

CORPORATE SOCIAL INVESTMENT AND A COMPANY'S IMAGE: A CASE OF A CSI INITIATIVE IN A SOUTH AFRICAN LOW INCOME COMMUNITY

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Abstract

One of the goals of corporate social investment (CSI) is to ensure that a company becomes a responsible entity which acts as a conscientious citizen within a society. CSI plays an important role in enhancing how a company is perceived within the community it operates in. This paper used a combination of qualitative and quantitative research designs to investigate the effect of a specific CSI initiative on a company's image within a low income community in South Africa. Semi-structured interviews and survey questionnaire were used to collect data from community members in the township of Bophelong, South Africa. Results show that, if adequately managed, CSI initiatives tend to enhance company's image as well as its relations with the community it operates in. However, if not adequately managed CSI can create unreachable expectations that can negatively affect a company's image. Thus, companies better manage their CSI initiatives have an increased opportunity to enhance their reputation within the community they operate in.

Keywords: Corporate Social Investment, Corporate Citizenship, Company's Image, Community

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1 Introduction

The role of company within the society has significantly changed and now companies are being called upon to take responsibility for the ways their operations impact societies and the natural environment. Companies are now encouraged to be socially responsible so that they can earn high profits for shareholders, while addressing social needs of the community (Cochran, 2007). A company is therefore expected to act as a conscientious citizen within a society; conducting its businesses accountably in the eyes of the community; making decisions that do not harm the environment; and earns fair profits that do not become an unbearable cost to the environment and the community as a whole (Responsible Business Initiative, 2010). This is mostly achieved through corporate social investment (CSI) initiatives, normally considered as a means of interaction between a company and its immediate society. CSI is understood in various ways and several terms such as corporate citizenship, corporate accountability, business ethics, corporate social responsibility (CSR) and corporate responsibility have been used interchangeably with CSI (Amaladoss and Manohar, 2013). However, all these terms are linked with how companies direct their activities towards creating value for people (creation of well-being in and outside the organisation), planet (achievement of ecological quality) and profit (maximisation of profit), while communicating with all stakeholders on the basis of transparency (Carroll, 1999). Hence, consensus is that companies must be concerned about the wellbeing of the society. This study therefore defined CSI within the context of companies' concerns about the welfare and wellbeing of the society it serves.

CSI allows a company to be considered as any other citizen of the society through the process known as corporate citizenship. The corporate citizenship focuses on how a company view, "its rightful place in society, next to other 'citizens' with whom the corporation forms a community" (Matten et al., 2003:111). The concept of corporate citizenship puts emphasis on rights and responsibilities of all members of the community, which are mutually interlinked and dependent on each other (Matten *et al.*, 2003). This implies that business and society are interdependent and the wellbeing of one depends on the success of the other. CSI is therefore good for both society and companies. It enhances the interaction between companies and its surrounding community, and eventually contributes to competitiveness of individual companies within a specific environment. Thus, CSI is often seen as a tool to maintain a good image and reputation of a company, especially outside its internal environment (Mattila, 2009); but the success of these depend on the community's perception of CSI initiatives.

Hence, this paper aims to identify the effect of CSI initiatives on a company's image using a case of a specific project in South African low income area commonly known as a township.

2 Literature review

2.1 Conceptualisation of CSI in the context of company's reputation

Theories of CSI explaining the interaction between a company and its immediate society propose that companies should take into consideration all their constituencies known as stakeholders (Jensen, 2002). This means that a company is seen as an open system that should manage its relations with society (Steurer et al., 2005). Carroll (1991) mentions that companies striving to be seen as good citizens within the society should realise the four aspects of CSI or Corporate Social Responsibility (CSR). These aspects, of what is known as Carroll's CSR model, include the economic, legal, ethical and philanthropic expectations placed on a company by society at a given point in time. Out of these four aspects, only two (ethical and philanthropic expectations) are discussed because they are close related to the context of this paper. "Ethical responsibilities consist of what is generally expected by society over and above economic and legal requirements" (Mattila, 2009:541). Ethical expectations therefore oblige companies to do what is right, just and fair even when they are not compelled to do so by the legal framework. This means that companies have to reach ethical expectations in order to preserve a good image and reputation within the society.

Philanthropic expectation refers to 'the love of the fellow human' and in a business context it includes issues within a company's discretion to improve the quality of life of employees, local communities, and ultimately society in general (Carroll, 1991). Philanthropic responsibilities are merely desired of companies without being a mandatory requirement from the society, with the aim of addressing the needs of the society (Mattila, 2009). Hence, this explains the need for companies to take into consideration all their constituents, known as stakeholders. Stakeholders refer to individuals or groups who can directly/indirectly affect (or be affected by) a company's activities. Stakeholders usually include investors, employees, business partners, customers, government officials, non-government, academics or religious organisations, local communities, society and environment (Hitt et al., 2009). Although Philanthropic responsibilities do not oblige a company to consider all its stakeholders; in a competitive environment, a company may not survive without support from all its stakeholders. Thus, philanthropic responsibilities indirectly encourages companies to interact with all their stakeholders in order to secure important resources provided by such stakeholders (Freeman and McVea, 2001). This ensures a good relationship between a company and all stakeholders and can be a source of competitive advantage because such stakeholders have resources and power to influence a company's survival, competitiveness and profitability (Good, 2002). Hence, CSIs give companies an economic advantage through socially responsible activities that improve companies' brand image and reputation, employee morale and productivity, and customer satisfaction (McGuire et al., 1988).

Carroll's (1991) aspects of ethical and philanthropic expectations can also be explained in the context of corporate social performance theory. This theory concentrates on how a company manages both economic and social factors in order to ensure that social factors contribute to a company's economic performance (Ismail, 2009). Corporate social performance tries to incorporate the principle of social responsibility into a company's business strategy based on the assumption that every business depends on society for its growth and sustainability (Secchi, 2007). This implies that companies should meet expectations of the society by adapting their behaviour to social needs and demands (Melé, 2006). In other words, corporate social performance depends on the extent to which a company fulfills or exceeds stakeholder expectations. This suggests that high corporate social performance can be achieved only when a company develops appropriate strategies to close gaps in stakeholders' expectations (Husted, 2000). Thus, companies engage in socially responsible activities in order to maintain legitimacy or a good reputation within the community by meeting the expectations of the society. If the expectations of the society are too high or out of context, a company may not be able to meet them and this may have a negative effect on a company image within the society.

2.2 Empirical studies on the link between CSI and a company's image

A number of studies (Arendt and Brettel, 2010; Fraj-Andrés et al., 2012; Hossain et al., 2013; Jiao, 2010; Loureiro et al. 2012; Luning, 2011; Luo and Bhattacharya, 2006; Mandina et al., 2014; Mattila, 2009; Tsai et al., 2010) have investigated the relationship between CSI in meeting community's expectations and their results show that CSI initiatives tend to improve a company's image within the society. However, the effectiveness of the CSI in improving a company's image tends to vary with the type of initiative, size, industry, the level of community's expectations of company's CSI and the way in which CSI initiatives are implemented (Inoue and

Lee, 2011; McWilliams and Siegel, 2000). Hence, the perceived influence of CSI on a company's image may be unique for each community.

Fraj-Andrés et al. (2012) analysed the influences of CSI on small-medium enterprises' image and positioning and concluded that CSI initiatives, when adequately managed, contribute for a better company image and market positioning. A study by Loureiro et al. (2012) investigated the contribution to consumer satisfaction of socially responsible activities in terms of labour practices, community development and environmental performance and concluded that CSI initiatives increased customer satisfaction in the Portuguese automobile industry. These results are similar to the findings by Jiao (2010) who measured the extent to which companies meet the expectation of its stakeholders (such as employees, customers, communities, and environment) and showed that stakeholders' welfare represents intangibles benefits. Jiao (2010) found that stakeholders tend to associate CSI initiatives with intangible value such as reputation; indicating that CSI tend to enhance a company's image.

Studies on different sectors (Hossain et al., 2013; Luo and Bhattacharya, 2006; Mandina et al. (2014; Tsai et al., 2010) have also confirmed that CSI play a crucial role in improving a company's brand image, reputation and customer satisfaction, and eventually improve financial performance. A good example is a recent study by Mandina et al. (2014) which investigated the effectiveness of corporate social responsibility in enhancing a companies' image in the mining sector, with a focus on philanthropic activities. This study's findings revealed that philanthropic activities enhanced the company's reputation as well as relations between an organization and the community surrounding it.

Mattila (2011) compared personnel's perceptions of CSI in companies from three different sectors (a forest company, a cooperative bank and a retail cooperative) and found that personnel's perceptions of CSI tend to differ in different hierarchical levels and were different among the 3 industries. Mattila (2011) further found that CSI is practiced mainly for the publicity and image factors, not for the employees' approval, and is sometimes perceived negatively. This finding seems to suggest that CSI is sometimes used for the purpose of enhancing a company image, instead of ethical and philanthropic responsibilities mostly suggested by theories. Furthermore, Mattila's (2011) findings confirm that effectiveness of the CSI in enhancing a company's reputation may differ with industry and the community involved. Hence, the link between the CSI and a company's image cannot be standardised easily. The analysis of the effect CSI initiative on a company's image in the context of a South African low income community will shed more light on this topic.

3 Methodology

3.1 Research design and data collection

This study used a mixed method research design which combines qualitative and quantitative research designs. Interviews and survey questionnaires were used to collect data from households' members in a low income area located in the Emfuleni Local Municipality in the Gauteng province of South Africa during November and December 2013. Field workers were used to administer questionnaires among 250 participants randomly selected from a list of 2200 households who benefitted from a CSI initiative conducted by a company A (the letter A is used to maintain the anonymity of the company). The questionnaire used for obtaining the necessary information had two major parts. The first part captured information on participants' demographic characteristics, while the second part contained questions on the perceived effect of the CSI initiative on the company's image. These questions were adopted from previous studies. Internal consistency test for the second part of the questionnaire reported a Cronbach's α of 0.82 which is above the benchmark of 0.7. Hence, the scale used to capture the perceived effect of the CSI initiative on the company's image is reliable.

To supplement the survey questionnaire, semi-structured interviews were used in order to get more information on the effect of the CSI initiative on the company image. In selecting the participants for the interviews, a non-random purposive sampling method, also known as judgement sampling, was used. This method was chosen because it allows a researcher to choose participants who are assumed to possess and provide valuable information to the research topic (Black, 2013). Hence, community members and company representatives were selected based on their role in the community or quality of information they had on the considered CSI initiative. In total 6 participants (3 community members, 1 community leader and 2 company's representatives) were interviewed.

3.2 Data analysis

Quantitative analysis mostly focused on descriptive analyses, such as descriptive statistics and graphical analysis, to identify how the implementation of the CSI affected participants' perceived image of the company. In qualitative analysis, data recorded from interviews were transcribed into word-for-word transcripts and printed out to allow the researcher to read them and identify the themes. Individual's responses were linked to the questions asked during interviews to identify consistencies and differences. After bringing all the data of each question together, the common themes were identified and categorised according to their link with the results from the survey questionnaire. Then, patterns and connections between survey and major themes from interviews were identified and used to explain how participants perceived the effect of the CSI initiative on the company's image.

4 Results and discussion

Table 1 provides a summary of participants' responses to questions related to knowledge of the company and their view of it before and after the CSI initiative. This table shows that 68 (64.8 + 3.2) percent of the participants were aware that they benefited from the CSI project initiated and implemented by Company A; while 28.8 (23.9 + 4.9) percent of them seemed not to know that Company A was involved in implementing the CSI project they benefited from. This suggests that this proportion (28.8%) of beneficiaries was not informed fully about the CSI initiative; putting the emphasis on the potential communication break-down between the company and beneficiaries before implementation of the CSI initiative. The next statement shows that 76.7 (71.8 + 4.9) percent of participants agreed that they did not know much about Company A before the SCS project, meaning that the CSI initiative created awareness of Company A within the community. One should note that this question indicates that community members knew something about the company, but not much. Thus, the CSI initiative increased community awareness about Company A. The CSI project did not only create awareness but also changed the way community members view the company; (76.9%) of the respondents agreed with this statement. In fact, 91.1 (85.8 + 5.3) percent of participants agreed that they now see Company A as a responsible company. This implies that the CSI initiative achieved the company's objectives of community acceptance and understanding of its corporate strategies in terms of CSI. Community acceptance is among the main themes identified from the interviews with the company's representatives. The company wanted to be accepted as a responsible corporate citizen as the project in question is among the many being implemented in poor communities across the country.

These findings are similar to others studies (Arendt & Brettel, 2010; Fraj-Andrés et al., 2012; Hossain et al., 2013; Luo & Bhattacharya, 2006; Mandina et al. 2014; Tsai et al., 2010), which found that CSI initiatives played a vital role in improving a company's image and reputation within the society. This implies that CSI initiatives do not only benefit the community but may also contribute to a company's profitability by improving the position of the company within the society. This is in line with corporate social performance theory which states that CSI initiatives assist a company in maintaining a good relationship with all stakeholders and this eventually becomes a source of competitive advantage for such company (Good, 2002; Freeman, 2010).

Table 1. Perceived impact of the CSI Initiative on the company's image

Statement	Strongly disagree	Disagree	Neutral	Strongly agree	Agree
I know that the CSI project in our community was implemented by Company A	23.9%	4.9%	3.2%	3.2%	64.8%
I did not know much about company A before the CSI project	10.1%	10.4%	2.8%	4.9%	71.8%
The CSI project has changed the way I see Company A	15.0%	3.6%	4.5%	4.0%	72.9%
After the project, I consider Company A as a responsible company	4.9%	0.4%	3.6%	5.3%	85.8%

In addition to the above quantitative findings, qualitative responses also show that both community members and the company's representatives agreed that the CSI project increased the relationship between the company and the community members. The company's representatives commented that:

The project improved our relations with the community and opened the door for the community to approach the company. Ordinary community members are now confident in approaching the company to discuss issues of concern in the community.

These findings suggest that community members can now interact with the company on the challenges and hardships faced by the community. This implies that the CSI initiative enabled Company A to be considered as any other member of community. This is in line with the concept of corporate citizenship, which states that, through CSI initiatives, companies are considered as any other citizen within a community (Matten et al., 2003). This corporate citizenship was among the objectives of the CSI initiative which, according to the company representatives, involved community empowerment and development as well as promoting corporate citizenship.

Qualitative responses further show that the project responded to community needs, and some participants indicated that they would like Company A to help with other challenges they face. For example, most comments from participants were as follows:

I am very happy to benefit from this [CSI] project. Thanks to Company A for assisting the community. They should also help with other challenges such as the clinic, roads and additional rooms to the house.

These comments suggest that community members were happy with the CSI project and still expected Company A to get involved with more projects. This implies this CSI created more expectations within the community and the company's representative acknowledged that:

All expectations of communities cannot be addressed at once. This (CSI initiative) is part of the many projects were do across the country but the community expect more from the company now.

Although Company A's CSI project met expectations of the community, this finding suggests that the CSI initiative created more exceptions which cannot be easily met by the company and this may have a negative effect on the company's image in the long term. According to Carroll's (1991) model of CSI, companies have to reach the expectations of the community in order to preserve a good image and reputation within the society. If then the company is not able to meet these expectations, because they are too high, its image may not be preserved within the community. This put emphasis on a specific point by Fraj-Andrés et al. (2012) that CSI initiatives contribute for a better image and market positioning of a company only when they are adequately managed. Hence, the adequate management of CSI plays a vital role in determining the effect of CSI on a company image.

5 Conclusion

The role of a company in society has changed from only profit making to getting involved in addressing various challenges faced by society. Companies are expected to maintain the wellbeing of the communities they operate in because business and society are interdependent and the wellbeing of one depends on their successful coexistence. This is mostly observed through CSI initiatives which are designed to meet community expectations of a company. CSIs promote the aspect of corporate citizenship which enhances the relations between a company and the community. They enhance the interaction between companies and surrounding communities, and eventually contribute to competitiveness of individual companies within a specific environment. Using mixed method that combines qualitative evidence with a quantitative survey process, this study found that CSI initiatives play a vital role in improving a company's image and reputation within society. Findings of this study also show that CSI initiatives play an important in enhancing the relationship between the company and members of the community they operate in. Thus, CSIs do not only benefit the community but can also contribute to the improvement of a company's image and reputation within the society. However, CSIs have to be effectively managed otherwise they can create unreachable expectations that can eventually affect a company's image negatively. Thus, companies should manage CSI initiatives effectively by fully communicating with the community members during all stages of CSI projects.

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