry) and does not clearly relate CI capabilities to a supportive firm-level CSR implementation process. In particular, the role of cultural and behavioral dimensions in the organizational adoption of CSR is still under-researched and insights about the interface between CSR

and CI may improve our understanding of the processes that firms use to implement CSR as suggested in the literature (Lindgreen et al., 2016; Polonsky & Jevons, 2009; Vallaster et al., 2012).

Marwa Tourkya, Philip Kitchenc, d, Ahmed Shaalane [1] discusses the corporate identity in implementation of CSR and how this relate each other in CSR practices. The methodology undergone is data collection through interview sessions with managerial level interactions integrating with CSR key level factors and Corporate Identity (CI) dimensional factors. Concluding the findings of the paper as CI-CSR relationship findings by taking considerations of employee as well as managerial perspectives of CI and CSR.

Katarina Moravcikova, L'ubica Stefanikova, Martina Rypakova [4] describes CSR reporting as an important tool in CSR communication. Here the core focus is on the social impacts of CSR communication and how transparently organizations should do CSR reporting and proceedings. Also different aspects of CSR reporting are also discussed in global accepted ways.

Manuela Weber [7] undergone study of company level measurement approach for CSR which deals with several factors of CSR business practices, relation between CSR and financial performance, business benefits from CSR, CSR impact assessment proceedings, key performance indicators (KPI's) development and measurement. Totality of this paper gives the idea of measuring company specific value of CSR activities giving future scope of integrating CSR impact assessment to strategic management of organizations to support financial performance improvement.

3. RESEARCH METHODOLOGY

The problem of this study is the relationship between stakeholder interests, corporate social responsibility and financial and non-financial performance. Specifically, the study sought to understand the inter-linkages among corporate social responsibility towards various stakeholders, the impact of CSR on firm performance, the impact of size of the firm, shareholding pattern and number of employees on CSR, the motivations for companies to engage in CSR and the impact of CSR on various business operations.

The purpose of the study is to examine the significant influences of stakeholders' corporate social responsibility on the firm performance. This study looks at CSR activities towards some of the primary stakeholders namely, employees, customers and suppliers, community and environment.

Here are the research objectives:

- [1]. To study the impact of Corporate Social Responsibility on firm performance as measured by impact parameters.
- [2]. To study the relationships among CSR factors and CSR towards overall society impact parameters.
- [3]. To identify the factors that motivates companies to engage in CSR
- [4]. To examine the perceptions of managers towards CSR.
- [5]. To evaluate overall social impact of CSR activities distribution.

Theories are detailed in sets of two, in particular the Null theory and the Alternate speculation or research theory. The invalid theory keeps up the supposition that there is no connection between the variables being tried. The substitute speculation expects that there is a noteworthy connection between the components managed.

Based on the above objectives the following hypothesis was formulated:

H0 : There is no relation between Aggregate CSR and Impact Factors of CSR.

H1 : There is healthy relation between Aggregate CSR Factors and Impact Factors of CSR.

4. DATA ANALYSIS AND FINDINGS

The results of the study are intended to describe empirically the CSR practices among Kerala based manufacturing organizations on the CSR practices towards various stakeholders and their associations between them. To conduct the statistical analyses and test the formulated hypotheses SPSS software was used.

1. RELIABILITY TEST FOR QUESTIONNAIRE VALIDATION

Cronbach's alpha is a reliability test is a measure of internal consistency and considered to be a measure of scale of reliability. The reliability of an instrument is the measure of consistency. The less variation an instrument produces in repeated measurements of an attribute, the higher is its reliability. The Cronbach's Coefficient alpha can be applied to measure the consistency of the questionnaire. This method is used to measure the reliability of the questionnaire between each field and the mean of the whole fields of the questionnaire. The normal range of Cronbach's Coefficient alpha is between 0.00 and +1.00 The higher the value, the greater the consistency among the measures.

The table below shows the Cronbach's alpha of the CSR measures. The results show that the questionnaire was reliable.

Table 4.1 : The results of Cronbach's Alpha reliability analysis for each factor

SL. NO	CSR MEASURES	NO.OF ITEMS	CRONBACH'S ALPHA VALUE
1	Employee CSR	10	0.823
2	Customer & Supplier CSR	5	0.741
3	Community CSR	9	0.762
4	Environment CSR	8	0.898
5	Managerial Perceptions of CSR	17	0.848
6	Motivations for CSR	8	0.872
7	CSR Performance	9	0.892

The table above shows the Cronbach's alpha of the CSR measures. The results show that the questionnaire was reliable, because the value of Cronbach's alpha obtained for all the factors are greater than the standard value of 0.7.

2. CONFIRMATORY FACTOR ANALYSIS

Confirmatory Factor Analysis (CFA) is usually employed to categorize a given number of constructs in to factors based on their factor loadings. It is used to test whether a group of preformed factor constructs are consistent with their factor loadings. In this research, Factor Analysis was performed to check whether the preformed 7 factors show factor loading consistency. Constructs with factor loadings greater than or equal to 0.5 have been accepted.

Kaiser-Meyer-Olkin test was used to check the adequacy of the sample. It indicates the proportion of variance in the sample taken. High values (greater than 0.5) indicates that the factor analysis might be useful with the data. In addition, Bartlett's Test of sphericity was used to investigate whether the variables are related or not. A small value (less than 0.05) indicates that the factor analysis might be useful.

Table 4.2: KMO barteltt's value for each factor

SL. NO	CSR MEASURES	NO.OF ITEMS	KMO BARTLETTSVALUE
1	Employee CSR	8	0.767
2	Customer & Supplier CSR	4	0.634
3	Community CSR	6	0.657
4	Environment CSR	8	0.601
5	Managerial perceptions of CSR	9	0.617
6	Motivations of CSR	7	0.547
7	CSR Performance	8	0.713

3. MULTIPLE REGRESSION ANALYSIS (MRA)

Multiple Regression Analysis (MRA) is really used to statistically assess the relationship of a dependent variable with two or more independent variables. In this assessment, the independent variables are the six factors coming under CSR and the dependent variable is CSR impact. MRA finds the relationship and assess the extent to which the variables are related with the help of significance values and coefficient.

Testing of hypothesis

H01: There is no relation between Aggregate CSR and Impact Factors of CSR.

H1 : There is healthy relation between Aggregate CSR Factors and Impact Factors of CSR.

Prior to precede to Multiple Regression analysis the checklists are mainly P-P plot and standard scalar residual plot, after satisfying these plots can be proceeded to MRA.

Figure: Hypothesis Normal P-P Plot

In statistics, a P-P plot (probability–probability plot or P value plot) is a probability plot for valuing how nearly two data sets agree, which plots the two cumulative distribution functions against each other. P-P plots are vastly used to assess the skewness of a distribution. The normal probability plot is a graphical technique for assessing whether or not a data set is approximately normally distributed. The data are plotted against a theoretical normal distribution in such a way that the points should form an approximate straight line. Departures from this straight line indicate departures from normality. The normal probability plot is a special case of the probability plot.

P-P Plot plots only a minimum deviation from the cross line of graph. This indicates normality to a better extent.

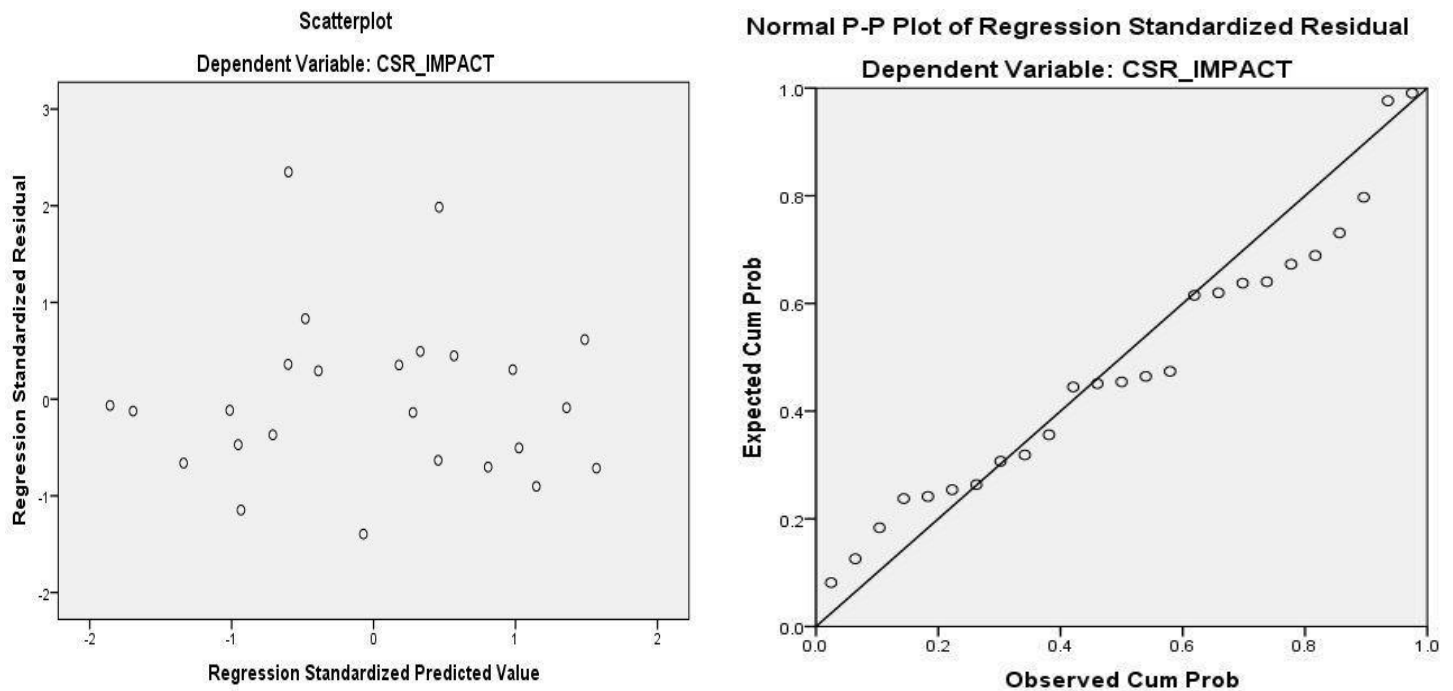


Figure 1: Hypothesis Standard Residual Plot

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.456	6	1.076	58.767	.000 ^b
	Residual	.330	18	.018		
	Total	6.786	24			

a. Dependent Variable: CSR_IMPACT

b. Predictors: (Constant), COMMUNITY, CSRIMPACTMODULES, CUSTOMERANDSUPPLIERS, ENVIRONMENT, MOTIVATIONALFACTORS, EMPLOYEERELATED

Table 4.3: Coefficient summary of Hypothesis

		Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.885	.335		2.638	.017	.180	1.589
	MOTIVATIONALFACTORS	.308	.045	.455	6.799	.000	.213	.403
	ENVIRONMENT	.105	.049	.142	2.150	.045	.002	.208
	CUSTOMERANDSUPPLIERS	.009	.036	.014	.245	.809	-.068	.085
	EMPLOYEERELATED	-.069	.066	-.076	-1.047	.309	-.208	.070
	CSRIMPACTMODULES	.446	.048	.586	9.214	.000	.344	.547
	COMMUNITY	-.074	.062	-.087	-1.193	.248	-.205	.056

a. Dependent Variable: CSR_IMPACT

The Durbin-Watson index is 1.952, which lies within the range of 1.50-2.50, indicates that there was no auto correlation problem in the data.

According to Cohen (1988), R² value between 1.0 and 5.9 percent is considered as small, between 5.9 and 13.8 percent is medium, and above 13.8 percent is large. From table 4.3.1, it can be observed that coefficient of determination (R²) was 0.951, representing that 95.1 percent of performance can be explained by the 6 independent variables. From Table 4.3.3, it is clear that the significance level for each of the factors, especially Motivational factors, Environment Factor, CSR impact modules, shows less than 0.05 significance values which indicates strongly influencing factors of the dependent variable “CSR PERFORMANCE”. All except these 3 factors supports the null hypothesis. So here hypothesis is equally accepted.

5. RESULTS AND CONCLUSION

The global aspects of CSR undertaking policies are not well adopted and implemented under organizational policies. As per the responses from leading manufacturing organizations around Kerala region, managerial interests gives fuel to undertake CSR activities to the beneficiaries of society directly or else through the help of NGOs around the state. This research concluded as inclusive survey of data collection from organizations by the respective respondents from directorial board officials and managerial officials.

Here are the major conclusions from the research:

- Personal interests of board of directors being the main motivating factor for undertaking CSR activities and funding allocation for betterment of organization as well as for good publicity regarding marketing strategy.
- Respondents also admitted that giving back something to the society is also a motivating factor for undertaking CSR activities.
- Organizations have a skeletal staff for CSR related activities or in most cases the HR manager also manages the CSR activities, so that lack of commitment and lack of CSR activities are happening.

- Managers understand that CSR activities make a part and movement of good governance and also feel that partnering with NGOs and experts are necessary for fruitful implementation of CSR activities.

Reliability analysis was completed to check the reliability and measure of the questionnaire used. As shown in table 4.1, Cronbach's alpha reliability test revealed a value of more than 0.7 in all the cases, indicating a good level of reliability. Factor loading analysis was conducted and for KMO and Bartlett's test which is used to check for usefulness of the data, before proceeding with the factor analysis. The principal component loadings were analyzed and a total of 4 constructs were eliminated after the factor analysis due to their poor factor loadings (lesser than 0.5). The rest of the constructs were grouped on the basis of their nature. Multiple Regression Analysis (MRA) was conducted to assess the relation between dependent variable "CSR PERFORMANCE" with 6 other independent variables. From the results it is clear that the significance level for each of the factors, especially motivational factors, environment factor and CSR impact modules, shows less than 0.05 significance values which indicates strongly influencing factors of the dependent variable "CSR PERFORMANCE". All except these 3 factors supports the null hypothesis. So here hypothesis is equally accepted.

6. LIMITATIONS AND SCOPE FOR FURTHER RESEARCH

This research study undergone manufacturing organizations in Kerala region only so that study proceeded through some major large scale manufacturing organizations and hence the sample size for the research seems smaller (N=25). Also major limitation was the response from the managerial side was not enough since manufacturing industries doesn't do that much of CSR activities to the society but they do much more of employee welfare activities.

Further research opportunity lies in organizations other than manufacturing sector and it should be explored so as to reach out much more wide range of data collection especially in the field of banking and finance sector since those organizations have more financial and public interactive marketing strategies to increase their publicity through CSR activities. Future scope also lies in focusing on socially responsible investment firms which connects personal values and societal concerns to investment decision making.

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