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Contrasting Instrumental Views on Corporate Social Responsibility: Short-term versus Long-term Profit Orientation Approach

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Abstract

The theoretical debate over the concept of corporate social responsibility (CSR) has been proliferated with the rise of diverse approaches during the last decades. The current study focuses particularly on the instrumental theories on CSR, which are grouped by Garriga and Melé's under three diverse approaches, and discuss how and why we need a new configuration over this group of theories as short-term profit oriented approach and long-term profit oriented approach to adapt to the task environment. In order to investigate whether the proposed theoretical distinctions between short-term and long-term orientation affects the CSR involvement, a survey was conducted over a sample of Turkish managers of business organizations. The results of study demonstrate that while short-term thinking of CSR negatively affects the CSR involvement to employees, government, community, and ethical issues; affects positively to CSR involvement to environment. In contrast to this result, the long-term thinking of CSR positively affects the CSR involvement to employees, environment, government, community, and ethical issues.

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1. Introduction

Despite the long-standing history of notion, corporate social responsibility (CSR) is essentially a product of the twentieth century. Particularly since the early 1950s, the concerns of business organizations with regard to society have grown significantly (Carroll, 2008). In his well-known article, Friedman (1970) discusses the growing interest of the business community in CSR and puts forward distinct views on why a business should not engage in socially responsible activities. Although Friedman's views have many supporters, the increasing popularity of CSR among the

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business community over time indicates that such activities are no longer a matter of choice. Today, CSR becomes a fashionable management concept and a subject that modern managers cannot afford to ignore (Porter and Kramer, 2006; Zorn and Collins, 2007). Numerous companies around the world now actively espouse CSR, and there are no indications that this trend will reverse anytime soon. Therefore, it is critical to answer the question of why companies attempt to act in a socially responsible manner.

Many efforts have been made in the literature to understand the nature of and motives behind CSR, and significant progress has been made. Some scholars have analyzed the organizational motives for CSR at the theoretical level (Aguinis and Glavas, 2012; Brummer, 1991; Davis, 1973; Garriga and Melé, 2004; Klonoski, 1991; Moir, 2001; Preston, 1975; Secchi, 2007; Windsor, 2006). One of the most prominent CSR studies that carried out by Davis (1973), examines and outlines in list form the contrasting arguments of the concept's supporters and opponents. Despite this study's early and useful articulation on CSR motives, Davis fails to back up his ideas with a theoretical framework. In their study, Aguinis and Glavas (2012) elaborately review the available literature and simply list the motives such as instrumental motives, legitimacy search, normative reasons, or a sense of stewardship. As an invaluable theoretical contribution to the literature, Garriga and Melé (2004) review the growing body of CSR literature and classify the main approaches into four groups: instrumental, political, integrative, and ethical theories. Although this study offers a useful overview, one potential limitation is the rather unclear distinctions among groups of theories (Secchi, 2007). Moreover, the proposed distinction among theoretical frameworks was not empirically supported by the authors. The current study focuses particularly on the instrumental group in Garriga and Melé's (2004) study and attempts to classify these approaches in line with the short-term and long-term profit orientation of companies within their task environment. Based on a sample of 65 managers among the members of a businesspeople association in Turkey, the study tries to investigate whether short-term profit orientation and long-term profit orientation affects the social responsibilities of companies in various fields. The study tries to address the ongoing debate on CSR with providing how corporate behaviours can change when they adopt short-term thinking with maximizing current shareholder value or long-term thinking with increasing competitive advantage.

2. Literature Review and Hypotheses Development

2.1. Adaptation to the Task Environment: Profit-Orientation

Since the early study of Dill (1958), there has been growing awareness in the organizational literature that the components of the task environment are critical for organizations. According to Bourgeois (1980, p. 26), the environmental layer closest to an organization is its task environment, which includes "suppliers, customers, and regulatory bodies with whom the organization interacts and whose actions directly affect organizational goal attainment." The task environment comprises the sectors that conduct day-to-day transactions with the organization and directly affect its operations and performance (Daft, 2003). According to Oliver (1997, p. 102), "organizational success in task environments is dependent on the acquisition of scarce resources and the effective management of task interdependencies in a competitive market context." Since organizations are struggling for the same resources and customers within the task environment, this environment is characterized by competitive pressure. To survive and remain profitable in the face of this competition, organizations need to implement different strategies. According to Dentchev (2004, p. 398), "competitive pressures urge managers to consider the effect of organizational actions (including performance with concern for society and the natural environment) on the competitive advantage of their firms." On the other hand, this type of responses towards environmental issues can be referred as environmental competitiveness (Bansal and Roth, 2000) and the intensity of perceived rivalry positively affects the development of environmental responsiveness (Martínez-del-Río and Céspedes-Lorente, 2014). In this sense, CSR may be viewed as a profit-oriented strategy that helps a firm to outperform its rivals.

In the CSR literature, the profit motive has emerged as one of the most widely accepted explanations for engagement in socially responsible activities. Garriga and Melé (2004, p. 53-55) call the theories related to this view "instrumental theories." They include such approaches as the maximization of shareholder value, achieving competitive advantage, and cause-related marketing under this umbrella. Garriga and Melé (2004) trace them back to the first focus of Parsons' classification (1956, p. 80) of the social system in relation to its environment, which is the "adaptation of an organization to the situation in which it must operate." However, the current distinction of Garriga and Melé (2004) under instrumental theories has several problems. First, the first two groups of theories as maximization of shareholder value and achieving competitive advantage cannot be clearly distinguished in its current

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