

Measuring the immeasurable by proposing a CSR index

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Abstract: Corporate social responsibility (CSR) is an admirable notion that should be followed by modern business. There has been an incredible amount of scholarly literature on developed economies of CSR activities over the years. However, the literature lacks the emerging economies' perspectives on how to measure CSR activities and what benefits developing countries' businesses can reap from being a socially responsible corporate citizen such as CSR-oriented business. The study proposes a conceptual framework that aims to explore the measurement of CSR performance by proposing a CSR index relevant to Oman's society. The proposed CSR index suggests following a content analysis approach which covers six dimensions of CSR in general. The paper offers a novel contribution to the literature by highlighting the CSR measurement approach referring to Oman's economy which is aligned with Oman's 2040 vision, Oman's code of corporate governance, and UN Sustainability Development Goals (SDGs). The proposed CSR index highlights the benefits that are associated with the disclosure and measurement of CSR activities. The proposed conceptual CSR framework in this study offers a unique contribution to the body of knowledge and practical implications in Oman. Oman is the first country in the GCC (Gulf Cooperation Council) countries to develop corporate governance principles but still, the implementation is weak. Mandatory corporate social responsibility disclosure measurement is one of the aims of this research. Thus, the proposed CSR index is an ideal evaluative tool for Omani businesses' performance in the CSR domain.

Keywords: Content analysis, CSR performance, Measurement, Oman 2040 vision.

1. Introduction

The concept of Corporate Social Responsibility frequently labeled CSR has gained considerable global recognition since its inception in 1953 (Carroll, 2009). Today, CSR is supported and promoted by global institutions: the UN (United Nations), the World Bank, and the OECD (Organization for Economic Cooperation and Development). CSR is closely linked with globalization, addressing the need for environmental and human issues. Consequently, multinational businesses are the key drivers of CSR and its multiple dimensions (Murphy, 1978).

The global corporate social responsibility (CSR) aspects might suggest that national factors are less important or irrelevant. However, while CSR has a global dimension, recent studies indicate that its implementation varies significantly across different social, economic, cultural, legal, and political contexts (Phillips et al., 2020). Researchers argued that CSR is influenced by national contexts and linked current CSR trends to national political and economic institutions (Galant & Cadez, 2017; Michaels & Grüning, 2018; Newman et al., 2020). However, there have been limited methodical efforts made to evaluate and analyze how domestic structures affect CSR.

CSR is a global concept and adopting it in different cultures, societies, and economies transforms its original shape according to the local context (Younas et al., 2024). Similarly, when CSR is transformed into a local context then there is a need to measure it according to local requirements, so it is argued that there will be no one formula fit for all types of CSR activities performed by different economies. The primary motivation of this study is to address how can CSR activities be measured nationally according to national priorities and within the local context.

This article aims to enhance the analytical framework for corporate social responsibility (CSR) by incorporating a structural perspective. To systematically examine the influence of political-economic structures, it is essential to measure CSR practices across various systems. The study aims to achieve this by developing and accessing a country-level index of CSR practices that facilitate these measurements. The research highlights the CSR background and its current practices. The study discusses the various measurement approaches and based on this proposes the most suitable measurement approach. Finally, the study emphasizes the benefits of CSR measurement implementation.

2. Background

The CSR history traces back to the early 20th century, but its roots can be found in the ethical and moral practices of businesses (Moura-Leite & Padgett, 2011). Formally, the notion of CSR was introduced in the 1950s, a period marked by a customer-focused era, where customer rights were on the rise and social awareness issues were heightened (Doda, 2015). The period 1970s and 1980s known for CSR traction in academia, many companies started adopting CSR practices and focusing on the environmental and social welfare of the CSR dimension (Carroll, 2009). Later, globalization leads CSR to being practiced by multinational corporations. Multinational businesses align their activities with the CSR human rights dimension. From 2000s to present, CSR has become the conventional business practice integrating it to business mission, vision, strategies, objectives, and operational plan (Younas & Kassim, 2022).

The concept of CSR has now expanded to include internal and external best practices to show as CSR commitment of a business. Today CSR is used as a tool to gain strategic advantage and showing it as a business's commitment to social and environmental issues (Dyduch & Krasodomska, 2017). Businesses can reap several advantages by following CSR practices which include, brand reputation, management of risk, attracting potential employees, increase in customer demand, high investor interests, positive impact on society, long-term sustainability, and fulfilling regulatory requirements (Sudirman et al., 2021).

CSR is a global concept promoted by various international and regional organizations. It is becoming more embedded in global management practices; companies that aspire to be seen as modern and legitimate now consider CSR a fundamental aspect of their operations (Sudirman et al., 2021). Consequently, it aligns with broader trends and frameworks, such as the UN Sustainability Development Goals (SDGs), the Global Reporting Initiative (GRI), and ISO standards.

The significance of local culture, context, and traditions play a crucial role in shaping the notion of CSR. It encompasses shared and collective ideas, along with specific and identifiable practices. Despite the global nature of CSR, recent research indicates that CSR is implemented differently across various social, cultural, economic, legal, and political contexts (Younas et al., 2023). The significance of local culture, context, and traditions in shaping the understanding and implementation of global concepts has been well-documented in literature and business studies.

Measuring CSR is crucial to CSR literature and theory. Measuring CSR performance is needed by all stakeholders (Younas & Kassim, 2022). It helps ensure businesses are transparent about their operations and impact on society. Businesses are accountable to their stakeholders by providing evidence (Eding & Scholtens, 2017). This enables businesses to obtain valuable data to inform their decision-making processes by systematically measuring CSR activities. It creates a trusty relationship between the business and its stakeholders. Demonstrating a commitment to CSR through measurable outcomes can significantly enhance a company's reputation.

By assessing CSR initiatives, companies can more effectively identify and manage risks related to social and environmental challenges. Businesses that accurately track and report their CSR efforts can differentiate themselves from competitors (Haslinda et al., 2016). Moreover, many regions are increasing legal and regulatory requirements regarding sustainability and corporate responsibility. Monitoring CSR activities helps companies adhere to these regulations, thereby avoiding fines and legal complications. Research shows that strong CSR practices can improve a company's financial performance when measured and implemented effectively (Huang & Ye, 2021). Hence measuring CSR is

crucial for assessing and ensuring a company's long-term sustainability, enabling organizations to understand their effects on the environment and society while crafting strategies that foster both business success and ecological well-being (Eding & Scholtens, 2017).

3. Measurement of CSR

In an era when CSR, sustainability, and ethical practices are central to business priorities, measuring CSR has become essential for businesses looking to demonstrate their dedication to social, environmental, and economic stewardship. Stakeholders are seeking transparency and accountability and at the same time, companies face the challenge of effectively quantifying their CSR activities (Younas & Kassim, 2022). Measuring CSR involves assessing a business's efforts and impacts in areas related to ethical, social, environmental, and economic development. Traditional methods to measure CSR are sustainability reporting, ESG metrics, certificates or ratings, stakeholder feedback, social impact assessment, environmental impact assessment, benchmarking, social return on investment, and third-party audits and reviews (Li et al., 2022).

Many businesses publish sustainability reports demonstrating their practices and impacts on the environment, society, and economy. These reports often follow global standards that provide a framework for reporting sustainability or CSR metrics, such as the Global Reporting Initiative (GRI). Another prominent measurement of CSR is ESG, which refers to Environmental, Social, and Governance Metrics (Ehsan et al., 2018). These standards portray a business image that socially conscious investors use to screen potential investments. In ESG, Social criteria evaluate a company's relationships with employees, suppliers, customers, and communities, while governance focuses on leadership, executive pay, audits, internal controls, and shareholder rights (Diez-Cañamero et al., 2020).

Measuring CSR performance through certifications and rating serves as indicators of a business's commitment to CSR. Certifications like ISO 26000 (CSR Guidance), B Corp Certification (High Standards of Social and Environmental Performance), and LEED certification (Green Buildings) are some of the indicators. Additionally, stakeholders' feedback is used to measure CSR performance. Engaging stakeholders through surveys and interviews can provide qualitative and quantitative data on the company's CSR performance. Moreover, social impact assessments measure the direct and indirect social impacts of a business's operations. This covers how business contributes to internal and external CSR practices. Similarly, environmental impact assessment evaluates the business's effects on the environment such as water usage, waste management, and biodiversity impacts (Rettab et al., 2021).

Another prominent measurement of CSR performance is benchmarking a company's CSR efforts and activities against industry peers and best practices to identify areas of strength and opportunities for improvement. Social Return on Investment (SROI) is a method for measuring financial value relative to resources invested. This is an accounting approach for measuring value in a broader concept. Furthermore, third-party audits and reviews an independent assessment that can provide unbiased views of a business's CSR performance and its adherence to social and environmental standards (Mayorga Salamanca, 2022).

4. Research Methodology

Measuring CSR is a continuously evolving concept. There is still no widely accepted methodology for measuring CSR from each perspective, nor is there a rigorous way to measure CSR activities on a national scale. CSR is a fundamental concept that encompasses voluntary and regulatory approaches to disclosing CSR performance (Younas et al., 2023).

The main objective of this paper and proposing CSR index is to measure CSR practices and actions in the term's broadest sense in the context of Oman's economy, covering Oman 2040 Vision, measuring Oman Code of Corporate Governance implementation, and aligning with UN SDGs. The proposed CSR index comprises six themes, further divided into different attributes. The proposed broader CSR themes are governance and compliance, society and community, health and education, environment and energy, product and services, and workforce. All these themes reflect Oman's 2040 vision, Code of corporate governance, and UN SDGs. The proposed theme is designed according to the country's specific requirements.

5. Implications

Measuring CSR is an important element of the CSR process. If the CSR activities are not measured, it is assumed they are not performed. Thus, measuring CSR from all aspects is an important element in the whole process. Another challenge of CSR measurement is the approach or method. CSR is a qualitative approach, and measurement refers to a quantitative approach. Consequently, measuring the immeasurable is a challenge where researchers argue to choose the right approach (Stahl et al., 2020).

CSR is one of the leading business strategies and also a compulsory regulation for some economies. Various studies have been conducted to show CSR's impact on business and society brings advantages at large (Arsić et al., 2017; Duca & Gherghina, 2018). Improving brand value and corporate image is one of the benefits which is associated with the implementation and measurement of CSR performance. The implementation of CSR will help highlight the prestige of business in the market, which is seen in industries where the quality and price of products are almost equivalent, consumers will become more conscious in making their product choices (Ali et al., 2017). Consumers often choose products according to their feelings and preferences; CSR oriented businesses usually win their trust and sympathy for the brand. Various studies show a positive relationship between CSR and brand value (Briscese et al., 2021).

CSR not only improves corporate image but also improves the financial efficiency of businesses. Several studies' results have shown a positive relationship between CSR performance and the financial performance of businesses (Alhouti & D'Souza, 2018). Environmental CSR helps reduce production costs in the form of savings in water, energy, and waste management which as a result improves the financial performance of businesses. Additionally, CSR-oriented and socially responsible businesses get rebates on government taxes which helps to improve the profitability of the business (Bahurmoz, 2019).

CSR initiatives and performance can be internal and external. Treating employees ethically is the form of internal CSR which is used as a tool to satisfy two business purposes. First, managing employees ethically ensures a high level of motivation and commitment for employees (McLaughlin, 2019). As a result, performance of employees reaches to high level which benefits the business from all aspects. Secondly, potential employees are willing to join those companies that treat their employees ethically, so the business does not need to search for the right candidates. The right candidates will have a high desirability to join socially responsible businesses, the cost and time of searching for an employee will be less (Stahl et al., 2020). Thus, the business will be regarded as an employer of choice because of its internal CSR practices.

CSR practices allow businesses to access new markets even in developed countries without any strict requirements because of their good practices. Similarly, high CSR performance is also associated with increased loyalty, customers show high sympathy with them as well. As a result, the risk of losing customers or future crises can be managed with CSR performance because CSR-compliant businesses are less risky and less likely to be publicly criticized (Heli Wang, Li Tong, Riki Takeuchi, 2016). High CSR performance businesses have the potential to attract new investors and customers. At the same time, it helps to improve product quality and service. The businesses are in a better position to gain and sustain competitive advantage by creating a positive image and winning customer loyalty and trust (Allui & Pinto, 2022; Mohtsham Saeed & Arshad, 2012).

Benefiting the whole community and society is a prominent motivation for businesses to start and continue to practice CSR activities. Businesses that care about their customers and their interests people feel safer and significantly increase trust (Alhouti & D'Souza, 2018). Quality products will be available to them at lower prices because business efforts to comply with CSR rules help them eliminate all defects in the production stage which increases the provision of high-quality goods and services at lower prices. CSR in various aspects improves education, health, and the general well-being of the community (Orazalin, 2020). The improved knowledge equips society to influence social behavior and improve their living standards. Another prominent implication of CSR activities is on the natural environment. It helps in the reduction of CO₂ emissions, waste, and non-renewable resources (Dyduch & Krasodomska, 2017).

6. Conclusion

CSR has become a crucial concern for businesses today. It benefits both businesses and the society they serve, offering rewards to both partners. Businesses can experience high financial performance by contributing to the well-being of society, while also building a positive reputation and earning respect, which helps solidify their market position. In return, the communities where these businesses operate can see improvements in society's well-being. Adhering to CSR principles can lead to the success of a business and the welfare of society should go hand in hand. There are various methods to measure CSR, as each approach comes with its own set of limitations and impacts. The current study proposed a content analysis approach to measure CSR performance which provides flexibility for researchers. Measuring CSR is essential for understanding its influence, as it links business performance with societal benefits, but challenges arise from the qualitative nature of CSR and the difficulty in choosing the right measurement approach. Honest CSR practices not only improve corporate image, financial performance, and employee satisfaction, but they also enhance customer loyalty, open access to new markets, and contribute to societal well-being by promoting sustainability, reducing environmental impact, and improving quality of life.

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