Necessity and Importance of Corporate Social Responsibility

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Abstract: It is important to assess corporate social responsibility (CSR) from different perspectives. The decisions of managers may have significant impacts on different aspects of society. Therefore, it could be essential to measure the attention of managers to their social responsibilities when making a decision; an ineffective, unreasonable decision that disregards social impacts may impose irreparable harm to society. This study sought to evaluate factors that affect CSR, e.g., social capital and stakeholders, and factors that are affected by CSR, e.g., employee performance and customer loyalty. Data were collected through a review of the literature, including books and papers.

Keywords: Corporate social responsibility, Stakeholders, Organizational commitment, Social capital, Customer loyalty

Introduction

The current era is known as the "management era" since a manager's decisions could impact all institutions in society, sooner or later, in a hierarchical process. As such, managers' and organizations' lack of attention to their social responsibilities has greatly interested academics and stakeholders in recent years. This is particularly important in Iran due to its need for economic and industrial development. Based on the assumption that the ultimate goal of humans' economic activities and efforts is to protect and enhance human dignity, corporate social responsibility (CSR) has become a dominant paradigm in the organizational management literature in the past decade. That is why large international corporations see social responsibility as a part of their strategies. This concept is currently pursued by actors in developed countries and open economies, such as governments, corporations, civil society, international organizations, and academic centers [1].

In the mid-20th century, CSR was proposed by American business management scholars, such as Peter Drucker, and then became a major concern in management, marketing, and investment of many academic, political, and economic circles in both developed and developing countries [2, 3]. The emergence of social responsibility has often been a response to evolutions and challenges such as globalization. Today, CSR not only accounts for an important portion of the management literature and culture but also involves academic debates, professional communities, non-governmental organizations (NGOs), consumers, employees, suppliers, shareholders, and investors [4, 5]. CSR is a new subject in the management literature and has been considered by investors, analysts, managers, and researchers in different aspects. Today, shareholders tend to invest in corporations that effectively fulfill social responsibilities. CSR proposes practices that are implemented by organizations in their business environments to meet society's demands and commercial, legal, ethical, and social expectations. Organizations carry major social, economic, and environmental responsibilities toward employees, shareholders, clients, the government, suppliers, and stakeholders. Indeed, when individuals, groups, organizations, and institutions are responsible and attempt to tackle them in the realm, many challenges are handled, leading to a sound, peaceful society. In other words, the performance of an organization influences society. Consequently, organizations should occasionally implement actions that align with societal values. Organizations that fail to take such actions will not be able to succeed. In other words, organizations should pay sufficient attention to social responsibility to maintain or improve their positions in society and survive in the business world [6].
While increased productivity and profitability constitute the primary objective of most organizations, they need to respond effectively to societal norms and ethical perceptions and incorporate these into their operations. If so, they may reach even loftier goals. CSR goes beyond the legal compliance of organizations [7].

**Necessity and importance of CSR**

The idea that an organization should merely seek profitability has changed at the global level. Organizations should not only pursue interests, profitability, and materialistic survival. They should also take into account other dimensions and contribute to the protection and enhancement of society as a part of the social structure. This can lead to a better and more beautiful world, as humans deserve a better world. In general, the key drivers of CSR include:

- A tendency to be globalized
- Clarification of activities
- Tendency of employees to participate in corporate businesses
- Political and legal barriers
- The tendency of consumers to consume eco-friendly products
- Employee pressure to enhance corporate responsibility
- Disclosure by media
- Citizenship rights
- Substantial population growth [6]

The present study proposes the following hypotheses:

- Social capital, organizational commitment, and CSR are significantly related.
- CSR impacts innovation.
- Stakeholder management impacts CSR.
- CSR impacts customer satisfaction and loyalty.

**Literature review**

**CSR definition**

There is no unanimous consensus regarding the definition of CSR. The World Summit on Sustainable Development (2001) defined CSR as “the continuing commitment by businesses to 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.” Hence, the main idea of CSR is that corporations are committed to meeting the demands of a wide array of stakeholders. More officially, CSR is a set of management activities that ensures the maximization of the positive impacts of corporate operations on society. Alternatively, it comprises a set of operations such that the rules, ethics, trade, and public expectations of the business are met or mostly fulfilled [8].

In a more general definition, CSR is the way in which institutions integrate economic, social, and environmental approaches with their values, culture, strategies, decision-making structure, and practices in a transparent and auditable manner and, therefore, implement better processes and trends in their organization, creating wealth and improving society. Today, CSR is a widely accepted concept whose definition includes safety, product, honest advertising, employee rights, environmental sustainability, ethical behavior, and global responsibilities. It encompasses a wide range of stakeholders, e.g., employees, customers, societies, the environment, competitors, business partners, investors, shareholders, and governments.
CSR refers to the consistency and unity of organizational activities and values such that the benefits of all stakeholders, including shareholders, customers, employees, investors, and society, are reflected in the policies and performance of the organization. That is to say, an organization should consider itself an integral part of the community it serves and act responsibly, prioritizing the common good over its direct corporate benefits. The various definitions of CSR have commonalities, including:

1) Meeting the requirements of stakeholders without harming the ability of the future generations to meet their requirements;
2) Adoption of CSR on a voluntary basis rather than a legal obligation since it would be beneficial to the organization in the long run;
3) Integration of social, environmental, and economic policies in daily activities;
4) Adoption of CSR as a core activity in the management strategy of the organization [9].

**CSR concept**

CSR primarily proposes an ethical governance framework for organizations to improve society and avoid activities that worsen society. CSR relates to behaviors and decisions that are based on accepted social values. Organizations should allocate financial resources to social welfare improvement in ways that are acceptable to the majority of society. It may also relate to how the organization handles different challenges, e.g., environmental pollution, poverty, discrimination, and inflation [9].

**CSR as defined by scholars**

According to Wentzel (1991), CSR is about respecting others' rights, inter-individual competition, and ethical development, and it is directly related to learning. She argued that CSR involves having a sense of independent decision-making, creativity, and thinking, which is the opposite of obedience and submissiveness. Castka and Balzarova (2007) held that CSR is a continued commitment to behaving ethically to improve the quality of life of people and their families, as well as the local community and society at large. In general, it can be said that CSR is a set of social skills gained in the learning process, and individuals make choices under social norms and rules to establish positive human relationships, enhance interactions, succeed, and gain satisfaction.

**CSR dimensions**

Carroll's pyramid of CSR includes four dimensions: economic, legal, ethical, and philanthropic.

**Economic responsibility:** Today, economic responsibility is the fundamental dimension of CSR for organizations since it encompasses all the economic practices of organizations. Profitability is in fact the primary responsibility of an economic institution. An organization that earns sufficient profits and ensures its survival can fulfill its other responsibilities. Additionally, providing returns on the investments of stakeholders and safeguarding their stock values on the stock exchange market are elements of economic responsibility. Friel et al. (2003) argued that economic responsibility impacts organizations by affecting profits and the stock values of stakeholders, employees, suppliers, and competitors.

**Legal responsibility:** In legal responsibility, organizations are responsible for complying with public rules and regulations. Society determines such rules, and organizations are required to respect these rules as a social value. The legal dimension of CSR is also known as social obligation. Sanches (2006) held that legal responsibility is the sustainability of social responsibility toward consumers, employees, law compliance, and competition rules.

**Ethical responsibility:** Ethical responsibility is the third dimension of CSR. Organizations are expected to respect public values, norms, and beliefs and be ethical in their practices, as with other society members. In other words, ethical responsibility refers to aspects beyond laws and regulations that are valuable to society.
Carroll (2008) differentiated between ethical norms within economic activities and ethical responsibility. He believed that ethical norms are associated with justice and impartiality in organizational activities, whereas ethical responsibility encompasses items that are not explicitly mentioned in laws and only appear as society's expectations of the organization.

**Philanthropic responsibility**: Philanthropic activities of businesses existed long before the emergence of the CSR literature. Philanthropic activities of organizations were mostly strategic before 1990; they were assumed to be a strategy to achieve the economic goals of organizations. However, although philanthropic activities and social investments are constituents of CSR, they are not bound by ethical obligations. In other words, the lack of philanthropic activities and social investments would not be a violation of CSR.

**CSR components**

CSR components are classified into economic, social, and environmental groups. CSR can be measured in three aspects: benefits of shareholders and employees, benefits of society and the public, and environmental considerations. Benefits for shareholders and employees involve financial performance enhancement, operational cost reduction, reputation enhancement, sales and customer trust enhancement, productivity and quality enhancement, reduction of the need for new regulations, capital accessibility, product safety improvement, and the reduction of the need for new guarantees. Benefits for society and the public include participation in public works, employees' voluntary plans, involvement in public education, employment and plans to help unhoused people, and product safety and quality. Environmental considerations include maximized recycling, lengthened product durability and lifecycle, improved consumption of renewable materials, and the deployment of environmental management tools in business schemes, including lifecycle, cost assessment, and environmental management standards as CSR indicators of companies.

**Perspectives on CSR**

Classical perspective: The classical perspective is based on the first stage of CSR history. In this perspective, the primary goal of an economic institution is to maximize profits and long-term benefits. In other words, organizations should seek profitability and are not to directly pursue social goals. This perspective is criticized since it merely considers profits and may lead to negligence of ethical considerations and human values (e.g., affection, justice, and generosity). Other scholars, however, believe that organizations will end in self-destruction and monopoly if they are permitted to engage in any activity without restrictions.

Responsibility perspective: This perspective holds that managers should be responsible for specific groups that impact the organization or could impact the interests and goals of the organization [10]. These groups include shareholders, customers, governmental organizations, competitors, labor associations, raw material employees, and creditors.

General perspective: The general perspective refers to economic institutions as partners of the government and other institutions of society, holding that organizations should cope with society's challenges and improve the quality of life.

**Reasons for advocating social participation**

The reasons for advocating social participation include (1) changed public demands and expectations, (2) ethical obligation, (3) maintenance of limited benefits, (4) a better social environment, (5) maintenance of long-term benefits, (6) avoiding governmental rule and regulation extensions, (7) a balance between responsibility and authority, (8) systematic inter-dependence, (9) contribution to handling social challenges, (10) improving the public face, (11) attracting valuable resources of organizations, and (12) prevention over cure.

**Reasons for opposing CSR**

The reasons for opposing CSR include (1) the necessity of profit maximization, (2) commitment to organizational goals, (3) social participation costs, (4) lowered international payment levels, (5) sufficient authority in organizations, (6) lack of social skills, (7) lack of payback, and (8) organizations' inability to choose ethical options (Alvani and Ghasemi, 1998).
Peter Drucker’s CSR perspective

Drucker believed that organizations are more social than economic phenomena, and work links this human community. Hence, management is associated with the nature of humans, good versus bad, and beautiful versus ugly. He held that adding to service productivity is the primary social responsibility. Drucker suggested that managers are responsible for producing a desirable outcome. However, as stakeholders’ expectations of the organization have led to new expectations, the meaning of a desirable outcome has also changed. Drucker warned that it would be irresponsible to accept uneconomic social responsibility. The adoption of such responsibilities would be romantic and only lead to increased risks [11]. An institution is a part of society and has groups of people with a specific service in a social space/position. However, the social contributions of an institution are indeed beyond its explicitly defined contributions. For example, the goal of a hospital is not to hire cooks and doctors, but hospitals hire such employees to offer healthcare services to society. Likewise, a ferroalloy factory is intended to fabricate high-performance and high-quality alloys for customers rather than making noise and emitting toxic gases. However, side effects are inevitable among the wide range of outcomes, and this is the origin of some of society’s disorders [11].

At the same time, every institution is influenced by social challenges because it operates in and is a part of society. These challenges are among the concerns of such an institution, even if society and the public may have different ideas. A sound business, university, or hospital cannot exist in a sick society. Therefore, the activities of an institution in society have latent side effects, and the organization is reciprocally subject to the side effects of how others behave. People’s responsibility for their behavior and its impacts is the first rule of social life. Publicly offensive actions that result in a problem are viewed by society as a violation of its character and existence, and violators will be required to pay substantial restitution.

Drucker said: "In the late 1940s and early 1950s, Ford tried to attract public attention to safety. They offered seat belts in their cars, but their sales dramatically declined. Ford had to take back cars equipped with seat belts and gave up this idea. Fifteen years later, however, American drivers began considering safety, and car manufacturers were heavily criticized for safety and death trade. As a result, regulations of the same strictness were passed to require automotive companies to protect people’s lives.” Thus, the first responsibility of managers is to promptly and realistically identify social consequences without becoming emotional. The question is not “Is what's done the right thing?” The question is, “Is what's done the thing that society and customers demand?” Drucker argued that the first step to coping with social consequences is identifying them. He recommended minimization and preferably elimination of consequences imposed on society, the economy, and groups of people; if elimination is impossible, managers should implement well-organized measures to handle or minimize these consequences while maintaining the main activity. In many cases, eliminating a destructive impact raises the costs, such as the secondary consequences of knowledge creation imposed on the public since it transforms into creation costs. Hence, it appears as a drawback and a competitive weakness unless all industry practitioners accept it as a rule and pass relevant binding regulations.

Although “No rules is the best rule” is the traditional viewpoint, rules are beneficial to organizations, particularly accountable organizations when the elimination of a consequence requires a constraint. However, the development of rules imposes new obligations on organizations by bringing an optimal balance in the form of a bilateral compromise and trade-off, i.e., public ideas concerning the problem and offering the best solution based on the new social rules and responsibilities, regardless of their origins. This may include how the business is organized, expanded, and managed. Drucker stated that a manager who uses his/her position at the top of an institution to become a public figure and a social leader but harms the organization by his/her negligence is not a statesman; rather, s/he lacks any sort of responsibility and is only a deceiver pretending to be a social reformist. Drucker held that non-economic and non-profit institutions are social capital, and society relies on the performance of such institutions. It is by far more pleasant when these institutions have a progressive attitude since their managers are not paid to become media heroes; they are paid for their performance and fulfillment of their responsibilities. On the other hand, Drucker assumed that the absence of social responsibility was irresponsible and cruel, predicting that it would lead to despair. Drucker pathologically proposes two views:
- The authority of managers is the end of humanity and surrender to temptation. Leaders, kings, princes, priests, commanders, intellectuals, and even Chinese traditional scholars believed that business could not be done with ethics.

- Ethical individuals are ascetic and stay away from social activities to avoid sins. As a result, hardly can an ethical social activist be found.

In Drucker's view, this is the difference between managers and leaders; managers are often professional experts, and millions of them may be identified worldwide, whereas leaders are rare. Hence, leaders are ethical and sometimes expert social activists whose presence ensures continued adherence to social responsibility [11].

Carroll's perspective on CSR

Carroll argued that CSR has different layers, i.e., economic, ethical, legal, and philanthropic, and leaders should choose which layer to work in. In a more realistic perspective based on a management framework, Carroll stated that a company accountable to society should do its best to be profitable, law-abiding, ethical, and good as a citizen. He also stated that there is a natural proportion between the idea of accountability to society and to stakeholders within an organization. He discussed shareholder theory, arguing that the term "social" in CSR is considered ambiguous by some scholars and does not explicitly emphasize a company's accountability to society. He believed that Friedman's "shareholder" concept, which describes specific personal and group aspects and personalizes human and social responsibilities, must be built on for the orientation of CSR activities.

CSR and organizational commitment

Research has shown that higher organizational commitment in employees is accompanied by a higher willingness to obtain awareness of CSR. Higher organizational commitment also increases the positivity of employees' mental image of CSR and successful organizations. Indeed, the successful fulfillment of CSR directly impacts customers' mental image of the company and its socioeconomic value, and employees show a higher tendency to benefit from such values as stakeholders of the organization [12].

Employees with higher organizational commitment are concerned about the organization's mental image in the external environment, particularly in comparison to the organization's rivals. Therefore, they pay more attention to factors that diminish the mental image of the organization and attempt to minimize or eliminate such factors. Higher awareness could be obtained through using the organization's internal resources, speaking with the organization's top managers, reviewing the organization's goals and policies, or reviewing external resources such as other organizations, websites, magazines, newspapers, books, and online search engines. Employees with higher organizational commitment would be more responsible for fulfilling CSR and teaching and recommending CSR to other employees. These employees are more willing to offer new ideas and create new solutions to fulfill CSR in their positions more effectively. This, in turn, improves the company's CSR in the long run. The aforementioned refers to the attitudinal and mental dimensions of CSR in companies influenced by the organizational commitment of employees [12].

From an individual performance perspective, research has shown a direct relationship between organizational commitment and their behavior toward their colleagues, contractors, and other stakeholders of the company, such as shareholders and owners. In other words, high organizational commitment improves employees' attitudes toward CSR and influences their performance to ensure the satisfaction of different stakeholders. Employees in human resource and financial departments with higher organizational commitment pay more attention to the selection and recruitment of new employees, maintenance and enhancement of the current employees' motivation, and effective and fair assessments of the current staff. Likewise, they are more attentive to the promotion of employees, working hours of employees, calculation and prompt payments of salaries, deployment of an efficient incentive system, consideration of hardship allowance, employee safety and health, insurance and welfare services, and other human resource-related aspects, and, finally, employees as stakeholders. Higher organizational commitment in all the departments of the company, e.g., design, production, and sales departments that have higher direct interactions with customers, leads to higher efforts to satisfy customers as other stakeholders of the company. Improved work processes, such as design and production of higher-quality products or services,
adherence to technical standards, fair pricing, provision of information about products and services to customers, timely delivery of products and services, better and higher teaching and after-sales services, and increased accountability, are influenced by job satisfaction and organizational commitment, leading to higher customer satisfaction [12].

**CSR and innovation**

Isabel et al. (2016) evaluated CSR and its impacts on innovation and performance. They found that companies with higher CSR disclosures enjoyed higher innovation and financial performance. Moradi and Ghorbani (2017) analyzed CSR and its impacts on innovation in companies listed on the Tehran Stock Exchange [13]. The findings implied that CSR had positive, significant impacts on innovation.

**CSR and social capital**

Social capital is a novel concept widely discussed in sociology, economics, and, more recently, management and organization literature. This notion refers to links between the members of a network as resources or values that help the members achieve their goals by creating norms and mutual trust. Today, social capital plays a substantially more important role than physical and human capital in organizations and societies. In fact, the term "capital" refers to accumulated wealth, particularly when used to create further wealth. Capital is the money of an individual or institution that may be invested for income rather than depreciation [1].

The etymology of the term "social" in social capital helps better understand the meaning of social capital and its differences from other types of capital. The term social is among the most extensive and generic adjectives in English and refers to a variety of entities, such as energy, diseases, and marketing. The noun of this adjective is society, which originates from the Latin word socius, meaning friend. This etymology suggests that social originates from friendship and implies personal attachment, collaboration, integration, mutual respect, and a sense of shared benefits [1].

Coleman defined social capital as social processes facilitating member interactions and enhancing their benefits. Coleman assumed social capital to be a structural social resource that is an asset to people. He believed that social capital is defined by its function. Social capital is not a certain thing but a variety of entities with two common characteristics: These entities all involve aspects of a social structure; moreover, they facilitate specific interactions of individuals who are in the structure. Social capital is productive, as with other forms of capital, and makes it possible to achieve some goals that would be impossible in the absence of social capital.

Social capital provides employees with supportive backgrounds and enables them to meet their requirements and goals through efforts. It helps them actualize their potential capabilities and be responsible toward society in order to achieve society's goals. The structural element increases social responsibility, i.e., network relationships and links between the members of the organization are a resource of organizational value and facilitate employee's access to customers. This decreases the distance between employees and customers and, in turn, provides employees with altruism toward customers and enhances social responsibility. The cognitive element also enables social responsibility; that is, the employees obtain shared insights into the goals and values through a common language, which lays the ground for their optimal activity in the social system. Therefore, at the organizational level, a shared insight among the members and closeness of their thoughts lead to further collaboration of members in achieving organizational goals. At a higher level, such a shared insight leads to the adoption of social responsibility in society. The relational element enhances social responsibility. Indeed, the expansion of the circle of cooperation and trust between the members of an organization would extend the radius of trust even beyond the borders of the organization into society, leading to mutual trust between the members of the organization and society, cooperation between them, a society-based identity of organizational members, and, ultimately, higher CSR.

**CSR and stakeholders**

CSR can be measured in three dimensions: benefits for shareholders and employees, benefits for society and the public, and environmental considerations. Benefits for shareholders and employees involve financial performance enhancement, operational cost reduction, reputation enhancement, sales and customer trust enhancement,
productivity and quality enhancement, reduction of the need for new regulations, capital accessibility, product safety improvement, and reduced need for new guarantees. Benefits for society and the public include participation in public utilities, employees' voluntary plans, involvement in public education, employment and plans to help unhoused people, and product safety and quality. Environmental considerations include maximized recycling, lengthened product durability and lifecycle, improved consumption of renewable materials, and the deployment of environmental management tools in business schemes, including lifecycle and cost assessment and environmental management standards as CSR indicators. In this respect, the top managers of companies could play a key role in the implementation of CSR strategies by attending CSR conferences and through negotiations to reach common results with other members of civil society, e.g., NGOs, the United Nations, and local and regional states.

Companies that fulfill their social responsibilities could disclose their CSR fulfillment to inform stakeholders. This allows stakeholders and society to differentiate between such companies and other firms. The responsibility of companies involves all the stakeholders and the environment and stems from the production and economic enterprises of the company [14].

Clarkson (1995) believed that a company's operation stops if it fails to meet the requirements of its main stakeholders. Bayesi et al. (2003) argued that employees are the most important stakeholders of a company since they are in direct contact with customers, suppliers, and other people and have a great impact on the exterior façade of the company. This is also evident with service companies, where employees are a key factor in the company's communication. Based on the description of voluntary disclosure, companies report their CSR to ensure that stakeholders are aware of the effectiveness of their environmental and social actions. Voluntary disclosure theory holds that “good” companies use independent CSR reports to show that the company is a “good citizen”, even if these reports are costly since they will benefit from the awareness of their stakeholders. On the other hand, other companies that do not report CSR may be punished by their stakeholders. Thus, companies disclose such information if the benefits are more than the costs. In less developed countries, a company with high quantities of foreign trade is expected to encounter a wider range of stakeholder impacts and meticulous scrutiny of the international community. The trend of international schemes supporting CSR is most likely to result in more creative schemes of companies regarding CSR.

**CSR as a competitive advantage**

The concept of competitive advantage is directly related to customer values; comparatively, an organization that offers values closer to the values expected by its customers can be claimed to have one or more competitive advantages over its rivals. A competitive advantage has its roots in the strategic management literature. It can be said that competitive advantages result from a dynamic, continued process that originates from organizational resources by considering the internal and external positions of the organization. Exploiting such resources enables capabilities that would bring competitive advantages.

Trademarks are the core of success for companies. Today, trademarks have an even higher value than the material assets of a company. CSR is an effective tool for increasing a company's popularity and the value of its trademarks, as well as for preserving its capital in the long run. CSR influences all dimensions of a company's activities since it requires the company to take into account the demands of all groups of stakeholders.

**CSR and consumer behavior**

Consumer behavior involves a set of mental and physical processes beginning before purchase and continuing after consumption. Consumer behavior involves mental, emotional, and physical activities adopted by individuals when choosing, purchasing, using, and discarding products and services to meet their demands. It involves all activities that individuals perform to acquire, consume, and arrange products and services. Several factors, e.g., motivation, culture, attitude, and perception, could impact consumer behavior and buyers’ decision-making process. These factors are more important in markets where buyers make more emotional decisions. Researchers mostly divide consumer behavior into five stages: (1) problem identification, (2) data collection, (3) choice evaluation, (4) purchase, and (5) the post-purchase trend, with each stage depending on several factors. In today's competitive world, companies should pay high attention to customers to obtain competitive advantages. At the
same time, customers have different attitudes toward purchasing products, which should be considered in developing marketing strategies. Research has shown that legal responsibility has the second-greatest influence after economic responsibility on consumer behavior.

**CSR versus organizational performance and success**

Ethics have strong impacts on human activities, and excellent performance would require employee commitment and responsibility. Scholars believe that employees may be more willing to handle higher workloads when they believe that they are treated fairly. Furthermore, management of ethical values in the workplace legitimizes managerial measures, enhances the solidarity and balance of organizational culture, improves trust in relationships between individuals and groups, enhances the quality of products through further compliance with standards, and, ultimately, raises the profits of the organization. Work ethic governance in organizations provides various benefits in the internal dimension in terms of improved relationships, a climate of enhanced agreement and diminished conflicts, improved employee commitment and responsibility, enhanced multiplicity, and reduced control-imposed costs. Moreover, it impacts organizational success from a CSR perspective by enhancing the legitimacy of organizations and their measures, strengthening ethical obligations toward stakeholders, raising income and profitability, and improving competitive advantages. It should be noted that unethical behavior triggers misbehavior against the business, leading to organizational failure.

**CSR and customer satisfaction and loyalty**

**Customer satisfaction**

Satisfaction is a positive feeling in consumers/receivers of services. This feeling stems from customer expectations being met and supplier performance. Customers develop a feeling of excitation or dissatisfaction based on the extent to which customer expectations and received products/services are of equal levels. Customer satisfaction is consumers’ attitude toward a product or service after it has been consumed or received.

**Customer loyalty**

Customer loyalty is a set of customer thoughts that involve favorable beliefs concerning a company, commitment to repurchasing the product/service, and recommendation of a product or service to others. Loyalty is a strong commitment to repurchasing a superior product/service in the future if the same product/service is repurchased despite rivals’ position and marketing efforts. Schumacher and Luiz (1990) believed that loyalty occurs when customers strongly feel that the organization can effectively meet their requirements, such that rival organizations are excluded from customers’ considerations.

Delmagraciadel and Sesalemones (2005) investigated the impacts of two CSR dimensions, namely, ethical and philanthropic, on customer loyalty in the case of nearly 800 bank customers. They concluded that ethical responsibility impacted customer loyalty through trust, while philanthropic responsibility impacted customer loyalty through customers’ identification of the bank. Anselmeson and Jahanson (2007), Rodriguez et al. (2011), and Standland et al. (2011) showed that CSR determines customer loyalty for recommendation and repurchase.

Kleen and Zentis (2008) demonstrated that six CSR dimensions of a retailer (e.g., social support, employee support, and nonlocal operation) had significant, positive impacts on customer loyalty to the retailer (for recommendation and commitment to the retailer). Akora (2008) showed that enhanced customer trust and mindset would increase customer commitment and loyalty, and concentrated and enhanced service quality would improve customer satisfaction. Matiot-Valjo et al. (2011) noted that CSR had a significant, positive impact on customer satisfaction.

Lin et al. (2011), Standland et al. (2011), and Heralt (2012) reported that CSR was a prelude to customer trust. Karjaloto et al. (2012) found that perceived value positively correlated with customer loyalty through customer trust as a mediator. In the telecommunications industry, increased age of the relationship and level of use did not enhance value and loyalty, and no link was found between customer trust and loyalty. Jang and Yun (2013) demonstrated a positive relationship between employee satisfaction and customer satisfaction. Employee satisfaction had no direct impact on customer loyalty but indirectly impacted customer loyalty through the effect of customer satisfaction on customer loyalty. Customer satisfaction had a positive relationship with customer loyalty.
Ghareche and Daboeeian (2011) reported that employee and customer loyalties were strongly interdependent. Furthermore, significant, positive relationships were observed between employee loyalty and service quality, service quality and customer satisfaction, and customer satisfaction and customer loyalty. Lastly, Ghazizadeh et al. (2013) demonstrated a significant relationship between CSR and customer loyalty.

**Conclusion**

CSR is perceived as the commitment of an individual or organization to society when the consequences of their activities impact not only them but also society. CSR has long been of interest to academics, researchers, NGOs, and governments and has turned into a major dimension of the operational activities of companies. The findings indicated that factors such as social capital, organizational commitment, and stakeholders impact CSR. Moreover, CSR impacts innovation, employee performance, customer satisfaction and loyalty, and competitive advantages. **Figure 1** illustrates the CSR model.

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**Figure 1. CSR model**

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