Evaluating organizational tendency in accepting social responsibility, factors affecting it, and its impact on corporate reputation

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ABSTRACT

Today, all areas of science, business and industry are facing deep and lasting changes. Although reputation is a well-known concept from long ago, academic researches especially in business and trade area, are not more than a half century old. And since mid 1980s, managers realized the strategic importance of establishing and maintaining good reputation as a competitive advantage and invested more fund on conducting related studies, because they believe the best way in trusting companies is their reputation. This research was carried out with a statistical population of 210 people and sample of 100 people in west Azerbaijan province, department of industry, mining and trade. The main objective of this study is to evaluate tendency in accepting social responsibility in department of industry, mining and trade and to examine the effective factors and the relationship of each dimension of social responsibility with reputation of this department. Based on the main assumption, parallel to study objectives, tendency to accept social responsibility is evaluated as 3.6269 and there is a significant relationship between acceptance of social responsibility and reputation. According to results, the correlation coefficient is 426/0 and the test's level of significance is 0.0001. It could be expected that with increasing level of social responsibility acceptance, the reputation in department of industry, mining and trade of west Azerbaijan province increases.

KEYWORDS: social responsibility, reputation

INTRODUCTION

One of the important features of products and services which make them preferable compared to others, whether in personal, social, or business area, is good reputation. The business world in recent decades has witnessed emergence of paradigms such as customer-orientation and business excellence, decline of engineer-orientation and technical excellence. Mass production is replaced with lean production in the industry. However the most recent and most challenging paradigm of managers today, either in management of profit or non-profit organizations, is reputation. Reputation (Good reputation) is a concept that all stakeholders of the company benefit from it and its effect on every component of organization is visible and examinable (Najm Roshan et al., 2011, 75).

The most important task of the manager is to lead organizational facilities in order to achieve pre-determined objectives. These amenities and facilities are evident in two general forms of human and material capital. If the mission and policies of organization are defined in line with society values and expectations, and personal and individual needs are paid enough attention to, next objective is to achieve social goals. Paying attention to social and superior needs stems from the fact that human whilst having reasoning, is a social being and alongside a small or big group, lives in a larger collection called society. Also the biological and inherited idea of equality in human mind creates the principal of social responsibility. The root of responsibility is inherent since humans are often obliged to act according to wisdom and conscience which in turn provides a background for taking responsibility [1].

Intense competition, population growth, scarcity of resources and environmental pollution bring new approaches for organization and management, social responsibility commitment being the result of such developments [2].

In order to maintain and improve their positions in society to survive and succeed, organizations need to pay due attention to social responsibility. If organizations do not fulfill their social responsibility, government by legislation forces them to do so. However if organizations decide to do this social duty voluntarily, monitoring would not be necessary and this will result in their good reputation in society [1].

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THEORETICAL FRAMEWORK AND LITERATURE REVIEW

The concept of organizational reputation as an evaluation which various stakeholders have done to estimate the ability of corporation in fulfilling their expectations [3], is defined as a social system of objective beliefs of a social group members [4] and indicates past behaviors of organization and related characteristics which are in the mindset of multiple society[5].

A company's reputation is the overall evaluation of the company by stakeholders over time. This evaluation is formed by stakeholders' direct experience, any type of relation or symbolizations which contains data of the company and comparing these data with the performance of the other competitors (Najm Roshan et al., 2011, 80).

To facilitate investigating different viewpoints and definitions about reputation, they could be categorized in two schools of thought: comparative and distinctive.

1. Comparative School: according to the followers of this school, company reputation is the same with company image. Most scholars of this school define image of a company synonymous with reputation of that company.
2. Distinctive School: the followers of this school distinguish between phrases of image and reputation and consider them different concepts. There are three viewpoints in this school.

The first viewpoint in response to comparative school which puts too much focus on image, considers reputation and image as distinct concepts based on differences that exist between them.

The second viewpoint believes that reputation and image are different but reputation is one of constructive dimensions of company image.

The third viewpoint considers this relationship and states that reputation is heavily influenced by different images that are provided by company components (Najm Roshan et al., 2011, 79-80).

According to Fombrun and Van riel, and Gradberg, 20 attributes of good reputation are grouped in 6dimensions:

1. Emotional attraction: to what extent a company is desirable, respected and pleasant.
2. Products and services: understanding quality, innovation, value and credit of products and services.
3. Financial performance: understanding profitability, opportunities and risks of a company.
4. Perspective and leadership: to what extent a company can provide strong leadership and clear perspective.
5. Work environment: understanding how well a company is managed and what is done for the welfare of staff.
6. Social responsibility: understanding how much attention a company pays to citizens in its relation with society, staff and environment [3].

Many researches have been conducted to determine effective factors on reputation, among which Gryser, Mahon and Vartic can be mentioned. The results of these and other studies have led to development of models for measuring company reputation.

The most important models are as follows:

1. Model of Fortune magazine or most acclaimed American companies

The most famous reputation ranking system is carried out by Fortune magazine. The list of most acclaimed American companies is selected among largest American companies (arranged according to their profit amount) and some non-American companies.

2. Model of best companies to cooperate with

Fortune provides a list of top companies to work with, in which among 2000 companies, 234 are investigated accurately. In this model, with a questionnaire given annually to 36000 employees selected randomly from companies, 100 best companies are elected.

This questioner allocates two-third of evaluation score. The remaining one-thirdis devoted to company's description of its philosophy and experience which contains attached documents such as staff manuals, company newspaper and videotapes.

3. Stuart Model

By concluding previous model and adopting corporate identity model found by Van Riel and Balmer based on three areas of: (1) graphic design of corporate identity, (2) community relationships of company and (3) organizational behavior, Stuart offered an almost perfect model on reputation formation and its constituent elements in 1999.

4. Reputation quotient model (RQ)

Charles Fombrun (1998) criticized a number of present methods in measuring reputation, in two aspects:

A: Selected criteria for evaluation did not have any scientific basis.

B: The respondent statistical population to this study was often executives and analysts.

In 2000, with the help of Harris institute, fombrun presented an alternative for the existing methods which could prevail many of criticisms. The Harris-Fombrun Reputation quotient model is a relatively new alternative for the list

of acclaimed companies. Reputation quotient consists of 21 indicators, representative of 6 dimensions which result from literature review of reputation. One advantage of this approach is that it could later be used to measure different organizations' reputation. This model includes investors, employees and customers and is not limited to executives. Considering the extensive and more complete model of Reputation quotient in comparison with other models of measuring reputation and the possibility to consider different viewpoints of stakeholders, this model -both theoretically and empirically- is the most notable model of reputation.

The concept of Social responsibility

Social responsibility is related to behaviors and decisions based on accepted social values. By dedicating financial resources, organizations must strive to improve social welfare accepted by public majority. Social responsibility can be related to the manner of organizational function in various matters such as environmental pollution, discrimination, poverty, unemployment, inflation etc. Barney and Griffin define responsibility as "set of duties and commitments that an organization must follow to preserve, protect and enhance the society in which it functions" [6].

In addition to legal authority, social responsibility in business and other organizations also considers their effect on society and environment. This could include the way organizations interact with their employees, vendors, customers and communities they work in, and their effort to preserve and protect their environment [7].

Robinson also believes that: "social responsibility is one of duties and obligations of an organization for the advantage of society so that it will supreme primary objective of the organization which is maximizing profit".

Ketro and Mac Douglas believe that: "social responsibility is of management obligations that in addition to maintaining and developing interests of the organization, public welfare is also considered" (same source).

Principals of social responsibility

One of institutions providing principals for social responsibility is ism. Principals that can be generalized to other organizations are as follows (ism, 2004, 1-9):

1. Society: attempts on creating advantage for society, provoking and encouraging related organizations to move in line with interests of society.
2. Environment: provoking and encouraging organization to create a responsive mechanism for its environment so that it resolves confusion and discontent and clarifies positions of organization and policy effects on inflation, unemployment and poverty rates.
3. Ethics: creating a code of ethics for organization and attempt to act on its principals.
4. Financial responsibility: responsibility for property of those who invest in organization. And in larger governmental organizations it is the responsibility for public property and national wealth.
5. Human rights: respectful attitude towards people inside and outside organization, respect and support of international rights within organizational limits. Provoking related organizations to respect human rights.
6. Security: creating a safe atmosphere for related people inside and outside organization and preventing insecurity for others.

Concept of social responsibility in organization

Social responsibility in an organization is its commitment as a social institution in broad sense, to respect ethics. Based on social responsibility, managers as people whose decisions guide organizational behavior must make sure that their ethical framework is extended throughout the entire organization. Managers must be example for all members of organization. They must be committed that organization is moving towards both increasing productivity and social responsibility objectives[8].

Social responsibility is an opportunity for economical enterprise to discuss subjects of utmost importance in society. Social responsibility creates the belief in agencies to consider themselves a responsible member in society [9].

Dimension of social responsibility in organizations

Social responsibility has 4 dimensions:

1. Economic dimension: in this dimension economic activities are considered.
2. Legal dimension: organizations are required to perform within framework of rules and public regulations. Legal dimension of social responsibility is also called "social obligation".
3. Ethical dimension: same as other society members, organizations are expected to respect values, norms and public beliefs and consider morality in their activities.
4. Public and national dimension: national dimension includes expectations, demands and policies of senior managers in macro level. It is expected that, managers and agents of organizations with an overall attitude

by preserving the unity and public interests of the country set general strategies and decisions and decide on long-term perspective. National dimension of social responsibility is called "social assistance" [10].

Three dimension of social responsibility of an organization according to Razdar are: "social", "ecology" and "economy" which respectively contain people, earth and profit.

According to Draker, organizations' social responsibilities can be summarized as follows:

1. Considering responsibility, duty and main objective of an organization
2. Responsibility of Products and Services: organization and managers are responsible for consequences and side effects of their products and must be held accountable for them.
3. Responsibility of process: organization and its managers are responsible for production process. Production process must not cause social costs; if inevitable, must be minimum.
4. Ethical responsibility: organization and its managers must respect ethical principles in business and trading and adhere to those principals.

Social responsibility of organization and its advantages

Social responsibility of organization is the crucial factor to the survival of any organization that according to relationships of all organizations with society has turned into an inevitable collection. Organizations' social responsibility is to define, systematize and illustrate new role and responsibility of organizations so that they will focus on an area called society, with centrality of profit mission. In modern world, organizations of every size and in every market need to satisfy society in order to survive. Such satisfaction is only achieved when society believes operations of organizations have a beneficial impact on human and environment. Public considers potential investors, politicians and a wide range of stakeholders responsible for social, environmental and economical effects[1].

The success of social responsibility in an organization shows how much it is able to navigate and respond to needs of stakeholders while implementing its organization model [11].

The importance and necessity of paying attention to Social Responsibility of organization

The business today and new spaces of trade requires leaders and managers of organizations and large companies who are active and effective in global market and emerging global markets to create a balance between social, economical, and environmental sections of their business and take their social responsibility seriously [12].

Social responsibility of an organization is to go beyond frameworks of minimum legal requirements that the organization is located. In fact, the social responsibility of organizations is a sublime approach in business, the purpose of which is to gather all sections including public, private and volunteers, to work together. On the other hand, social responsibility of organizations is not only for large and profitable organizations but also includes organizational behavior of all organizations and companies. As organizations become more sensitive to their ethical and environmental principals, smaller organizations would be encouraged to follow them. This way, citizen and customer trust is gained [3].

Taking social responsibility seriously in organizations had many signs. One sign of organizations' social responsibility is the presence of trade union in their structure. Respecting Consumer rights, considering legal standards in production, accountability of managers in civil, environmental, ethical and cultural issues and even human rights are other signs of paying attention to social responsibility in organizations and companies [1].

The main reasons in agreeing with partnership and social responsibility are as follows [9]:

1. Moral obligation
2. Better social environment
3. Preventing the spread of rules and governmental regulations
4. Systematic mutual independence
5. Help in solving social problems
6. Improved public image
7. Draw of valuable resources of organizations

The main reasons in disagreeing with partnership and social responsibility are as follows:

1. Need to achieve maximum profit
2. Number of organizational objectives
3. Cost of social partnership
4. Undermining balance of international payments
5. Lack of social skills
6. Absence of accountability
7. Inability of organization in selecting ethical choices

RESEARCH METHODOLOGY

This research is practical in purpose and causal in nature and the method is descriptive-survey research. For collecting data library method was used and by conceptual and operational definitions of variables, needed data was gathered. To measure known indicators, field method and statistical population sampling was used. For analyzing statistical data, inferential statistics method, and to test assumptions, due to the lack of normal distribution of variables, Spearman Correlation Coefficient test was used. Also t-Student test was carried out by the use of 22spss software.

In present study, statistical population was 210 experts of industry, mining and trade department. Sample was determined using Cochran formula and 100 individuals randomly selected from statistical population.

DISCUSSION AND ANALYSIS OF RESULTS

According to research findings, main assumption based on tendency in accepting social responsibility is 3.6269, this tendency in economical dimension is 3.7, in legal dimension is 3.495, in ethical dimension is 3.5566 and in public and national dimensions is 3.6725. And since obtained numbers are higher than the average number of 3, employees in the department of industry, mining and trade of West Azerbaijan province tend to accept social responsibility.

There is a significant relationship between social responsibility and reputation of an organization, since correlation coefficient is 0.426 and significance level is 000/0. It could be expected that with increasing level of social responsibility acceptance, the reputation in department of industry, mining and trade of west Azerbaijan province increases.

There is a significant relationship between economical dimension of social responsibility and reputation of organization, since correlation coefficient is 387/0 and significance level is 0.0001. It could be expected that with increasing economical dimension level of social responsibility acceptance, the reputation in department of industry, mining and trade of west Azerbaijan province increases.

There is a significant relationship between legal dimension of social responsibility and reputation of organization, since correlation coefficient is 0.416 and significance level is 000/0. It could be expected that with increasing economical legal level of social responsibility acceptance, the reputation in department of industry, mining and trade of west Azerbaijan province increases.

There is a significant relationship between ethical dimension of social responsibility and reputation of organization, since correlation coefficient is 0.321 and significance level is 001/0. It could be expected that with increasing ethical dimension level of social responsibility acceptance, the reputation in department of industry, mining and trade of west Azerbaijan province increases.

There is a significant relationship between public and national dimension of social responsibility and reputation of organization, since correlation coefficient is 0.411 and significance level is 000/0. It could be expected that with increasing public and national dimension level of social responsibility acceptance, the reputation in department of industry, mining and trade of west Azerbaijan province increases.

There is a significant relationship between social responsibility and perspective-leadership dimension of organizational reputation, correlation coefficient is 37/0 and significance level is 0.000. It could be expected that with increasing level of social responsibility acceptance, the perspective-leadership dimension of organizational reputation in department of industry, mining and trade of west Azerbaijan province increases.

There is a significant relationship between social responsibility and financial performance dimension of organizational reputation, correlation coefficient is 0.393 and significance level is 0.000. It could be expected that with increasing level of social responsibility acceptance, the financial performance dimension of organizational reputation in department of industry, mining and trade of west Azerbaijan province increases.

There is a significant relationship between social responsibility and products- services dimension of organizational reputation, correlation coefficient is 0.249 and significance level is 0.012. It could be expected that with increasing level of social responsibility acceptance, the products-services dimension of organizational reputation in department of industry, mining and trade of west Azerbaijan province increases.

There is a significant relationship between social responsibility and social responsibility dimension of organizational reputation, correlation coefficient is 0.307 and significance level is 0.002. It could be expected that with increasing level of social responsibility acceptance, the social responsibility dimension of organizational reputation in department of industry, mining and trade of west Azerbaijan province increases.

There is a significant relationship between social responsibility and emotional attraction dimension of organizational reputation, correlation coefficient is 0.308 and significance level is 0.002. It could be expected that with increasing level of social responsibility acceptance, the emotional attraction dimension of organizational reputation in department of industry, mining and trade of west Azerbaijan province increases.

There is a significant relationship between social responsibility and work environment dimension of organizational reputation, correlation coefficient is 0.306 and significance level is 0.002. It could be expected that with increasing level of social responsibility acceptance, the work environment dimension of organizational reputation in department of industry, mining and trade of west Azerbaijan province increases.

Conclusion

Due to the importance of the two topics of social responsibility and reputation of organization, by investigating their relationships in this study, it became clear that there is a positive and mutual relationship between them. In other words, organizations can improve their reputation by accepting social responsibility. This is through unity, coordination, trust and relationships of the members within organization and external interactions. On the other hand, organizations in order to achieve good reputation must train their staff and spread the culture of accepting social responsibility.

According to findings of present study, employees in department of industry, mining and trade of west Azerbaijan province tend to accept social responsibility. To maintain their position and for survival and success of their business, they must place social responsibility in priority since organizations performance in any way, would affect society. To achieve organizational objectives, managers must take actions acceptable for society and public. To do so, it is better that organization primary pays attention to its staff needs and concerns so that by meeting them, encourages staff to accept social responsibility. And employees carry out their duties with peace of mind.

According to the results of this study, the following suggestions can be recommended for department of industry, mining and trade and future scholars.

1. Managers must attempt to succeed in performance of organization. And by considering characteristics of their respective organization such as clear perspective, managers must increase their level of social responsibility acceptance to increase reputation of the organization.
2. Creating a clear picture of the concept of social responsibility, training staff and holding training workshops in the field of social responsibility, so that by the increase of social responsibility reputation also increases.
3. Researches also can carry out this research in other organizations and conduct a comparative study.

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