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Effects of information technology on corporate social responsibility: Empirical evidence from an emerging economy

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ABSTRACT

The recent history shows that computers have a significant effect in society. The benefits from Information Technology (IT) reach both enterprises and people. When small firms use IT resources to create unique capabilities, even indirectly they improve their conditions to meet Corporate Social Responsibilities (CSR). Considering this scenario, the aim of this paper is to analyze the effect of IT use on the CSR of small firms. We tested the relationships between the constructs using confirmatory factor analysis and structural equation modeling, with a database comprised of 173 Brazilian small firms. Our results showed a positive and significant relationship between IT use and the four categories of CSR. In this way, we observed that IT contributes to companies, and also affects people that work in these enterprises. Corporate social obligations of firms and IT investments should be combined to generate unique capabilities, improving competitive advantage through the interaction of technology and people. The results of the paper extend the discussion about IT benefits to companies and to society.

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1. Introduction

Increasingly in the last decades, computers are presenting a significant impact in the society. The resources of Information Technology (IT) can improve the quality of life around the world (Arney & Hosman, 2015), since they generate benefits to people and to enterprises. Some examples about how IT facilitates the daily activities of people include the use of mobile devices to communicate with others, to read or send emails, to listen music, to perform financial transactions, or simply to kill time (Goh & Sun, 2014; Holsapple & Wu, 2007; Hong & Tam, 2006; Kim, Kim, & Lee, 2005; Kim & Hwang, 2012; Turel, Serenki, & Bontis, 2010; Oliveira, Faria, Thomas, & Popovič, 2014; Zhou, 2012).

Concerning the enterprises, the benefits of IT are comprehensive and can take different forms (Fink, 1998). According to previous studies (Al-Qirim, 2007; Byrd & Marshall, 1996; Fink, 1998; Kannabiran & Dharmalingam, 2012; Ongori & Migiro, 2010; Salmeron & Bueno, 2006; Tso, Yau, & Cheung, 2010), IT can: i) reduce double efforts in organization; ii) increase the speed and reliability of transactions; iii) improve communication with

customers and third parties; iv) generate gains of efficiency in management; v) improve internal process; vi) facilitate the access to internal and external information; and vii) contribute to the recruitment and selection of employees.

Grounded in the resource-based view (Barney, 1991), IT resources can be combined to create IT capabilities, which in turn, will have a positive effect on performance (Bharadwaj, 2000; Santhanam & Hartono, 2003). Nevertheless, the effects of IT use and adoption in the context of enterprises are not limited to the economic approach. Researchers of information and communication technology for development, in recent years, are contesting the measurement of development solely in economic terms (Andersson, Grönlund, & Wicander, 2012). Studies in this field are dedicating some efforts to understanding the impact of Information and Communication Technology (ICT) on other measures of development (such as human and social). Even with this growth of attention to other development measures, there is still space for new studies about this issue (Andersson et al., 2012). There is, for example, opportunity for studies about the relationship between IT investments and Corporate Social Responsibility.

The references for a concern with social responsibility appeared during the 1930s and 1940s (Carroll, 1999). The concept of Corporate Social Responsibility (CSR) was evolved for decades (Carroll, 1979), and has been studied by many researchers (Cruz, 2009;

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Gallardo-Vázquez & Sánchez-Hernández, 2015). According to Carroll (1979), the definition of social responsibility needs to embody four obligations that firms have with society: economic, legal, ethical, and discretionary (or philanthropic). Firms need to generate profits with minimal harm, and contribute to social improvement (Coppa & Sriramesh, 2013).

CSR practices reinforce the trust of customers and employees in the firm (Brik, Rettab, & Mellahi, 2011). They provide instrumental benefits to the organization, including superior financial performance, the ability to attract qualified employees, and more motivated people working in the firm (Albinger & Freeman, 2000; Fombrun, Gardberg, & Barnett, 2000). As stated by Cruz (2009), CSR contributes to the elimination of production inefficiencies, increases access to new markets, and improves brand recognition, which indirectly improves the profitability of the companies. These benefits are also presented as advantages of IT for companies.

Therefore, in this paper, we argue that IT use has a positive effect on CSR. In this context, the **aim of this paper is to analyze the effect of IT use on CSR of small firms**. To achieve this aim, we employed a quantitative analysis on a sample with 173 Brazilian Small and Micro Enterprises (SMEs). Much of the discussion about CSR focuses on large corporations, but small and medium enterprises are also relevant for the economy in many countries (Coppa & Sriramesh, 2013).

Given the significant number of employees that small companies hire worldwide, the understanding about the internal and external consequences of IT adoption are very useful to managers, to employees, and to development agencies. Small firms differ from large companies in a variety of ways, such as: amount of resources available, importance of managerial values, kind of supervision/coordination, and level of involvement of the owners (Atrash et al., 2015; Coppa & Sriramesh, 2013). Nevertheless, small firms also need to develop strategies to compete with other companies and to increase performance. This argument shows the relevance of studying the factors that contribute to the development of small businesses, of the people that work in small firms, and of the emerging economies that are the home of many small enterprises.

In comparison with developed countries, in emerging economies, institutional legal frameworks are not well developed, which may limit the benefits of CSR efforts (Rettab, Brik, & Mellahi, 2009). There is also the argument that CSR is incompatible with market strategies in emerging economies (Brik et al., 2011), but CSR practice in developing countries has also received little attention (Jamali & Mirshak, 2007). This research, with data from a developing country, was motivated by these elements, introducing new arguments about this field in the literature.

2. Research model and hypotheses

Since globalization requires that companies expand systems beyond their boundaries, to reach and interact with the global economy (Hwang & Grant, 2014), ICTs have a relevant role in contributing to enterprises. ICTs also benefit socioeconomic development (Musa, 2010), as they permit some regions to achieve better conditions to stay globalized. This is a major issue for development in emerging economies.

ICTs adoption is a critical factor for SMEs survival (Al-Qirim, 2007; Awiagah, Kang, & Lim, 2015; Mehrtens, Cragg, & Mills, 2001; Ongori & Migiro, 2010; Raymond, Bergeron, & Blili, 2005). Adequate actions to increase ICTs adoption require global, regional, and local understanding about the technological needs (Musa, 2010). The role of IT for companies goes beyond a tool to improve performance, because IT can approach supply chain partners regardless of their physical distance (Singh & Teng, 2016). With the advances in ways that people use to communicate, innovative

channels to reach customers were created, such as the case of Facebook (Kudeshia, Sikdar, & Mittal, 2016). “Being a user-friendly social networking interface, Facebook not only help companies in interacting with the customers, but also in gaging their behavior and securing instant feedbacks and responses” (Kudeshia et al., 2016, p. 257).

In general, electronic commerce is an important avenue to conduct transactions between firms and their customers (Lee & Kim, 2007), but this new way of doing business requires adequate strategies to achieve the full benefits of technology (Lee & Kim, 2007). Companies should explore their strengths to respond to environmental opportunities, in order to create competitive advantages (Barney, 1991). Some of the main strengths of small firms are their flexibility and reactivity (Atrash et al., 2015), and these characteristics can be improved with the use of IT, especially with the use of the Internet. Even for low-technology companies, technology management has been a key concern (Brennan & Johnson, 2004). Therefore, firms need to invest in IT resources and to combine these resources to create sustained competitive advantages through unique capabilities (Santhanam & Hartono, 2003). With these actions, IT resources will represent a valuable investment to reinforce strengths and better respond to market needs. IT use in SMEs should include standardized and automated internal process, management technology to interact with customers and suppliers, the use of information systems in management, and the use of Internet to expand boundaries of the firm.

All firms have an obligation with society, which is well described in the Corporate Social Responsibility theory (e.g., Carroll, 1979, 1991, 1999). The practice of social responsibility also provides benefits for competitive advantage (Albinger & Freeman, 2000), especially when we observe that over the past decades, sustainability has been highlighted as a dominant issue (Ki & Shin, 2015). In Fig. 1, we describe the definition of economic, legal, ethical, and discretionary responsibilities (Carroll, 1979, 1991), and in the next paragraphs we build some arguments about how IT resources could interact with CSR obligations.

As pointed out by Carroll (1991), the employees comprehend one of the stakeholder groups that businesses should consider in their CSR orientation. According to the author, there are three major ethical types: immoral management, amoral management, and moral management. The moral management, which is the preferred ethical approach, indicates among other things that the employees must be treated with dignity, fairness, and respect. Some aspects such as employees' rights to due process, freedom of speech, and safety must always be considered in the decisions (Carroll, 1991).

On one hand, CSR gives the firm the ability to increase the commitment of the employees to the organization, which has a positive effect on performance (Brik et al., 2011). On the other hand, IT leverages personal development of people (Ezer, 2006) and exerts a strong influence on employees and on their work (Torkzadeh & Doll, 1999). When SMEs train their employees to use IT, these employees have better chances to develop themselves, and firms increase their possibilities of creating unique capabilities through the management of IT resources. This win–win situation represents a positive outcome of the interaction between CSR and IT use.

The adoption of IT also provides a better working environment for employees through the reduction of double efforts in some kinds of tasks, which motivates them. The development of collective capabilities has a positive effect on individual capabilities (Thapa, Sein, & Sæbø, 2012). Following this reasoning, firms that are seeking to improve their economic responsibility, indirectly have their ethical responsibility improved too.

The mainstream research on ICTs has dedicated attention to other kinds of development measures, pointing out that the

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