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The Ugly Behind the Beauty of Corporate social Responsibility: A General Conceptual Perspective

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Abstract.

As of late, many have contended that the likelihood of financial weakness and crisis increases because of a lack of transparency and accountability in financial reports of organizations. Transparency in reporting requires disclosure of data on the organization's financial performance as well as ethical, environmental, and social issues. As stated by Madhani (2008), one reason is that financial information complete revelation and transparency improves the effectiveness of capital share and help organizations to run reasonably, as well as, maximize the value of shareholder. At present, there is endless discussion on the characteristics of corporate social obligation (CSR), also, its positive and negative effects, which are occurring from different viewpoints of theory and practice. The purpose of this article is to explore “the good, the bad, and the ugly” face of CSR.

Keywords. CSR, Community Development, and Sustainability.

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INTRODUCTION

Madhani (2008) defines corporate disclosure as communicating “information about a firm’s performance and value to the public, outside investors and other stakeholders.” As of late, many have contended that the likelihood of financial weakness and crisis increases because of a lack of transparency and accountability in financial reports of organizations. Transparency in reporting requires disclosure of data on the organization’s financial performance as well as ethical, environmental, and social issues. As stated by Madhani (2008), one reason is that financial information complete revelation and transparency improves the effectiveness of capital share and help organizations to run reasonably, as well as, maximize the value of shareholder. Paradoxically, the negative effects can be devastating even though organizations take specific actions, which possess positive economic payoff in the short run. Ahmar and Kamayanti (2011) regard this CSR phenomenon as a “mask” that hides the negative social impacts of corporate activities. CSR has been regarded as a portrait of the positive impacts of companies on society and the environment (Lin, Chang, & Dang, 2015; Ragodoo, 2009). However, CSR has also been depicted negatively because it serves as a “mask” for companies (Elving & Vuuren, 2011; Haigh & Jones, 2006). The two opposing characteristics of CSR have been debated regardless of its implementation.

In this way, CSR can also be considered a myth because of these antagonistic functions. Considering “the good,” Elving and Vuuren (2011) describe CSR as an instrument that elevates a company’s reputation. Furthermore, CSR is regarded as an essential component that complements financial reporting to reduce information asymmetry (Huang & Watson, 2015). The main motivations of the companies in implementing CSR initiatives are their consumers as a great significance group that manifests to be particularly susceptible. CSR has positive impacts on consumers’ estimation and purchases intentions of firm products and the positive relation between CSR and consumer attention made managers recognize that CSR has ethical and economic significance in today’s in the local and international marketplace (Jayakumar, 2014).

In terms of “the bad,” in favor of various purposes during effective market forces, CSR stresses organizations to refuse the shareholder supremacy model of corporate governance. This action aims to ensure that CSR is linked to the utilization of labor standards within multinational supply chains and locations. The reasons for corporations to be engaged in CSR are primarily to ensure the image of their corporate; they do it at the lowest possible cost, which does not always mean to improve the labor situation in the workplace. Many of them resist negative publicity of CSR by embracing advanced campaigns to present a good image of corporate (Harpur & Peetz, 2004). “The ugly” facts about the social and environmental destruction caused by corporations hardly surface because of “the bad” efforts to put a tight lid on the truth by applying CSR. This paper will present all three faces: “the good, the bad, and the ugly.”

“The good” narrates how CSR is conducted responsibly and ethically and why business corporations ought to be responsible to society as a whole. “The bad” refers to the actions related to anthropocentric drive following CSR discourses and concepts; how the obligation of profit assemblage and shareholder value expansion do not necessarily make win-win circumstances, however, frequently bring about looting; how the

existing political economy brings about a society that alienates a large number of individuals around the world; and how CSR reporting could be a mask to cover social and environmental disintegration in the pursuit of more enormous wealth to sustain only the current concerns of companies. Lastly, “the ugly” reflects how persistent the campaigns of corporate and government public relations (PR) in creating a deceptive view of “the good” while characterizing “the bad” (Banerjee, 2007). Furthermore, Series (2014) argues that corporations and stakeholders should observe CSR. Ideally, CSR should be beneficial to every party related to the companies’ operations. Likewise, CSR helps to enhance the image of its stakeholders and the public continually.

This paper is structured as follows. The first section reviews the academic literature on issues related to CSR, include **The Good” Face of CSR, The Bad” Face of CSR, and The ugly” face of CSR**. Lastly, the conclusion is presented.

LITERATURE REVIEW

The concept of CSR is widely accepted, although several parties have considered it to be still controversial, many believe that CSR enables corporate profits to be put to good use in improving public welfare, aside from allocation in the form of taxes paid to the state. Other parties have stated that companies cannot be separated from the individuals involved in them, such as owners and employees. Thus, companies should think of financial gains and the rights and interests of the public. However, by understanding the standpoints of various stakeholders, CSR is opened to various definitions and interpretations.

“The Good” Face of CSR

In general, CSR is outlined because the responsibilities were undertaken by an organization to its stakeholders to behave ethically and benefit all necessities of economic, social, and environmental well-being for property development (Fitria, 2010). The World Bank points out that CSR may be companies’ dedications to participate in the property economic development and increase the life standard within the world. Thus, what is smart for businesses is additionally smart for society. Based on the World Business Council for Sustainable Development, CSR is current companies’ commitment to perform ethically and make economic development contributions within the native or giant community, besides the development of the staff and their families' live.

Whereas, as indicated by ISO 26000, the main characteristic of social responsibility is the readiness of an association to reflect the aspects of social and environmental in the process of decision-making and becomes trustworthy for the results of activities and decisions that influence the environment and general public. Thus, CSR helps to enhance decision-making processes and takes on a “good” face.

The CSR program is considered one of the obligations of a company. The social and environmental responsibilities that apply to a limited liability company is a reflection of how it manages its impact on financial statements. The responsibility inherent in each investment firm is necessary to keep creating

harmonious and balanced relationships (Fallis, 2015), as well as in line with the norms, values, environment, and local culture around it. The proper implantation of CSR has many potential benefits for firms (Hancock, 2010; Hohnen, 2012; Igwe, 2015; Österman, 2014).

First, CSR enhances the expectation and management of a spectrum of risks; good governance; social, environmental, and economic well-being; effective management; and other risks in a complex augmentation drive environment, with maximum supervision and stakeholder oversight of company activities. Therefore, CSR is able to increase the stabilization of the broad market and supply security. CSR helps parties' attention related to the impact of the corporation by efficiently anticipating and managing risks. CSR implementation accommodates disclosure requirements and ensures the best governance to support earnings forecasts and other economic decisions. CSR complements the improvement of analyst forecast accuracy, thereby assisting an inclusive understanding of corporate governance. Also, CSR disclosure has an indirect impact on the accuracy of analysts' forecasts to improve the financial user capacity of forecast earnings. Second, CSR improves a solid reputation as a significant resource of associations. A positive reputation engages firms to charge their premium cost, improve their access to capital markets, and appeal to a bigger number of investors (Fombrun, 1996). Reputation is pertinent to an organization that is going concern. In many cases, research has demonstrated that the higher a commitment of the firm to social welfare, the better is its reputation (Elving & Vuuren, 2011). This argument can be commercially essential when the company is in an abnormal state of market competition. CSR can build company reputation, in contrast to the companies that perform ineffectively, which in turn can harm public esteem toward a brand and organization.

Third, CSR enhances the capability to boost explicit outcomes of satisfaction in the firm product and practice or in improving the practices of human resources, such as having a "family-friendly" overall policy. The morale and allegiance of the employee could be enhanced by the indirect effects of activities and programs. The resources for front-line ideas from managers and many employee champions of an organization for which they are pleased to work can improve an organization's performance.

Fourth, in partner relations, CSR builds robust "social license" when working in a community, which improves the partners' and stakeholders' comprehension of the firm activities and objectives. This relation may develop into vigorous unions of civil society, which correlate nearly to the construction of CSR reputation. Thus, CSR is able to assist in constructing "social capital."

Fifth, in achieving sustainable development for corporations, a responsible consumption motive is increasingly considered as an essential driver. In addition, corporations have a primary job in encouraging sustainable consumption and lifestyle through their services and products and how they offer them. "Responsible consumerism" is tied in with changing the preferences of the consumer and the goods supplied to the market, their connection to buyers' privileges and sustainability issues, and how administrative specialists interpose the connection among producers and consumers. Some corporations have embraced CSR to advance sustainable development, while others have incorporated CSR activities in light of internal and

external weights from consumer activists, government intervention, and investors (Cormier & Magnan, 2009; Wicaksono, M. Satriyo, & Sukoharsono, 2013).

Sixth, CSR helps companies to gain better entrance to capital financing. Social and environmental criteria were incorporated progressively by financial institutions into projects' evaluation. Useful CSR management indicators are searched by investors when settling on choices about where to utilize their money. The alternative of proper management considers a business plan that incorporated a good CSR approach, which tends to be the case. According to Lin et al. (2015), the effects of CSR on financial performance have significant implications for nations, businesses, and communities, and it can not ignore the issue's significance. Empirical findings show that CSR can, in fact, improve intellectual capital (IC), which can enhance financial performance. In any case, the immediate impacts of CSR on financial performance fluctuate inside various industry types. This immediate impact is fundamentally positive in environmentally sensitive industries. As it were, for organizations in these enterprises, CSR actions can improve IC and subsequently enhance financial performance. Despite that fact, the investment in CSR exercise activities may not gain acknowledgment and positive assessment from the organization stakeholders in environmentally non-sensitive industries.

Moreover, according to Esa and Anum Mohd Ghazali (2012) and Ling and Sultana (2015), CSR remarked empirical proof on the breaches of signal from indicators of technical commerce in explained variations within the level of CSR disclosures. Their analysis determines whether or not companies disclose CSR info in an exceedingly real decide to state their influence on the society and surroundings or whether or not companies use CSR speech act as a defense to legitimate their business operations. This info indicates a positive and vital correlation between the quantity of technical indicator signal breaches for a firm and the level of CSR speech act by the firm, notably within the surroundings, human resources, energy =, and merchandise and client classes.

“The Bad” Face of CSR

Many corporations, such as alcoholic beverage manufacturers, compete with one another to embrace CSR strategies trying to depict themselves as good corporate citizens (Yoon & Lam, 2013). Leading multinational companies own websites devoted to CSR, that show varied connected campaigns and/or programs. The websites regularly embrace or include a kind of support plan, teaching programs, dialogues or public awareness talks, partnerships with the govt, and networking events, further as voluntary codes of observing for selling and advertising. These firms overtly shape themselves as socially accountable actors with UN agencies willing to assist. Company philanthropic gift is another tool used by organizations as a part of their practical company citizenship activities. Corporations' engagement in an exceedingly broad spectrum of philanthropic activities is well delineated on their websites, chiefly below the theme of property development and humanitarian endeavors. Such a perception is solely performing artist and rational: CSR is sweet as a result of it is the foremost economical thanks to confirming social desires and deliver social solutions. CSR is

sweet as a result of it releases the entrepreneurial self-interest of firms, inventors, and managers to resolve social issues. A probably naive notion inspiring CSR is that companies are target-hunting by society and do not intentionally maneuver that society for his or her profit. Gravitating toward finding issues from that economic rents may be claimed is that the natural conduct of companies. Companies exist to come up with economic returns, not to solve social issues. They live to enhance their activities for themselves (i.e., for shareholders, managers, employees, suppliers, and governments, among others), not for the general public. According to Mertens (2013), one of the leading critics of the CSR model is that the economic expert Milton Friedman, who argued that creating firms socially accountable is purposeless and even presumably dangerous as a result of it conflicts with an essential point of doing business, that is, creating a profit. This inconsistent condition will even cause a less-than-ideal downfall of a business endeavor, which might hurt the economy.

Elaine Sternberg, a professor of shareholder interests at Tulane University and one of the most vocal rivals of the impacts of CSR on investor benefits, brought up that CSR activities bring about an incredible expense with a restricted quantifiable return. Another disadvantage of CSR is that the corporate reputation could be at risk. First, although many businesses undertake CSR initiatives to bolster their public image, these initiatives can sometimes prompt a corporation to release data with the opposite effect. For instance, as stated by Johnson & Johnson (1982), a corporation published a destructive report about cyanide discovered in its products as part of its CSR initiative. An immediate negative short-term effect occurred that the company's revenue as its market value dropped by US\$ 1 billion. Another example is Coca-Cola, which discharged a report about synthetics found in its items. This report, which was a component of the firm's CSR activities, had negative consequences for the organization's revenue, according to an article published in the *Utrecht Law Review* (2012). Deals dropped by 40% in the two-week time frame after the report was released.

Second, in relevancy consumer pessimism, some organizations understand that socially capable conduct ultimately affects their clients' feelings. Once paying attention to; however their most dear organizations accept the society and setting, whereas perceptive stripped clear contribution from these associations, varied shoppers have developed a negative angle toward CSR reports. According to Corporate Watch, buyers regularly observe CSR declarations as mere PR activities. Therefore, organizations frequently face obstacles in persuading their clients that their activities correspond to their expressed goals (Mertens, 2013). Third, competitive disadvantages, company social duty tasks, and activities need a move within the deduction for a few organizations, and a few CSR procedures will create businesses unwieldy. For instance, Walmart subjects its provider to strict controls on item quality and representative operating conditions, that embrace creation time and increment overhead for suppliers. Meanwhile, the rivals of those suppliers will work toward low expenses and manufacture things quickly (Mertens, 2013).

"The ugly" face of CSR

Banerjee (2007) describes the "ugly face" of CSR as a concern because of relentless corporate and government PR corporations that produce a tricky perception of "the good" when representing "the bad." The

“ugly” face of CSR, which lurks behind corporations’ good image, is the abuse of corporate energy in presenting a caring and responsible character through relentless PR campaigns. Further research is needed to discover the extent of greenwashing through PR activities and in designing surveillance mechanisms that could hold corporations responsible for the claims they make in their PR campaigns. During corporate lobbying efforts, political strategies or plans adopted by corporations or firms, as well as the target audience of these efforts, are the corporations’ response to pressures from civil society actors or accusations of misconduct by activist groups. Besides, corporations influence spending in the political economy and the extent of corporate contributions to political campaigns. Corporations may also avail themselves of tax relief, concessions, and other forms of corporate welfare. According to Ahmar and Kamayanti (2011), CSR reporting in social and environmental areas could be a mask to cover social and environmental decay and may even be a vehicle to obtain more wealth to sustain the going concerns of the company. This situation raises suspicion on the use of CSR to achieve environmental sustainability.

CONCLUSION

This paper concluded all three faces: the good, the bad, and the ugly. “The good” narrates how CSR is conducted responsibly and ethically and why business corporations ought to be responsible to society as a whole. “The bad” refers to the actions related to anthropocentric drive behind CSR concepts and discourses; how the duty of profit assemblage and shareholder value maximization do not always create win-win situations but often result in looting, how the existing political economy brings about a society that marginalizes millions of people around the world, and how CSR reporting could be a mask to cover social and environmental disintegration in the pursuit of more enormous wealth to sustain only the current concerns of companies. Finally, “the ugly” reflects how relentless corporate and government public relations (PR) campaigns create a deceptive perception of “the good” when characterizing “the bad.” Furthermore, that CSR should be observed by corporations and stakeholders. Ideally, CSR should be beneficial to every party related to the companies’ operations. Likewise, CSR helps to enhance the image of its stakeholders and the public continually.

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