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# Provide a Model for Developing Corporate Social Responsibility[1]

**Kazem Shamsadini[2], Meysam Nemati[3], Mahdi Askari Shahamabad[4]**

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Research Paper

## Purpose

The increase in the number of unfavorable social and environmental approaches in recent decades, such as the number of displaced persons, social injustice, the extinction of animal species, and climate pollution, testifies to the worrying conditions of companies not paying attention to social and environmental issues (Deegan, 2017). Therefore, the issue that has become very important for companies today is the issue of corporate sustainability (Trianni, Cagno, & Neri, 2017). Achieving corporate sustainability requires simultaneous attention to the economic, environmental, and social performance of the company (Orji, 2019; Rankin, Gray, Boehlje, & Alexander, 2011; Tooranloo & Shahamabad, 2020). These issues have given rise to a concept called corporate social responsibility (CSR).

CSR embodies the social, economic, ethical, and environmental commitment of an organization to society (Ajayi & Mmutle, 2020). Therefore, CSR has been considered a significant business practice globally (Xiang, Chen, Jones, & Xia, 2021). The term CSR refers to the obligation of a firm to pursue those

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2. Assistant Professor, Department of Accounting, Shahid Bahonar University of Kerman, Kerman, Iran. Corresponding Author. (kshams@uk.ac.ir).
3. M.Sc. Department of Accounting, Shahid Bahonar University of Kerman, Kerman, Iran. (nemati.meysam.1371@gmail.com).
4. M.Sc. Department of Accounting, Shahid Bahonar University of Kerman, Kerman, Iran. (m.askari@aem.uk.ac.ir).

strategies, make decisions, and follow those lines of action that build value for the general public (Bowen & Johnson, 1953). In recent years, the social responsibility literature has focused on the relationship between CSR and corporate financial success, and reports indicate that most managers believe that CSR is an essential component of their companies' profitability (Kordestani et al., 2018; Vogel, 2005). For this reason, the concept of CSR has become one of the most common topics in the field of accounting and management in scientific circles and the world of business (Ghaderzadeh et al., 2018).

However, CSR reports are mostly voluntary and there are no standards or regulations for doing that and how these activities are reported. In addition to the lack of regulations for CSR implementation, the lack of a comprehensive model can also be a major obstacle for decision makers and companies to develop CSR. In recent years, many researchers have addressed the issue of CSR, and each has identified a limited number of factors influencing its implementation. (Ernst, Gerken, Hack, & Hülsbeck, 2022) Their research point to two factors of stakeholder pressure and firm size as factors influencing CSR. (Wei, Liu, Chavez, & Chen, 2020) Identify the factors of increased corporate reputation and community pressure as effective factors that affect CSR implementation. (Ghaderzadeh et al., 2018) Identify 4 factors of company ownership, board of directors, firm size, and financial performance improvement as factors affecting CSR. Studies show that to the best of our knowledge, there has not been a comprehensive study to identify the factors affecting CSR implementation and provide a model for developing CSR. Therefore, according to the existing research gap, the purpose of this study is to identify the factors affecting CSR and also to provide a model for its development using interpretive structural modeling (ISM).

## Methods:

In this study, a two-step method was used to identify the factors affecting CSR and also provide a model for its development. In the first phase, the research literature related to CSR was studied and factors affecting CSR were identified. Then, through interviews with 7 university professors in the field of CSR and sustainability, the factors were examined, and finally, 15 factors were finalized to continue the research. In the second phase, the interpretive structural modeling (ISM) method has been used to achieve the research goal. Therefore, a questionnaire was designed to ask experts about the impact of

factors on each other. Finally, the power of influence and dependence of each factor are determined.

The ISM has been developed as a communication tool for complex situations (Sayyadi Tooranloo & Askari Shahamabad, 2020). This method is an interactive learning process that was first introduced by Warfield in 1974. ISM is one of the methods of system designing, especially economic and social systems that in that set of interrelated elements are structured into a comprehensive systematic model (Warfield, 1974). The main idea of ISM is to use the experts' experience and knowledge to break down a complex system into multiple systems (elements) and build a multi-level structural model. The ISM method helps to create order and direction in the complex relationships between elements of a system (Ansari, Kharb, Luthra, Shimmi, & Chatterji, 2013; Sohani & Sohani, 2012; Warfield, 1974). One of the core assumptions of this approach is that the elements with broader effects on other elements of the system have higher importance (Raj, Shankar, & Suhaib, 2008).

To perform the ISM methodology, two main phases should be accomplished:

Phase 1. Building the hierarchical relationship: In this phase, a simple notion of graph theory is used to depict and explain the inter-relationship among the factors.

Phase 2. Analyzing using MICMAC: The main purpose of the MICMAC analysis is to understand the driving and dependence power of each variable within the ISM and to identify key factors affecting CSR in the hierarchy. The driving and dependence power in the MICMAC matrix is calculated by summing the numbers along each row and column of each variable on the final reachability matrix. The sum of each row and column for each variable is a coordinate that the variable is located on the various clusters. The four clusters that determine the driving and dependence power between variables are independent, dependent, autonomous, and link variables.

## Results

A purposeful sampling method was used to investigate the relationships between the identified factors. For this purpose, an ISM questionnaire was designed and sent to 30 experts. 21 experts completed and referred to the questionnaire. One possible threat to validity is the sample size of decision-makers (N = 21) which may cause vagueness. There are various studies, which have used a small sample size (Ansari et al., 2013; Orji, 2019; Patidar, Soni,

& Kumar Soni, 2017; Rafi et al., 2022; Sayyadi Tooranloo & Askari Shahamabad, 2020). Therefore, based on the existing studies, a small sample size is acceptable to perform analysis.

Based on phase 1 in the ISM method, a structural self-learning matrix, initial reachability matrix, and final reachability matrix were developed. Then, according to the final reachability matrix, the factors affecting CSR were leveled. 15 factors affecting CSR were classified into 7 levels. Finally, the ISM model for developing CSR was designed, as shown in Figure 1.

Based on phase 2 in the ISM method, MICMAC analysis was performed to understand the influence and dependence of each factor and to identify the position of each factor in one of the four MICMAC clusters. The results of the analysis are shown in Figure 2.

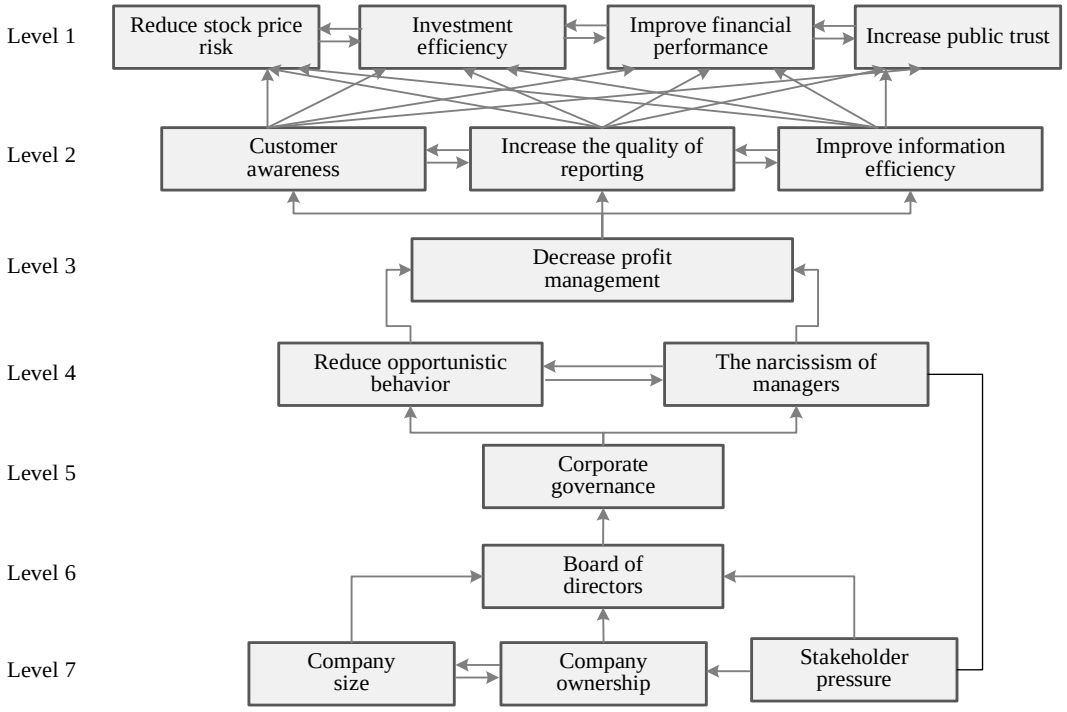


***Fig. 1. ISM model for developing CSR***

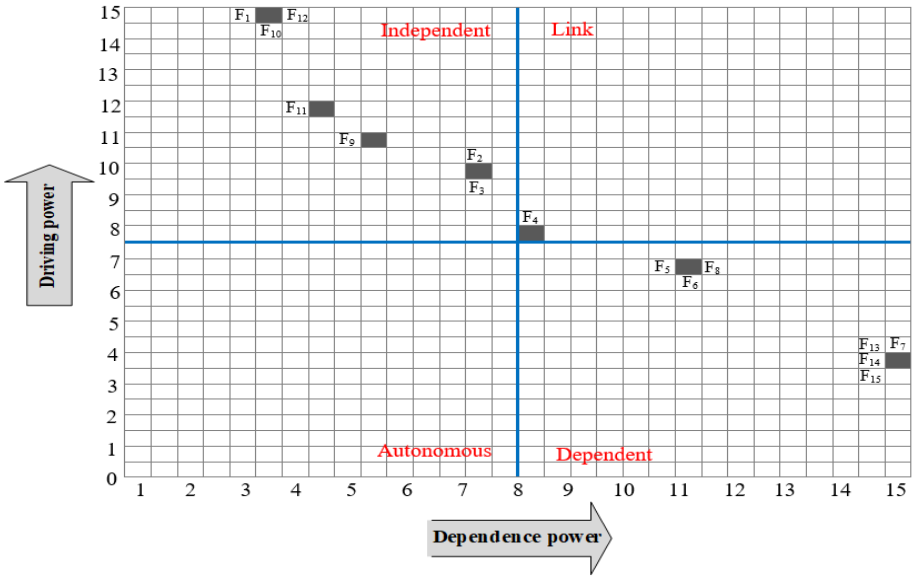


***Fig. 2. Driving and dependence power diagram***

## Conclusion

The purpose of this study was to provide a model for the development of corporate social responsibility (CSR). This study provides new insight into the nature of the factors affecting CSR. According to the main logic of the method used, which is a method for designing and analyzing systems, the factors that have had the greatest impact on other factors have been identified as the most important factors.

The results of the model showed that factors such as "increasing public trust, improving financial performance, investment efficiency, and reducing stock price risk" are dependent and do not in themselves affect other factors. Because these factors are the result of CSR activities and are critical to achieving sustainability, managers and policymakers need to focus on other factors that give rise to these factors, including, "stakeholder pressure, company ownership, and company size". These three factors have been identified as the underlying factors of the model and have the greatest impact on CSR performance, which are at level 7 of the model.

The next level factors of the model include the board of directors at level, corporate governance at level 5, and the narcissism of managers and reducing

opportunistic behavior at level 4. According to the three underlying factors of the model (stakeholder pressure, company ownership, and company size), this research has 7 independent variables that are in independent clusters in MICMAC analysis. Profit management reduction is located at level 3 of the model, which according to MICMAC analysis is part of the interface cluster. That is, it relates the independent factors of the model to the dependent factors above the model. Improving information efficiency, increasing the quality of reporting, and customer awareness exist in level 2. These three factors along with 4 factors at level 1, which include "increasing public trust, improving financial performance, investment efficiency, and reducing stock price risk", were identified as dependent factors in MICMAC analysis.

As a result, it is suggested that decision makers and companies focus on the underlying (bottom) factors of the model for developing corporate social responsibility (CSR) and also pay attention to the order of the levels of this model. In this case, in addition to performing CSR activities, they also achieve the benefits of the upper levels of the model.

## Originality/value:

To the best of our knowledge, no comprehensive study to provide interactive structural modeling for developing corporate social responsibility (CSR) has been undertaken; therefore, we first identify factors affecting CSR and model them using the ISM method. This study publishes results that demonstrate the effectiveness of CSR in supporting sustainability and achieving sustainable performance. Therefore, it is suggested that governments and EPAs in the policies focus on the underlying and significant factors.

**Keywords**: Corporate Social Responsibility (CSR), Corporate Sustainability, Financial Sustainability, Interpretive Structural Modeling (ISM).
**JEL classification:** M14, Q5.

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