Exploring the corporate social responsibility activities of motor vehicle retailers

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Abstract
Organisations often tend to justify their business activities by citing improved business performance neglecting conservation of environment in which these activities are carried out. This research investigated the corporate social responsibility activities of motor vehicle retailers that aim to improve business performance and conserve the natural resources in the environment in Gauteng Province, South Africa. A qualitative research approach was used in this research to address the research objective and interviews were conducted with managers of motor vehicle retailers. A content analysis was used with the aid of Atlas.ti version 7 to generate themes in analysing the primary data. The research uncovered that motor vehicle retailers execute social responsibility activities to promote environmental conservation, improve organisations’ business performance, and build relationships with external stakeholders. This research provides recommendations to key stakeholders in the motor vehicle industry, and future research are also provided in this research.

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1. Introduction
Organisations have become highly involved in addressing social challenges within societies due to pressures exerted by various stakeholders (Henisz, Dorobantu & Narrey, 2014). The literature suggests that a business performance can be linked to corporate social responsibility (Eccles, Ioannou and Serafeim, 2014). The debate on the role of organisations in the society and towards environmental conservation has advanced beyond merely whether organisations should engage in societal issues to the point of determining how they can best carry-out corporate social responsibility. This study contributes to the literature on how a corporate social activity can be utilized to create added value for the organisation and conservation of natural resources in the process of implementing business activities. Furthermore, this study contributes to the practice by addressing social challenges within the society (unemployment and poverty), and further contributes towards sustainable development and economic growth. Specifically, the study explores the social responsibility activities of motor vehicle retailers (MVR) that can support the sustainable development, conservation of the environment and business performance. Other literature on corporate social has focused mostly on the pro-social motivation of employees (Bode, Singh & Rogan, 2015; Burbano, 2016; Carnahan, Kryscynski, & Olson, 2016; Flammer & Luo, 2017). This research argues that corporate social responsibility activities can benefit both the organisations and other external stakeholders such as the society in which the organisations operate. The second argument is that organisations invest in CSR activities that have potential to improve the business performance.

The stakeholder value maximisation view suggests that managers engage in socially responsible activities to assist other stakeholders at the expense of shareholders (Nilsson, Valeryd, & Vlachos, 2009). For example, if the organization implements pollution control and other environmental control standards that are too stringent compared with those implemented by competitors, these standards can put the
organisations at a competitive disadvantage by requiring them to spend more resources on non-productive CSR projects, thereby reducing organisations’ profits and shareholders’ return.

Choi and Wang (2009) postulated that superior interaction or engagement with stakeholders may enhance an organisation’s income revenue or profit generation, and ultimately contribute towards the continued larger profitability. Most recently, organisations have been offering employees opportunities to take part in the organisations’ corporate social initiatives often with an expectation of deriving strategic benefits related to their human capital (Fleming & Jones, 2013). On the other hand, Kurapatskie and Darnall (2013) pointed out that environmental policies linked to CSR can increase operational efficiency in organisations, reducing insurance costs, enhancing learning and innovation, and providing other benefits that exceed the cost of implementing environmental improvements.

Despite the growing importance of CSR investment, the question of why managers engage and invest in CSR activities (such as to maximise shareholder wealth or help stakeholders at the expense of organisations’ shareholders or address societal challenges) is subject to much debate. The next section briefly states the purpose of this research.

2. The purpose of the study

The concept of CSR is receiving more attention by retailers as they recognise the importance of building a distinctive favourable organisational image with this concept which ultimately contributes towards financial performances. Therefore, the purpose of this research was to explore the corporate social responsibility activities of motor vehicle retailers operating in Gauteng province, South Africa. This research also probed on the relationship between CSR activities on business performance and environmental conservation.

3. Theoretical background and literature review

The next section provides literature review of previous studies on corporate social responsibility starting with the definitions of key concepts that makes this research understandable.

3.1 Definitions of relevant terms

The concepts corporate social responsibility, business performance and environmental responsibility are briefly discussed in the next sub-sections.

3.1.1 Corporate social responsibility

Corporate social responsibility (CSR) emphasises the important role of corporate communication in establishing and maintaining transparent and open dialogues with diverse stakeholders to foster ethical and socially responsible courses of action for various issues (Kirat, 2015). According to Waddock (2004) the concept of CSR is a voluntary managerial “actions that appear to further some social good, beyond the interests of the organisation and which are required by law. Choi and Wang (2009) CSR comprises seven areas of stakeholder management on which organisations’ CSR initiatives can be rated, namely; environment, community, corporate governance, diversity, employee relations, human rights, and product quality and safety. The key points from the preceding definitions is that CSR activities are voluntary and are aimed at benefiting the organisation and stakeholders. In this study, CSR can be defined as organisations’ commitment to operating a business in an environmentally responsible and economically sustainable manner while at the same time recognising the interests of its other stakeholders (customers, employees, shareholders, local community, the general society) and within the limits of the law.

3.1.2 Business performance

Business performance (BP) is conceptualized as the measures that determines how well an organisation manages its internal resources and adapts to its external business environments into financial performance which can be in the form of increased sales, profit, stock market shares, return on equity, and non-financial performance measures such as reputation, competitiveness, branding and quality (Al-Ansari, Pervan & Xu, 2013). Lakhal, Lakhal and Cheurfi (2014) suggested that organisational performance involves how well an organisation achieves its market-oriented objectives as well as its financial goals. However, it imperative to carry-out the operations of organisations through the use environmentally friendly methods. For the purpose of this research, business performance both financial and non-financial
measures that explains how the organizational resources are utilized in implementing CSR activities that of benefit to stakeholders (both internal and external). An example of non-financial performance includes organisational reputation. Organisational image refers to the reputation associated with their organisation’s name for the range of products, business activities and services marketed to customers of products that were marketed across the categories (Tracey & Phillips, 2016). According to Boivie, Graffin and Gentry (2016:192) organisational reputation is attribute specific, including how the organisation treats stakeholders, overall product or service quality in the industry.

3.1.3 Environmental responsibility

Environmental responsibility involves responsibility to use natural resources carefully, minimise damage, and ensure these resources will be available for future generations (Dzansi & Pretorius, 2009). For the purpose of this study, environmental responsibility is defined as all activities being carried-out by organisations to minimize waste of resources and conservation of natural resources to support sustainable development.

3.2. Literature review of previous studies

Previous studies have investigated the relationship between CSR and financial performance using a theoretical and an empirical lens. Specifically, research emanating from neo-classical economics argued that corporate social responsibility increases organisations’ financial costs while on the other hand it creates a competitive advantage for the organisations (Friedman, 1970; McWilliams & Siegel, 1997; Jensen, 2002). Organisations need human and financial resources to execute corporate social responsibility initiatives. Other studies argued that using organisations’ resources to execute corporate social responsibility activities results in substantial managerial benefits as compared to financial benefits to organisation’s shareholders (Brammer & Millington, 2008). Benabou and Tirole, (2010) suggested that superior corporate social responsibilities performances are linked to better stakeholder engagement, reducing the possibility of short-term opportunistic behaviour.

In the study by Ioannou and Serafeim (2013), it is revealed that a positive impact of corporate social responsibility on business performance existed. On other hand Gossand Roberts (2011) demonstrated that organisations with the poor corporate social responsibility scores pay seven to 18 basis points more on their bank debt compared to organisations with higher scores. In another, Dhaliwal, Li, Tsang and Yang (2011) uncovered that the voluntary disclosure of CSR activities leads to a reduction in the organisation’s cost of capital, while attracting dedicated institutional investors and analyst coverage. In another study, Flammer and Luo (2014) examined whether organisations employ corporate social responsibility to improve employee engagement and mitigate adverse behaviour at the workplace (such as shirking, absenteeism). The results of Flammer and Luo (2014) revealed that higher unemployment benefits are associated with higher engagement in employee-related CSR. This finding suggests that companies use CSR as a strategic management tool to increase employee engagement and counter the possibility of negative behavior.

Bode, Singh and Rogan (2015) investigated the relationship between corporate social responsibility initiatives and employee retention. The results of this study confirmed that employees tend to enjoy corporate social responsibility initiatives and intend to remain with organization that have resilient corporate social responsibility initiatives. In addition, this study found that the employee retention effect can partly be attributed to the positive treatment employees get within the organisation; the retention effect is not merely situating certain types of employees in the social initiative. Similar studies examined the link between corporate social engagement and business outcomes of strategic interest to the organisation (Cheng et al., 2013; Servaes& Tamayo, 2013). Cheng et al. (2013) investigated whether superior performance on corporate social responsibility strategies leads to better access to finance, and the results of this study indeed confirmed that organisations with better corporate social responsibility performance face significantly lower capital constraints. Servaes and Tamayo (2013) showed that corporate social responsibility (CSR) and organisation value are positively related for organisations with high customer awareness, as proxied by advertising expenditures. For organisations with low customer awareness, the relation is either negative or insignificant. In addition, this study uncovered that
the effect of awareness on the CSR-value relation is reversed for organisations with a poor prior reputation as corporate citizens.

In another study, Michelon, Boesso and Kumar (2013) examined whether CSR initiatives have a greater impact on organisations’ business performance in cases where the CSR activities are approached in a strategic way. The results of this study demonstrated that when organisations pursue CSR initiatives that are linked to stakeholder preferences and allocate resources to these initiatives in a strategic way, the positive effect of CSR initiatives on organisations’ business performance increase both market-based and accounting-based measures of business performances.

In a recent study, Gupta et al. (2017) investigated why organisations differ so much towards their corporate social responsibility. The results of this study revealed that organisational political ideology shapes corporate social responsibility initiatives of organisations in the United States of America. In addition, this study revealed that the effect of organisational political ideology appears stronger when corporate social responsibility is rare in the organisation's industry, when organisations are high in human capital intensity, and when the chief executive officer (CEO) has had lengthy organisational tenure.

The preceding studies discussed above were conducted in other parts of the world and other sectors of the economy which created a gap to be filled by this research in exploring CSR activities of MVRs from South African context.

The next section provides the contribution of this study.

4. Contributions of the study

In reviewing the secondary research available, CSR is not widely addressed in the South African context, specifically in the motor vehicle industry. This study contributes to literature on the topic by highlighting current CSR initiatives used by organisations, specifically, MVRs, for addressing youth unemployment, poverty alleviation, and environmental conservation. Furthermore, this study can benefit MVRs operating in South Africa by expounding the main reasons for consideration and suggesting careful utilisation of resources in planning and implementing CSR initiatives. This study also advances an argument that organisations tend to prioritise resources to CSR projects linked to business performance and environmental conservation. This work can assist marketers and managers to make better decisions associated with planning and executing CSR initiatives of MVR that could be of benefit to both internal and external stakeholders and promote environmentally friendly methods that promotes the conservation of natural resources.

The next section outlines the research methodology followed to accomplish the research purpose of this study starting with the research design, target population, sampling frame and technique, data collection, and data analysis method used.

5. Research methodology

This section provides the research methodology followed to realise the research purpose of this study. It includes the research design, target population, sampling frame and technique, data collection, and data analysis method used.

5.1 Research philosophy and research Design

An interpretive research philosophy is used in generate the meaning from the primary data. Neuman (2011:88) points out that interpretive research philosophy is considered as a systematic analysis of socially meaningful action through the direct detailed observation of people in natural settings in order to arrive at understandings and interpretations of how people create and maintain their social world. Interpretive researchers strive to study a meaningful social action, not just the external or observable behaviour of people. In this study, the CSR activities of MVRs are explored to generate an understanding regarding planning and implementing these activities.

An exploratory qualitative approach was followed in order to address the research objective. Malhotra (2010) points out that an exploratory research design is useful when the researcher requires more information about a specific problem, an opportunity or a phenomenon. The qualitative research approach was chosen for several reasons: participants’ perspectives and experiences were emphasised, it considered participants’ interpretation and it allows for flexibility. More specifically, the aim of using a
qualitative approach was to collect data more effectively and to gain richer information by also enabling participants to also express their opinions and share their experiences with regard to the social responsibility programmes implemented by MVRs.

5.2 Target population

The target population of interest for the current study was the MVRs operating in South Africa. South Africa was chosen due to its convenience and accessibility for the researcher. Corporate social responsibility managers or executives of MVRs were chosen as the unit of analysis. In this study, corporate social responsibility and marketing employees of MVRs were interviewed since they were holders of the data needed to answer the pertinent research questions of this research. The thirteen participants participated in this study, of which eight of these participants were managers of MVRs and five were senior sales executives involved in planning and implementing CSR activities of their respective MVRs. The number of participants interviewed was sufficient to assist in generating finding and drawing conclusions. Brynard & Hanekom (2006) state that it is permitted in qualitative study to use a small sample.

5.3 Sample frame

The Retail Motor Industry (RMI) member list was used as a sample frame in the current study, to select registered accredited MVRs to be included in the study. The MVRs operating within the borders of Gauteng province, South Africa in the City of Tshwane were contacted. Tustin et al. (2005) indicated that the sample frame may be a telephone directory, customer list, and research company databases, a list of e-mails addresses or even geographic maps. The researcher used Google, a well-known search engine on the Internet to search for list of MVRs in South Africa from the RMI database organisation’s website (Retail Motor Industry, 2016). The RMI member list contains the contact details of registered accredited MVRs operating in South Africa. The researcher used the e-mail addresses and telephone numbers obtained from the RMI member list to contact MVRs to acquire contact details of managers marketing personnel involved in planning and executing CSR projects of MVRs. Based on the contact details provided by the MVR managers, other participants were contacted via e-mails and telephonically to request their consents to participate.

5.4 Sample technique

A purposive sampling method was used in this study. Purposive sampling method means that participants are selected because of some defining characteristics that make them the holders of the data needed for the study (Tustin et al., 2005). The population can be defined as the total group of persons or entities from whom information is required (Tustin et al., 2005). The target population refers to the collection of elements that possess information sought by the researcher (Malhotra, 2010). Purposive sampling method was used in order to concentrate on the participants, in this case CSR managers who possess the richest information based on their roles in their respective organisations, which presented a possibility to answer research questions of this research. Twenty participants from different MVRs were target, however, thirteen participants from twenty different MVRs selling both new and used vehicles participated in this study.

5.5 Data collection

In-depth semi-structured interviews were used to collect the primary data in the current study using audio recorder. The primary data was collected from the 01st of December 2014 to 31st of March 2015. According to Malhotra (2010) an in-depth interview refers to an interaction between an individual interviewer with a single participant, and the semi-structured depth interviews allow the interviewer to uncover underlying motivations and probe on a topic. The researcher used a research guide containing research question topics during the interviews with participants. The researcher had to arrange a time and date most suitable for an interview with participants. All participants were briefed telephonically about the research objectives and the research topic was emailed to the participants. This was done to ensure that the researcher, as well as the participants, were at ease, and prepared for the interview, as well as to build rapport and relationship before the data collection began. At the beginning of each interview, all participants were asked to sign the informed consent form.
5.6 Data analysis

Qualitative content analysis was used, as it perfectly suited for the purpose of this study, which aimed to explore on the social responsibility activities of MVRs. In addition, Atlas ti. version 7 computer software was used in generating themes. During the data collection period, the transcripts of the interviews were analysed. The trustworthiness or validity of the qualitative data was exercised in data analysis to avoid biasness in interpreting the data.

6. Findings

The following issues were raised by participants as the main reasons for planning and executing CSR activities of MVRs operating in Gauteng province, South Africa, namely: to improve organisations’ business performance such as creating positive image, to increase financial return for the organisation, to gain a competitive edge in the industry, and to empower employees. The following quotes were taken from verbatim of participants regarding importance of CSR in MVRs:

“We carry-out CSR as we are part of improving the lives of community, and our employees. This is our culture as an organisation and this improves our image”. (Participant #2)

“Implementing CSR campaigns is beneficial to organisations, society and other stakeholders, and contributes towards improved business performance both all stakeholders.” (Participant #5)

“One of the main reasons why we carry-out CSR is that we improve the lives of our employees and other stakeholders, that’s really a lot more fulfilling for the organisation and for the management.” (Participant #10)

“…carrying-out CSR projects benefits the organisation and stakeholders, and could yield better business performance, such as improved profits, address societal challenges of the society, and build long-term relationships with stakeholders.” (Participant #11)

“Engaging in CSR projects brings joy in my work, I tend to feel satisfied that as the organisation we are giving something back to society as well.” (Participant #12)

“The long-term impacts of corporate social responsibility initiatives are of importance in planning CSR campaigns, corporate image, increases competitive advantage of organisation, and even increase organisation’s financial returns.” (Participant #13)

“The first reason to engage in CSR projects is the ability to make meaningful and impactful contribution to stakeholders and CSR projects are part of our organisation’s competitive strategy.” (Participant #13)

In addition, participants pointed out that certain CSR activities are also undertaken to address the social challenges of society such as HIV/AIDS, poverty alleviation, and promotion of education and training of the youth. Moreover, the participants pointed out some of the CSR campaigns include HIV/AIDS campaigns for internal employees, study assistance for both employees and their dependants, graduate development programmes, entrepreneurial skills programme, and environmental conservation awareness campaign which contributes towards on operating costs reduction. One of the participants emphasised that entrepreneurial skills programmes are crucial in a country characterised by high unemployment as it has the potential to reduce poverty and economic crimes in the society. The following quotes were taken from verbatim from participants regarding various CSR campaigns being implemented by MVRs:

“In our organisation corporate social responsibility is carried-out to empower our employees, for example we have HIV/AIDS awareness campaigns and we offer our employees and study assistance bursaries to further their studies and for their dependants.”(Participant #3)

“We engage in CSR campaigns to better the lives of community, conserve the environment, and build good brand image for the organisation.” (Participant #8)

“We have successfully adopted smart water-metering proof concept and this technology we are able to gather utility meter data through sensors installed on meters to monitor water consumption, improve consumption efficiency, and further identify any water pipeline leakages in time. This smart-water-metering system also reduces faults, operating expenses and water losses.” (Participant #10)

“Our business premises’ electricity installations are supported by solar panels to reduce electricity costs and save energy.” (Participant #11)

“Internal communications in our organisation are done electronically, we are minimising the use of paper and seldom print, for example, sales agreements we print and other key information” (Participant #9)

“Currently we are embarking on environmental conservation campaign which includes minimum usage of research and electricity, and we have recently opened green offices in two of our new branches.” (Participant #11)
“Financial budgets serves as a limitation with regard to the number CSR projects to embark on. Currently we are offering internships and graduate development programmes to youth and new graduates, we are targetting graduates within the age range between 20 years of age to 34 years of age. We believe these projects increase the chances of employment of trained youth and have potential to reduce crime level.” (Participant #14)

Furthermore, participants indicated that CSR activities as are supported by availability of organisations’ budgets within MVRs, these CSR activities form part of the organisations’ competitive strategy. Limited budgets serve as limitations to the implementatinof further CSR campaigns. Quotes derived from the verbatim of participants are provided below emphasising financial resources as a limitation which forces MVRs to direct resources to ceratin CSR campaigns.

“Due to limited financial resources, we tend to channel resources to CSR projects that are necessary to address major challenges of the stakeholders. In a country with high unemployment, entrepreneurial skills courses and graduate development programmes are imperative, and these are CSR projects we are currently embarking on.” (Participant #6)

“We engage in corporate social responsibility projects to address social challenges of of the society, and corporate social responsibility has become part of organisations’ competitive strategy.” (Participant #7)

“Sometimes we like to have more CSR project, but this is dependent on the availability of organisation’s budget. Most of organisations recently incorporate CSR activities their organisations’ competitive strategy.” (Participant #13)

Based on the findings of this paper, the following conclusions and discussions are provided in the next section.

7. Conclusions and discussions

Despite being one of the most highly researched areas in management, the CSR-BP relationship in terms of organisations’ corporate social activities toward specific stakeholders has seen somewhat limited empirical investigation. To gain a better insight of the nature of the CSR-BP relationship, this study investigated CSR initiatives and activities implemented by MVRs in practice, which are directed towards organisations’ specific stakeholders. These findings of the current research indicated that CSR initiatives are carried out to improve organisations’ business performance. This finding concurs with the findings of the study by Michelon et al. (2013) in that organisations’ CSR initiatives have a notable impact on organisations’ business performance if organisations prioritise the CSR activities that matter most to stakeholders. In addition, the findings of this study add insights in pointing out that CSR campaigns include HIV/AIDS campaigns for internal employees, study assistance for both employees and their dependants, and graduate development programmes towards new graduates. Furthermore, the findings of this research add further insights by revealing that organisations can execute CSR initiatives such as entrepreneurial skills programmes to reduce unemployment, poverty and economic crimes in the society. Moreover, it emerged that CSR activities are supported by availability of organisations’ budgets, within organisations these CSR activities form part of the organisations’ competitive strategy. The findings of this research are partially in line with the results of the study by Cheng et al. (2013) which revealed a positive relationship between CSR and organisations’ finances in that superior performance on CSR strategies leads to better access to finance, and that organisations with better corporate social responsibility performance face significantly lower capital constraints.

8. Managerial implications

The study also implicitly highlights the reasons why organisations such as MVR execute CSR initiatives from a practical point of view. Based on the findings of this research, it is imperative for managers of organisations to view CSR initiatives strategically, considering the long-term implications of these activities for the CSR-BP relationship. In addition, by adopting a strategic approach to CSR organisations can create competitive advantage and a positive image for the organisation. Furthermore, it is recommended that managers should hold dialogue with stakeholders for prioritizing and allocating resources to CSR initiatives that have the potential to address social challenges of the stakeholders. Such dialogue should also create further CSR proposals based on organisational capabilities.

9. Directions for future research

This study explored CSR activities of MVRs in one province in South Africa using a qualitative research approach. Future research can be carried-out in other provinces and other regions or globally
using mixed method research approaches to quantify the results. The generalisability of the findings of the study is also limited, given the nature of sample used in this study. It remains for future studies to determine whether these results will hold for a larger cross-section of organisations, following a similar research approach. Finally, future study can focus on the use of technology in implementing operations that are environmentally friendly.

10. References


