

How to Cite:

Kumar, K., & Muthulakshmi, C. (2022). Measuring the return on investment (ROI) of corporate social responsibility of companies: 5R framework. *International Journal of Health Sciences*, 6(S2), 737–743. <https://doi.org/10.53730/ijhs.v6nS2.5088>

Measuring the Return on Investment (ROI) Of Corporate Social Responsibility of Companies: 5R Framework

K. Kumar

Department of Commerce, G. Venkataswamy Naidu College, Kovilpatti, Thoothukudi (Dt), Tamilnadu, India

C. Muthulakshmi

G. Venkataswamy Naidu College, Kovilpatti, Thoothukudi District, Tamilnadu, India

Abstract---Knowing how to demonstrate and assess corporate social responsibility performance is critical as more firms place CSR at the core of their overall business strategy, and as increasing research shows that CSR is closely linked to corporate success. However, many businesses struggle to quantify the impact of their CSR programmes and operations. Customer loyalty and better reputation are difficult to measure, making it difficult to estimate the impact of CSR programmes and activities. Many businesses have corporate social responsibility programmes, and it's vital to look up to organisations who go above and above with their CSR efforts. The 5 R Framework may be used to assess and convey the impact of CSR on an organization's overall performance, but it can also be used to uncover new opportunities and strategies to improve the CSR program's efficacy.

Keywords---5Rs framework, corporate social responsibility (CSR), CSR measurement, ROI of CSR.

Introduction

Measuring the effect of Corporate Social Responsibility (CSR) programmes is a difficult procedure for most businesses. CSR is frequently cross-functional in nature, comprising a wide range of measures and data related to a business's sustainability, suppliers, employee engagement, corporate philanthropy, diversity and inclusion, company culture, and more. In some ways, CSR is a true representation of a company's brand: what is the company's true identity? Who works there? What beliefs, behaviours, and concepts does it (genuinely) stand for?

International Journal of Health Sciences ISSN 2550-6978 E-ISSN 2550-696X © 2022.

Corresponding author: Kumar, K.

Manuscript submitted: 27 Nov 2021, Manuscript revised: 09 Feb 2022, Accepted for publication: 18 March 2022

How does the organisation carry out its mission? In most circumstances, CSR measurement, stakeholder alignment, and success all go hand in hand. Making a solid business case for CSR programmes (and their results) and then supporting that ROI case with compelling measurement is the greatest approach to gain executive buy-in, support, and money to expand your CSR initiatives. The 5 R Framework may be used to measure and communicate the impact of CSR on the entire performance of the organisation, but it can also be used to unearth new possibilities and techniques to boost the efficacy of the CSR programme.

Revenue – strategic alignment

The golden grail of every CSR programme is achieving bottom-line growth, and the relationship between social responsibility and income might appear shaky at times. The companies must highlight ways that CSR initiatives produce cost savings, new customer acquisition, and customer retention to demonstrate how CSR benefits the company's bottom line. The low-hanging fruit is frequently cost savings from investments in sustainability measures. Have the companies started a new recycling programme with a cash reward? Did the companies make any cost-cutting changes, such as switching to more fuel-efficient cars or using energy-efficient lighting? Look for ways that the organisation is investing in cleaner, greener, and less expensive technologies - even if it wasn't initiated by the CSR department!

CSR should be incorporated into all parts of the business, therefore ensure that the companies are collecting any data from across departments that relates to the company's social and environmental effect. The companies may also help to generate income by acquiring new customers. Work with the marketing team to develop creative methods to include CSR into promotions, such as cause-marketing campaigns, package redesigns that support a cause, or product upgrades. For example, the companies might run a campaign in which the firm would contribute a \$1 to a nonprofit of the customer's choosing for every two goods purchased. Determine how many consumers opt to make an extra purchase to support a cause that is important to them.

CSR may also aid with client retention, because customers are becoming more ecologically and socially concerned in their purchasing decisions. Collaborate with the analytics team to include a CSR-related question in consumer surveys, which may reveal the proportion of customers who consider the brand's CSR activities to be a significant element in their purchase decision. Customers may also be included in the CSR initiatives, such as asking them to volunteer events or urging them to recycle packaging, which can deepen their loyalty to the brand. The ability to quantify financial gains and cost savings is critical for ensuring that CSR is positioned as a strategic issue worthy of investment and C-Suite attention.

Reputation – external awareness

When most people think about the benefits of CSR, they think of reputation. Giving back to the community, decreasing the environmental imprint, and encouraging employee well-being and diversity are all methods to boost the company's external image. While the influence of CSR on reputation and brand

awareness may appear tough to measure, there are several basic indicators the companies can use to show how the social responsibility programme is helping the company thrive.

Keep track of the number of social media impressions and media placements generated by the CSR initiatives. In certain situations, these posts may get more momentum and attention than standard "ad-centric" messaging. Being able to demonstrate that the CSR-related material received XX number of likes, shares, and positive comments in one month is a direct statistic that should be computed and presented to the leadership team. The companies are not receiving the traction the companies had want. Try varying the material, experimenting with fresh messages, and employing various distribution methods. If people are not responding to the blog pieces, for example, consider making short videos instead. Measuring the social media interaction is an excellent approach to determine which messages are effective, what sorts of material are most effective, and which audiences are most responsive. Increasing the company's external awareness might also lead to public recognition. Being recognised as one of the most ethical, respectable, or sustainable organisations create both direct and indirect advantages that may be linked to CSR. Simply tallying the amount of media placements, interactions, or awards can help the companies assess the reputational effect.

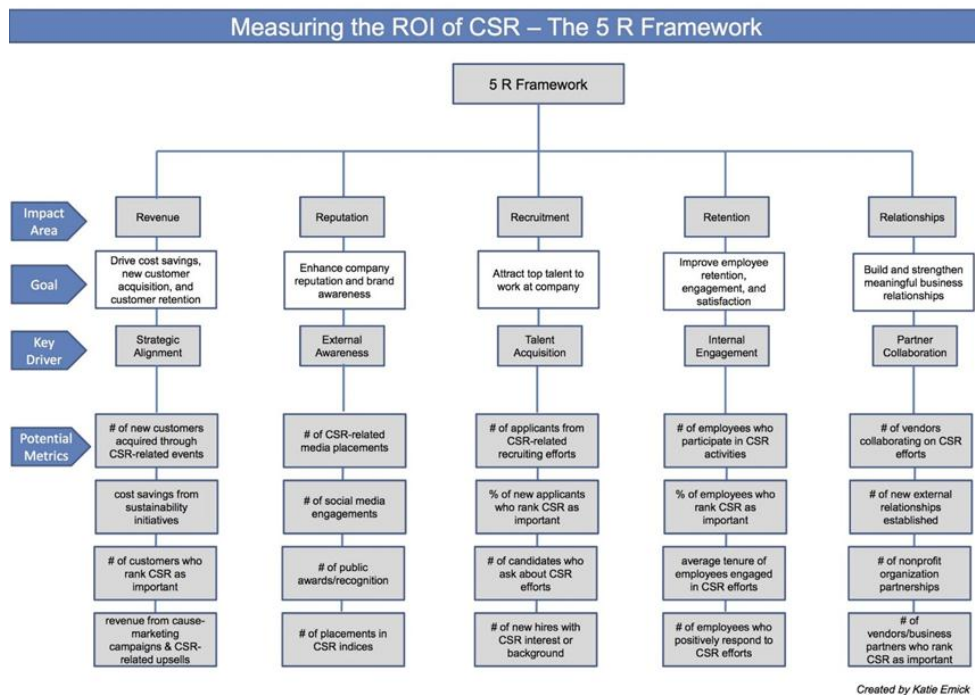


Figure 1. 5R framework

Recruitment – talent acquisition

Attracting top talent to work for the firm may appear to be the job of the HR staff, but CSR is becoming an increasingly essential aspect in potential workers' decisions to join a company. To illustrate the connections between CSR and talent acquisition, the companies must collaborate closely with HR to develop KPIs that measure the impact of the CSR initiatives on recruiting. Ensure that the company's CSR programme is incorporated in recruitment materials and conveyed to potential employees. Including information on CSR in recruitment fair handouts, include a CSR-related question in the interview process, and make sure the CSR programme is clearly displayed on job ads and the company's career website.

Once you've established the messaging, the companies can begin monitoring the influence of CSR on potential recruits' decisions to join the organisation. How do the companies quantify this? Surveys, surveys, and more surveys! Developing excellent survey questions may yield massive volumes of data and information that should be included in the CSR reporting to executives. To obtain reliable, unbiased data from potential applicants or new recruits, questions should be properly written. Instead of asking questions like, "Is our CSR programme a key element in the choice to work here – Yes; No," use questions like, "How essential is our CSR programme in the decision to work here – Yes; No." It's not at all important; it's somewhat important; and it's really significant." The ability to explain that XX percent of new employees or potential candidates rated CSR as 'very important' is a compelling indicator that helps emphasise the impact of the efforts on the company's ability to acquire top talent.

Retention – internal engagement

Employee retention, engagement, and happiness may all be considerably improved by CSR. Participation in corporate giving initiatives, volunteer opportunities, or community activities provides workers with a distinct feeling of purpose, a new avenue for interaction, and a greater sense of pride in their business. It can also lead to new talents, ideas, or partnerships that might help the organisation expand. Consider organising a volunteer event that brings employees from several departments together. Members of the HR team are working alongside the IT team, providing them the opportunity to get to know coworkers with whom they would not normally engage at work. Participation in the community is also a terrific team-building exercise that takes employees out of the office and into a new setting together.

This breaks up the daily routine and allows employees to utilise new abilities and cooperate with other individuals to attain a different type of goal than they would in the office. Surveys are the most effective approach to assess the effectiveness of the CSR programme on employee engagement and retention. While the companies don't want to inundate staff with questionnaires, it is critical to collect data whenever possible. Use the surveys strategically and creatively. Send a survey in the "thank you" email following an employee volunteer event, for example. Instead of only asking questions about the event, include one that assesses the impact of the event, or the CSR programme in general, on the employee.

Include at least one CSR-related question, if not an entire section, in the yearly survey. The companies may also collaborate with HR to incorporate CSR-related questions into performance reviews and leverage other current feedback methods. Again, phrase the questions in a way that provides the companies with relevant, actionable data that the companies can use to demonstrate not only the correlation between CSR and employee engagement, but also possibilities to enhance the CSR programme.

Relationships – partner collaboration

Partnerships are critical to any company's success, and CSR may be a fantastic way to create and strengthen important commercial ties. Engaging business partners in the CSR initiatives may assist to increase the influence the firm has on the community while also enhancing connections with the partners. For example, while preparing the next Christmas gift drive, encourage the partners to participate. The combined assistance will benefit the community, and you will build a sense of respect and camaraderie among the partners. The organisation may even include some friendly rivalry to make the joint efforts more enjoyable. For example, challenge the colleagues to a canned food drive and provide a prize to the person who collects the most.

It is also critical to ensure that the CSR initiatives reach all the way across the supplier chain. Having a Supplier Code of Conduct in place guarantees that you are sourcing ethically and following ethical standards throughout the whole value chain. It is critical to educate the owners of each business partnership about the company's CSR policies and goals in order for those values to be carried down via the supply chain. Create metrics that indicate how the CSR initiatives affected partners in order to assess how CSR influences the commercial relationships. This might be very broad, such as the number of partners that engaged in a joint giving campaign, or very precise, such as the indirect influence of the CSR initiatives on commercial connections.

For example, to see if there is a substantial difference, compare the contract renewal rate for partners who participated in a joint giving effort to the rate for those who did not participate. While this data may not instantly reveal a clear correlation between CSR and contract renewal, it may assist to identify areas where CSR affects the business that may not be as evident on the surface. The quantity of joint media attention the companies and the partners receive for CSR-related activities is another indicator the companies may include in the reporting. Appearing in press releases, blogs, or other media channels in a favourable light publicly promotes the connection and thereby enhances the commercial relationship.

Conclusion

The 5 R Framework may be used to assess and convey the impact of CSR on the company's overall performance, but it can also be used to uncover new possibilities and approaches to increase the CSR program's efficacy. If the organisations are having difficulty filling in any of the 'Rs' in this framework, the organisation should think more imaginatively about how to integrate CSR

initiatives with the company's strategic aims. Use this framework to identify the program's strengths as well as the holes that need to be filled. A complete, resilient, and important CSR programme will have obvious connections to each of the 5 Rs in this model.

References

1. Muthulakshmi C., "Effectiveness of PMRY Scheme in India", "Indian Journal of Finance", October-November 2007, Vol. I and No. 4. ISSN 0973 – 8703.
2. Palaneeswari T. and Muthulakshmi C., "A Study on Attitude of Fireworks Manufacturers in Sivakasi Towards Eco-friendly Fireworks", "International Journal of Trade and Commerce", July-December 2012, Vol. 1 and No. 2. ISSN 2277 – 5811 (Print).
3. Palaneeswari T. and Muthulakshmi C., "Corporate Social Responsibility – A Paradigm Shift in Business Responsibility", "GALAXY International Interdisciplinary Research Journal (GIIRJ)", April 2014, Vol.2 (4), APRIL (2014), pp. 25-31. ISSN 2347-6915.
4. Muthulakshmi C. and Gurusamy C., "A Study on Male Customers' Brand Preference Towards Motorbikes in Kovilpatti With Reference to Gear Bikes", "Journal of Business, Management, Commerce and Research (JBMCR)", September 2014, Vol. III and No. 9. (ISSN 2319- 250X) Online.
5. Muthulakshmi C. and Premkumar M., "A Study on Subscribers' Perception towards Mobile Network Operators in Sattur Town", International e-Journal of Commerce and Management (IEJCM), Vol.2 and No.2 during April 2016. E-ISSN: 2394-9074.
6. Muthulakshmi C. and Rajalakshmi S., "A Study on Recent Challenges Faced by Match Factory Employees in Kovilpatti Town", Research Journal of SRNMC, Vol.1, ISSN 2395- 7085, February 2018.
7. Muthulakshmi C., "A Study on Work Life Balance among the Teaching Professionals of Arts and Colleges in Tuticorin District", ICTACT Journal On Management Studies, Vol.04 and No.II, ISSN: 2277-5730, April - June 2019.
8. Published an article entitled "A Study on Human Resource Management", International Journal "AJANTA", Vol.VIII and No.01, ISSN: 2395-1664 (Online), February 2018.
9. Muthulakshmi C. and Muthu Saravanan A., "A Study on Consumers' Expectations Towards Passenger Cars in Kovilpatti", International Journal of Research in Computer Application & Management (IJRCM), Vol.9 and No.08, August 2019, ISSN 2231-1009.
10. Muthulakshmi C. and Subha Ranjani R., "A Study on Perception of Students Towards Service Quality of Arts And Science Colleges in Kovilpatti Taluk", International Journal of Multidisciplinary Educational Research (IJMER), Vol.10 and No.4(5), April :2021, ISSN: 2277-7881.
11. Muthulakshmi C. and Arunkumar A., "Green Printing: Inevitability For Printing Industry Sustainability", International Journal of Innovative Research in Technology (IJIRT), Vol.8 and No.4, September 2021, ISSN 2349-6002.
12. Muthulakshmi C. and Sundhara Bharathi M., "A Study on Perception of Consumers Towards Value Added Services of Supermarkets in Theni District", International Research Journal of Commerce, Arts and Science (CASIRJ), Vol.12 and No.9, September 2021, ISSN 2319-9202.

13. Muthulakshmi C. and Kumar K., "Corporate Social Responsibility Practices Towards Employees Followed By Private Sector Banks In Tirunelveli District", International Journal of Innovative Research in Technology (IJIRT), Vol.8 and No.5, October 2021, ISSN 2349-6002.
14. Muthulakshmi C. and Subha Ranjani R., "A Study on Challenges of Educational Sector Services in India", International Journal of Innovative Research in Technology (IJIRT), Vol.8 and No.5, October 2021, ISSN 2349-6002.
15. Muthulakshmi C. and Kumar K., "Corporate Social Responsibility (CSR) Practices followed by the selected companies in Tamilnadu", International Research Journal of Management Sociology & Humanities (IRJMSH), Vol.12 and No.10, October 2021, ISSN 2277-2348.
16. <https://www.google.com/search?q=how+to+measure+csr+cost&oq=how+to+measure+csr+cost&aqs=chrome..69i57j0i22i30j0i390l3.5789j0j15&sourceid=chrome&ie=UTF-8>
17. <https://www2.deloitte.com/us/en/insights/topics/social-impact/business-value-of-improving-your-csr-scorecard.html>
18. <https://www.diva-portal.org/smash/get/diva2:963101/FULLTEXT01.pdf>
19. <https://economictimes.indiatimes.com/news/company/corporate-trends/csr-measuring-and-managing-our-impact-on-people-and-the-planet/articleshow/83336749.cms?from=mdr>
20. <https://taxguru.in/company-law/accounting-corporate-social-responsibility-csr-expenditure.html>