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THEORETICAL REVIEW OF CORPORATE SOCIAL RESPONSIBILITY AND ORGANIZATIONAL PERFORMANCE

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ABSTRACT

The concept of Corporate Social Responsibilities (CSR) was a popular topic for management discussion. It was widely discussed over the past 50 years. With the accelerations of global integration, CSR has become an essential part of the business strategy Corporate Social Responsibility is how business organization activities influences the stakeholder intrest.CSR plays a very important role in organizational performance. .Achieving organizational objectives in the long run and maximum organization performance, requires giving full attention to (CSR). The societies where business is located occupy a central place in corporate culture affecting the firm performance thus necessitating change in the internal organization structures, processes and behavior. A theoretical review of CSR practices foe ex: Social Identity Theory (SIT) and stakeholder theory are revealed a strong link between a firm's CSR practices and its performance.

KEYWORDS: *Corporate social responsibility, organizational performance, (SIT) and (ST) .*

1.INTRODUCTION

Corporate social responsibility (CSR) has gained significant prominence in the business world over the past few decades. Its growing importance can be seen by the fact that CSR reporting in sustainability among S&P 500 companies has risen dramatically from just 20% in 2011 to 82% in 2016 Masa'deh, and Tarhini,(2016). More than ever before, many companies are investing ambitiously in CSR programs and are aiming to integrate CSR into all aspects of their businesses.

Businesses are trying to flourish and adapt to the various challenges they encounter in today's competitive environment by improving their organizational performance Masa'deh, and Tarhini (2016) and Ramezan, (2013). In order to achieve better results and higher profit margins organizations are adopting various emerging business tools and management philosophies Hernaus, and Vuksic (2012).

Performing CSR is necessary for firms that want to be successful in the long run (Korkchi and Rombaut, 2006). Fundamentally, CSR internalizes all external consequences of an action, both its costs and benefits.

The relationship between corporate social responsibility and organizational performance requires further examination as it has been reported that this relationship suffers from two limitations. First, extant research on this relationship focused only on western developed countries. Second, there is no consensus between scholars whether corporate social responsibility has a positive, negative, or neutral effect on organizational performance Rettab, and Mellahi, (2009).

This study is motivated by the fact that as the global business world is getting more competitive by the day due to globalization and technological change, only the effective will continue to maintain the top position and gain competitive advantage. which in turn adopted many companies apply CSR to enhance their competitive position by improving their performance .

2.LITERATURE REVIEW

CSR is a new and evolving concept in research, where it has featured prominently in the 1990s and 2000s. CSR has been a very debatable concept for a prolonged time, but a leading light has been shined on the CSR since the mid-20th century. However, the interest of business organizations in society is an ancient concept (Craneand McWilliams ,2008). In the late 19th century, the philanthropy concept was for individuals, businesses, or both. According to Carroll Craneand McWilliams (2008) before 1950 organizations and business proprietors took many initiatives to use their resources to stand by social causes, such as charity or lending money for different social activities. Thus, organizational actions for social welfare can be seen before 1950, but these measures were not known as social responsibility.

The CSR concept also has a major influencing part of business missions, management, and operations, as well as in marketing all over the world (Ashgate and Aldershot,2004). Peter Lund-Thomsen stated that companies are trying to become more socially and environmentally-friendly. There are several hazards in the implementation of CSR policies and environmental risk management strategies)Lund-Thomsen,2004).

3.THE CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY

In spite of the extensive and growing body of literature on CSR (Crane et al, .2006) and the related concepts, it is not easy to define it. **Firstly**, this is because CSR is an "essentially contested concept", "internally complex", and having relatively open rules of application (Moon et al ., 2005). **Secondly**, CSR is an umbrella term overlapping with some, and being synonymous with other conceptions of business society relations (Matten and Crane, 2005). **Thirdly**, it has clearly been a dynamic phenomenon (Carroll, 1999) .

CSR is defined as actions by corporations that provide some type of social benefit that they are not required to perform (McWilliams and Siegel, 2001). Jones, (1980), defines CSR as "the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract". Holmes and Watts (2000) defines CSR as "continuing commitment by business to behave ethically and contribute to economic development, while improving the quality of life of the workforce and their families as well as the local community and society at large".

CSR thus, "tends to focus on the effects of organizations on external constituencies (e.g., consumers, local communities, charitable organizations)" (Sethi and Steidlemeier, 1995). Others describe CSR as a set of actions aimed to further some social good, beyond the explicit pecuniary interests of the firm, that are not required by law (McWilliams and Siegel, 2000) and as "practices that improve the workplace and benefit society in ways that go above and beyond what companies are legally required to do" (Vogel, 2005) .

4.THE CONCEPT OF ORGANIZATIONAL PERFORMANCE

The concept of organizational performance has been around for many years and has seen many transformations over the years. In the 1950s organizational performance referred to the extent to which organizations fulfilled their objectives. In the 1960s and 1970s organizational performance was defined as the ability of an organization to exploit its environment for accessing and utilizing limited resources. In the 1980s and 1990s organizational performance was seen as the ability to accomplish goals (effectiveness) using minimum resources (efficiency) Gavrea, and Stegerean, (2011). In the twenty first century many definitions of organizational performance have been reported. According to Griffin, M. (2003) , organizational performance refers to the ability of organizations to meet the needs of stakeholders and its own needs for survival. Carton, R.B. (2004) suggested that organizational performance is based on the premise of using human, physical, and capital resources in order to achieve a shared purpose.

5- CORPORATE SOCIAL RESPONSIBILITY AND RELEVANT THEORIES

The amount of literature available on CSR is massive and it continues to grow. Over the years the social involvement of corporations has increased. Earlier corporate entities mainly focused on their economic objectives; profitability, cost of production, margins etc. Corporate entities are now posed with the challenge pertaining to the social responsibility of business (Swapna, 2011). Companies can no longer satisfy just the needs of the investors, i.e. shareholder value. There are a number of persons or groups who influence the company. The company also influences these groups, which are called stakeholders.

The issue of corporate social responsibility (CSR) is a complex phenomenon as being one of the key conceptions in the study of business and society relations. Initially complexity is due to differences in national, cultural and social contexts, which also call for various types of responsibility from companies (Midttun, 2007). There are several hazards in the implementation of CSR policies and environmental risk management strategies.

The corporation should care about the sake of all this three parts at the time of taking decision and performing activities. In this section**,** the study reviews the most widely used theories within the related literature**,** namely**; SIT** and **ST**.

I- Social Identity Theory

SIT indicates that the firm's **CSR** actions have a direct effect on employees' organizational identification**.** People seek to achieve or maintain a positive social identity**,** which they can derive from membership in different groups (Ashforth and Mael, 1989). Among these groups, membership in business organizations may be the most important component (Hogg and Terry, 2001) **.**

An application of social identity theory to organizations by Ashforth and Mael, (1989), suggests that individuals feel more confident working with organizations that are perceived as prestigious by outsiders. This means that more exalted organizations increase the level of attachment and self-confidence of their employees through the process of social identification (Ashforth and Mael, 1989). The organizational success creates a demand from outsiders to work within such an organization, which in turn increases their employees' positive perception and identification with the organization. Employees bathe in the reflected glory of the organization, which leads to desirable outcomes, such as citizenship behaviors (Dutton, Dukerich, nad Harquail,1994). In contrast, organizational failure or a negative impact on outsiders creates depression, stress, disengagement, and less involvement in work roles and job performance amongst employees (Dutton et al ,1994). The activities or resources which fulfill the individual's social and self-esteem needs are called Socio-emotional resources (Cropanzano, and Mitchell,.2005)

Individuals tend to get feedback about themselves or their organization from outsiders or society (Tyler, Degoey, and Smith, 1996). Specifically, employees evaluate their worth or standard through the perception of outsiders about their organization (Tyler, T.R 1999). Social identity theory also explained that the self-concept of individuals relates their identity to their abilities and interests, which becomes the basis for social identity classifications (Tajfel, and Turner, 1996). Individuals classify themselves and others into various standard groups after self-conceptualization and self-evaluation through the prototypical characteristics perceived by themselves or by outsiders.

II- Stakeholder Theory

Stakeholder Theory is normative theory of stakeholder is used to interpret the function of the corporation and identify moral or philosophical guideline for corporation operations. It tries to stipulate what should happen based on moral value. One of the architects of deontological theory believed that individuals have the right to be treated as ends in themselves and not merely as a means to an end (shank man 1999; Metcalfe, 1998).

Stakeholder Theory is a very basic theory to CSR is stakeholder theory. It asserts that managers must satisfy a variety of constituents (e.g., workers, customers, suppliers, local community organizations) who can influence firm outcomes. The theory was originally detailed by Freeman in 1984. It attempts to identify numerous different factions within a society to whom an organization may have some responsibility. Developments on stakeholder theory that exemplify research and theorizing in this area include Donaldson and Preston (1995), Mitchell, Agle, and Wood (1997) and Phillips (2003).

6.LINK BETWEEN CSR AND ORGANIZATIONAL PERFORMANCE

Over the past 40 years, over 200 published studies have empirically investigated the relationship between corporate social responsibility and financial performance, leading some to conclude that this relationship is one of the most elaborately researched areas in the field of business and management (Margolis, Elfenbein, and Walsh, 2017) .

However, the results have been equivocal in terms of the magnitude and sign of the relationships that are supported. While some researchers have found a positive association between the two constructs (Surroca, Tribó, and Waddock, 2010),others have identified a negative association (Walley, and Whitehead,1994) or no relationship (Teoh, ,Welch and Wazzan, 1999)between the constructs. McWilliams and Siegel, 2000) warn of important theoretical and empirical limitations plaguing existing studies and highlight the risk posed by the omission of variables that are important determinants of profitability such as R&D investment to the accuracy of results. They show that when the model is properly specified to include R&D intensity, CSR has a neutral impact on financial performance. To make better sense of this confusion, a number of systematic reviews using meta-analytic approaches have been carried out (Qian, Junsheng, nad Shenghua, 2015) .

Obusubiri (2006) in a study on CSR and portfolio performance also found a positive relationship between CSR and portfolio performance. He attributed this positive relationship to good corporate image that comes with CSR making investors prefer such companies. The good CSR behavior has a reputational benefit for the company.

7. CONCLUSION

In today's economic and social environment, issues related to social responsibility and sustainability are gaining more and more importance, especially in the business sector. Business goals are inseparable from the societies and environments within which they operate. Whilst short-term economic gain can be pursued, the failure to account for longer-term social and environmental impacts makes those business practices unsustainable.

On the whole, a substantial number of existing literatures on CSR focus on the effects it produce. More empirical tests are needed to investigate determinants of CSR and resources utilized in the provision of CSR.

CSR has become very complicated and multifaceted. Links between CSR and cost, profit, long-range survival, etc. are not clear. Firms are driven into CSR practices to meet stakeholders, ethical, legitimacy, shareholders and information asymmetry/agency expectations, and in turn gain image/ reputation, profit, recognition, risk management and loyalty benefits. To achieve organizational aims and objectives in the short and long run and also to achieve maximum organization performance and effectiveness requires giving full attention to CSR practices.

From the foregoing, it is obvious that a lot of studies need to be conducted in African countries on CSR. Relationship between CSR and profitability, cost, long-range survival, etc. are not clear. Results have not been conclusive based on above. Thus, the empirical research into the relationship between CSR and economic performance is confusing and far from conclusive. There is need for an understanding of whether CSR is compatible with organizational performance.

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