UNDERSTANDING THE CHALLENGES OF CORPORATE SOCIAL RESPONSIBILITY IMPLEMENTATION

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Abstract: *A company finds equilibrium between its external environment and its economy through the practice of corporate social responsibility, or CSR. The connection a company has with its stakeholders—local communities, the government, investors, and employees—in the areas it works or resides in is the focus of corporate social responsibility (CSR). In the current decade, CSR appears to be a lot more essential, relevant, and widely accepted idea.However. The businesses can no longer afford to remain isolated from other members of the communities they exist in. The concept of corporate social responsibility (CSR) involves attempting to build a more sustainable economic model that is centred on the organization's societal responsibilities with the organization being a part of it. In this paper, In addition to discussing the obstacles and difficulties facing corporate social responsibility (CSR), our goal is to present the field's current status. The overview of the literature approach, which is the core of the research methodology used in this study, gathers secondary data from a variety of sources, including books, scientific publications, and other technical-science material. This detailed essay added to the discussion on how corporate social responsibility (CSR) is a matter of attitude and gives insight into the extent to which businesses may practise CSR, which is beneficial for societal and economic goals.*

Keywords: corporate social responsibilities (CSR), stakeholders, challenges, systematic literature review, agency.

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Introduction

Corporate Social Responsibility (CSR) refers to how a business operates within its sector and assumes accountability for its social impact. A number of characteristics are included in corporate social responsibility, including societal effects, legal compliance, economic dependency, and ethical requirements (Wong & Kim, 2020).

Concerns among stakeholders over the social responsibility of the businesses they are connected to are growing. Stakeholders in this regard are demarcated as people who have some kind of responsibility in the affairs of the company and who are socially responsible. the CSR position and the associated management and related resources engagement in effort of the numerous stakeholders (Cantrell et al., 2015). Primary stakeholders include employees, clients, and suppliers, while secondary stakeholders are those not directly affected by a company's

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performance or continued existence. Therefore, the management recognises the many phases of influence that each stakeholder group has on the company structure in this approach. In corporate frameworks, the agency is used to appreciating roles and connections, which include accountability. It specifically refers to a company's directors and management as the owners' or shareholders' agents. Agency theory has significant ramifications for the sustainability issues that modern organisations face. Understanding this notion, leaders may encourage the implementation of a successful sustainability plan that takes corporate responsibility and addresses all levels of hierarchy into account (Panda and Leepsa, 2017).

This growing collection of information is presented in four sections of the article. This article's introduction is covered in the first part. The research technique is the subject of the second part. In the third section, the literature review is covered in brief, along with an examination of the obstacles and issues facing corporate social responsibility (CSR) from the perspectives of agencies and stakeholders. and the end a part discusses the research's conclusions, management implications, and areas for future study.

Research Methodology

This article serves as a short overview of the subject of corporate social responsibility's concerns as well as the interests of stakeholders' roles within the concept. Stakeholders are considered to be important and personal contributors to the idea of corporate social responsibility. The relationship between socially conscious actions and internal and external stakeholders is examined separately. In order to achieve our study goal of examining the literature on the difficulties of implementing CSR, we used a methodical literature technique. We limited the scope of our study to focus exclusively on the idea of CSR implementation or its two dimensions: agency and stakeholders. In literature, the idea of CSR has appeared in a number of smaller versions. Our research strategy for this work was qualitative, and it made use of technical-science documents such as books, periodicals, and scientific papers.

The goal of this study is to gain an understanding of the difficulties facing CSR. The current study's particular goals include:

➢ To determine obstacles or difficulties encountered when implementing corporate social responsibility (CSR).
➢ To give a summary of the difficulties with CSR from the perspective of the agency and stakeholders.
➢ To acquire understanding of the elements that dictate an organization's social responsibility.

Literature review Stakeholder Perspective of the CSR

One important element in the effectiveness of CSR is the stakeholders. The notion that the company must answer to all identifiable stakeholders is one component of corporate social responsibility. Any group or individual that can influence or be impacted by the accomplishment of an organization's goals is considered a stakeholder. Stakeholders are essential to the existence and growth of businesses.

Additionally, stakeholders typically owe corporations legal, legally binding, and statutory duties (Mai Khuong et.al 2021).

(Figure 1) Stakeholder group categories: an illustration of the relationship between the company and stakeholders (External, Internal)
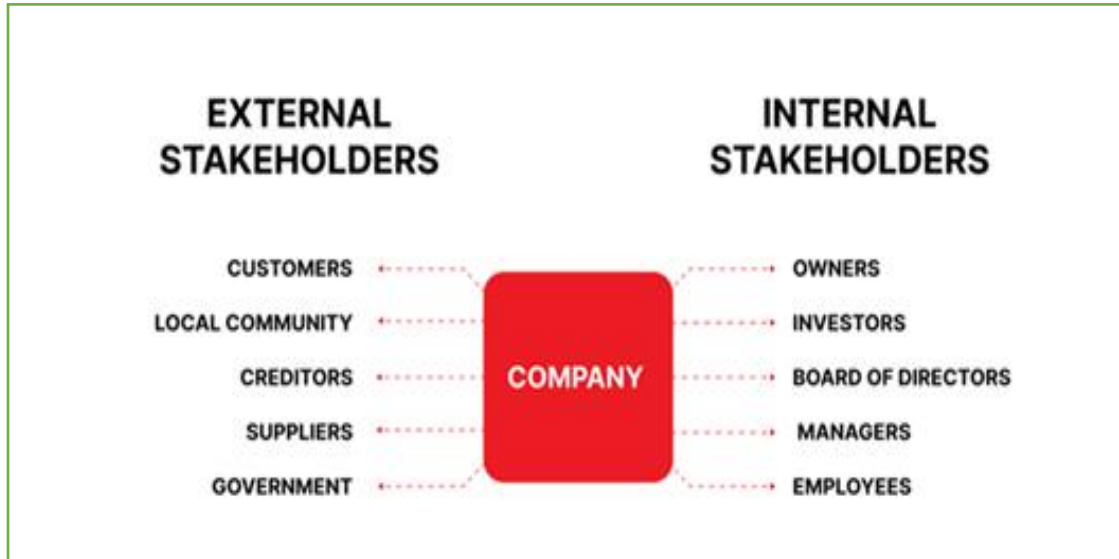
Source: Cardwell et al., 2017

There are two categories of stakeholders (internal and external), according to Figure 1. Internal stakeholders, also known as Primary Stakeholders, are groups of people or entities with a direct interest in a business since they are immediately impacted by all organisational decisions and processes. An illustration of Employees as well as investors and owners of a firm are considered internal stakeholders. The primary external stakeholder group for the company is society, governments, and customers, while external stakeholders, also referred to as secondary groups, depend on the focus and influence of these groups in sustaining the continuous production and distribution of the company's services and goods. Various stakeholder agreements have been planned (Goodman et al., 2017).

Multiple perspectives exist on how the organisation interacts with its stakeholders. Appropriate stakeholder engagement is sanctioned by corporate social responsibility. The characteristics of CSR impacts draw attention to the validity and diversity of stakeholder identities, as well as the impact of two characters who are rarely seen as key and most significant stakeholders. whereas adaptive CSR actions are favourably impacted by local key stakeholders (management, staff, consumers, and suppliers), but they do not initiate strategic CSR initiatives. (Lucchini, and Moisello,2019); Local secondary stakeholders, on the other hand, have a significant impact on both strategic and response CSR initiatives. This indicates that secondary stakeholders, as opposed to responsive CSR efforts, have more of an impact on strategic CSR operations, such as the government, the community, and civic organisations.

However, the effect of stakeholder demands on CSR has been the subject of several research. Studies on how stakeholder demands impact corporate culture's adoption of CSR initiatives are still lacking. A few studies examined the connection between CSR and stakeholders from the viewpoints of primary and secondary stakeholders. For example, Since they have a direct hand in the founding, organisation, and management of a business, workers view main stakeholders as

perhaps the most influential groups within a company's internal stakeholder entities. In order to achieve the specified objectives, it is imperative that personnel possess motivation, loyalty, and organisational support. The opinions of employees about a business can influence how external stakeholders see it. Workers are active in social norms reflection, demonstration, and support as well as the development and implementation of company initiatives, primarily related to corporate social responsibility. Furthermore, businesses' contributions to their current and future workforces are crucial to society's understanding of corporate social responsibility. Employee performance has an impact on CSR initiatives. Since workers are impacted by the enterprise's decisions, they are the most potent stakeholders in a company's CSR efforts.

Viewed in a different context, CSR activities have a significant impact on individual and organisational performance as seen from the viewpoint of internal stakeholders(Sarfraz, et.al 2018). This implies that increased productivity and employee engagement are multiplied by both CSR and workers at the same time. Additionally, via organisational duty, employees' perceptions of CSR are incidentally related to each of the characteristics. For instance, when workers had a greater moral identity, there was a bigger negative correlation between perceived CSR and desire to leave.

Secondary stakeholders, such as local residents and the governing body, have a greater impact on planned CSR initiatives than on reactive ones. Although corporate social responsibility (CSR) has an impact on an actor's value, it ultimately establishes the goal of the expected stakeholder arrangements. Engaging stakeholders may not necessarily suggest ethical business practices (Mohammed et.al 2019). Stated differently, the understanding of corporate social responsibility might vary depending on the background and culture of a society. Customers are one group in the community with a variety of goals, and they have a direct influence on business decisions. CSR initiatives have a significant impact on social transformation and corporate value, which may move from slow to quick growth or from rapid to high-quality growth to demand sustainable progression (Zhang, et.al 2020). Additionally, as demonstrated, the more communities influence corporate operating limitations. Businesses are seen to have an obligation to respect society's long-term needs and opportunities, which means they should engage in activities that maximise positive social consequences while minimising negative ones, provided that doing so does not prejudice the business. Enterprises ignore CSR as important stakeholders, and vice versa. The nature of the federal, state, and municipal governments must also be taken into consideration. Important business stakeholders are more directly linked to corporate social responsibility (CSR). Since government regulations have such a big influence on the context of economic acts as part of the system's norms, they are thus the most important factors in promoting a greater understanding of CSR. Furthermore, in industrialised countries, public policies and laws enforced by the government serve as the main guidelines for putting social responsibility into practice.

On the other hand, the pertinent regulatory bodies must step in to lessen the external costs imposed, especially by poor countries that do not get sufficient compensation from companies accountable for environmental and social harm (Peloza, and Falkenberg, 2015). The way a CSR initiative is implemented affects the relationship, at least somewhat, even if the exact relationship between CSR activities and firm financial success is yet unknown.

Agency and Corporate social responsibility(CSR)

The most commonly used model in management and economics literature is known as agency theory. It thoroughly examines and clarifies principal-agent relationships, agency difficulties, and

agency costs, and it offers credible solutions that rebalance the interests of both sides to mitigate issues. However, this theory focuses more on the agent's perspective, where the agent is the one who creates the problems rather than the main.

The two categories of "principal-agent" interactions that are covered by agency theory involve shareholder and directors and stockholders and debtors According to Panda and Leepsa (2017), Agency relationships can be described as the arrangement that occurs when one party called the "principal" (shareholder) recruits another party referred to as the "agent," or leader to behave in connection with their objectives, under legally binding agreement. Agency relationships have a basis in the growing gap among shareholder's possession and manager's authority obligations. Bråtenius and Melin (2015), claim that there is an adverse relationship between corporate social responsibility (CSR) and principal-agent relationships, in which agents are expected to behave in the best interests of the shareholders but typically resist this duty due to conflicts of interest. Rather, agents often aim to maximise their own wealth. This example demonstrates indisputably how leaders will not seriously consider corporate social responsibility (CSR) whenever it results in additional expenses that the manager's unit must pay in order to pursue personal benefit if they do not seem to be prepared to maximise shareholder value. Self-interested managers will very seldom pick short-term corporate social responsibility because they are more concerned with immediate cash gain than uncertain long-term gain. Also, Bråtenius and Melin (2015) Additionally, as managers are "agents" and should behave in the best interests of shareholders, they should only seek to maximise shareholder value and will not be required to implement CSR if doing so will conflict with those aims.

However, disparities in the ownership' and managers' desires constitute agency conflicts. They can appear in various manners..

First. distinct purposes and the division of ownership and power. Managers are employed to achieve the company's objective of maximising shareholder value. This demonstrates the distinction between owners and managers, wherein managers act as just intermediaries to assist shareholders in achieving their objectives; yet, the objectives of shareholders are distinct from those of managers. Thus, this demonstrates both sides Have distinct objectives, with managers operating the company in accordance with their own interests, aims, and ambitions, such as optimising their own wealth at the expense of shareholders by maximising their own pay, perks, and number of share options. Separation so fails shareholders in keeping an eye on agents and maximising wealth, which fuels agency conflict (Panda and Leepsa ,2017).

Second, risk attitude. Managers are in a position of power where the success of the company clearly shows their salary level. This motivates them to manage the business using a risk-free approach by diversifying their investments over a range of types of assets and investment options, as well as reducing their exposure to hazardous stocks, investments, and financial leverage (Keown, Martin and Petty, 2017). This improves business performance and the ongoing nature of a manager's employment by lowering the likelihood of bankruptcy and managerial capital loss.Keown, According to Martin and Petty (2017), directors should prioritise the aims of stockholders in accordance with the terms of the agency agreement. However, this isn't necessarily the case since managers frequently take advantage of opportunities to further their own interests—at the expense of shareholders. Since managers want to maximise their own wealth, while shareholders want to maximise their own, this clearly illustrates a "conflict of interests" resulting from divergent goals. The agency problem, which depicts managers in the organisation as "wealth those looking and risk resistant" in contrast to principals who are "profit

those interested and free of risk," is thus rooted in these non-congruent deviating goals. This instance signifies the emergence, development, and interference of Agency Theory.

Third, Moral risk-taking is the term used to describe managers' covert, self-satisfying behaviours when they know that the shareholders will bear the expenses of whatever risks they take. Panda and Leepsa (2017) assist in placing orders Because they have little or no ownership and are less motivated to invest and maximise shareholder wealth, managers are significantly encouraged to make investments based on their own abilities that serve their own interests. Self-interested investment may make managers more valuable to the business and enable them to demand greater yields since they are indispensable. Thus, In order to further their own interests at the expense of shareholders, self-focused managers frequently use ethical risk. This makes it harder to oversee their covert activities, which raises agency costs.

Fourth, retained earnings. In order to focus on corporate expansion rather than maximising shareholder wealth, managers are frequently distracted from this aim. This is because larger businesses create higher earnings, which may be reinvested into the core of the company for potential investment plans rather from being distributed as dividends to stockholders. However, McClogan (2014) claim that shareholders disagree with the goal of corporate diversification because they would rather receive dividend payments than have their money kept. This is due to the fact that diversity lowers the firm's value and returns, harming shareholder wealth overall. Agents, however, continue to encourage corporate expansion even while it undermines primary goals since status is important.

Fifth, information asymmetry. Managers have the power to command and oversee the complete management team by making critical choices on a regular basis. Thus, According to McClogan (2014), it is acceptable to say that these people are experts in business management, fully conversant with all facets, updates, and performance data pertaining to the company. In contrast, McClogan (2014) asserts that although shareholders own the company and watch for any chance to increase their money, they are ignorant of business decisions and performance until management tell them. Information asymmetry is frequently caused by owners who are either unaware of the information or do not get it. as stated by Panda and Leepsa (2017), this raises the likelihood of conflict in agency interactions.The expenses incurred by an agent while making choices on a principal's behalf are known as agency costs. Agency costs are the expenses incurred by the shareholders when they hire managers to operate the business instead of their managing it themselves in terms of corporate governance.

Furthermore, because large organisations have a large skilled management team and a wide range of owners, agency expenses might be quite costly. Thus, the "value loss" to shareholders resulting from the conflict of interest between the company's management and shareholders may be characterised as agency costs. Agency costs are divided into three categories. (Doshi, et.al 2018).

1. Costs associated with observation: A company's owners might set up mechanisms to keep a watch on management's performance and activities to try to make sure that management is operating in their greatest interests.

2. Residual Loss: From the examples of the agency cost we have seen the cost that is expensed by the shareholders in regard to the fact that the managers have interests which are against that of the shareholders.

3. Bonding expenses, which, if any, can be an additional burden that may be affecting managers' incentives to put shareholders' interests first, represent the last part of agency costs. With these

expenses, the agency problem is supposed to be smaller. Optional shares or free shares in the firm may be offered as incentives to directors and other top personnel.

Conclusions

One of many significant and vital ideas in contemporary management is corporate social responsibility. The term of corporate social responsibility was created as a result of growing stakeholder awareness of issues related to society.

This study adds to the substantial body of literature on CSR popularity. Consequently, the significance of this research lies in its contribution to academic knowledge regarding CSR initiatives. Only secondary data and currently accessible worldwide scientific literature served as the foundation for this work. Nonetheless, the research suggests that implementing corporate social responsibility (CSR) faces a number of difficulties. The primary obstacles have been identified according to their importance and interdependence.

A number of internal as well as external stakeholders that are impacted by the business's degree of CSR. among the most crucial elements in the framework of corporate social responsibility (CSR) is the commitment to stakeholders; nonetheless, incorporating confidence-determining processes into business operations is still difficult. drawing out an internal obligation to supporting a certain set of values and the capacity to harmonise personal values that the objectives of the company and the expectations and values of stakeholders. The aforementioned literature study makes it clear that the idea of agency developed to represent the fundamental division of power and accountability necessary to manage an organisation in a methodical and effective way. However, the agent's objection to acting in the principal's interest out of self-interest was complicated by conflicts of interest between two parties. This raises the expense of the agency.

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