Corporate Social Responsibility and Governance Failures Case Study

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Introduction

The financial strategies of a company are the key components of its success. These strategies are formulated in a number of ways that depend on the overall strategy of the company. Sometimes, it is difficult for the organization to be able to tackle these strategies when they go wrong for the company (Tai & Chuang, 2014). It can lead to diverse effects, which can be caused within the workplace or even outside the firm.

Corporate Social Responsibility (CSR) and corporate governance are two main elements in the financial growth of the company. Although there are certain financial strategies to grow the profit of the business, these two elements are of great importance when it comes to developing multidimensional departments in the organization to increase their sales and revenue for the company (Tai & Chuang, 2014). The key issues for this case write-up are the CSR and corporate governance strategies, which are not considered important factors for companies in some cases and situations.

Key Issues

There is an ethical obligation for every company, which needs to be fulfilled by the company. If it does not meet the requirements of their ethical standards, it becomes a problem for the company in the long run (Tai & Chuang, 2014). However, the case provided descriptions of the lack of companies' response to these issues and how the financial performance is impacted by it.

Corporate Social Responsibility (CSR)

CSR aims at the response of a company to its stakeholders. Most of the time, CSR focuses on the environment, employees, and customers, but stakeholders are not often discussed in CSR because companies do not pay interest in this field (Carroll, 2015). Also, there is a financial obligation to meet its CSR activities in terms of shareholders and stakeholders. Including shareholders and stakeholders in CSR activities is as important as considering employees and meeting other obligations (Carroll, 2015). Stakeholder engagement in a company can be formal or informal, and it is the core responsibility of the company to stay in contact with its stakeholders. Shareholders have the potential to impact a company and lead to success or failure at different levels of the organization. The main

focus of the company and the stakeholders is to create a relationship and understand the needs and wants of the stakeholders in the CSR context (Carroll, 2015). As a part of a company, there is a risk of financial loss if the CSR activities are not undertaken with the stakeholders. As the finance provider for the companies, if CSR is not implemented in the company, there is a big risk that their stakeholders might move away. These stakeholders can be termed primary or secondary, and they have the same obligation. Whether the customers are not entertained or the people who are providing money for the company, if they are not socially reliable to the company, it cannot produce financial results (Carroll, 2015). Ethics and financial performance are close to each other, especially in this modern world where effective ethical standards have to be maintained in a company to increase sales and enhance the revenue of the company.

Corporate Governance

Corporate Governance can be explained as the set of rules and regulations that are made to direct and control a company. These rules and regulations are a company's core objectives to maintain a good flow of the organization, which are linked with the suppliers, customers, distributors, stakeholders, shareholders, and management (McCahery, Sautner & Starks, 2016). Companies manage their workflow and settle into their corporate governance, which is needed to meet the reason why the company has started. In order to achieve targets in every department, it is important that certain rules should be defined and followed by the company (McCahery, Sautner & Starks, 2016). There are risks associated with the wrongdoing of these rules and not following them. The company cannot meet the market competition and will not be able to produce results if the workplace environment does not have any rules defined for it. Bad corporate governance can create a doubtful mindset about a firm's integrity, reliability, and obligations toward its shareholders and stakeholders (Armstrong et al., 2015). It directly has an impact on the financial health of the company, which might reduce in a large number. Encountering illegal activities in the firm and supporting such cases has shown in the past that it encountered bad results on the company portfolio. For some companies, there is an obligation to test the product before launching it. In such cases, it creates a bad image if the firm does not follow these processes, and, as a result, it displays a huge loss for the company (Armstrong et al., 2015).

Recommendations

It is important for companies to meet ethical and moral standards along with their daily processes. In cases where a company does not follow its own standards set by themselves, it becomes a problem for a company to stay in the market. CSR provides all standards that need to be set across the departments of the company and further acknowledgment for the stakeholders (Armstrong et al., 2015). As the financial condition of a company depends mostly on the stakeholders of the company, proper ethical and in-house rules should be observed to ensure that the purpose of making the company is being observed. Setting up appropriate rules and defining individual roles in the

departments will help achieve tasks more effectively and efficiently. Today, in this modern world, it has been a big issue that if a company is not being ethical or pursuing laws, it might not earn well, which can result in bad conditions.

References

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