

# **Impact of Corporate Social Responsibility on Corporate Image through Implementation of Socio-Economic Projects: The Case of Zimbabwe Revenue Authority (ZIMRA)**

*Part 1 of 4*

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## **ABSTRACT**

The concept of investment by cooperates worldwide has taken a new twist with stringent requirements to be responsible for the society within which the cooperate is set. This is devoid of the political climate and the economic environment which may be promotive of supersonic returns. The basic idea of sustainability is to be cognitive of future generations and their benefits in the operational environment of today. Thus, a corporate has to be satisfied and also satisfy future generations. The case of Zimbabwe Revenues Authority (ZIMRA) as a cooperate is unique and worth studying. This paper is looking at the Zimbabwe Revenues Authority (ZIMRA) as a cooperate and the part it is playing in the society that it is set. What projects is it implementing and their effects in the society that it is set, and how this will benefit future generations?

**KEY WORDS:** Corporate Social Responsibility, Sustanability, Accountability,

## **INTRODUCTION**

This study focuses on the impact of corporate social responsibility on corporate image, specifically at Zimbabwe Revenue Authority (ZIMRA). The emphasis of the study is to establish the contribution of corporate social responsibility towards the improvement of corporate image. This section therefore presents the background of the study, statement of the problem, significance of the study, justification and research objectives.

## **BACKGROUND OF THE STUDY**

The Zimbabwe Revenue Authority, which derives its mandate from the Revenue Authority Act (Chapter 23:11) and other subsidiary legislation, is responsible for assessing, collecting and accounting for revenue on behalf of the state through the Ministry of Finance. It is a quasi-government whose mandate entails revenue collection, such as customs duty levied on imported goods in terms of the Customs and Excise Act (Chapter 23:02), Value Added Tax (VAT), levied on consumption of goods and services, excise duty levied on specified locally manufactured goods, income tax charged on income earned from trade, Pay As You Earn (PAYE), levied on income from employment, Capital Gains Tax (CGT), levied on sale of immovable properties and marketable securities, and Surtax which is levied on imported vehicles older than five years.

Some of its duties also include trade facilitation, protection of civil society, and advising the government on fiscal and economic matters such as revenue forecasting, participation in national budgets process and revision of acts. By the nature of its duties, the Zimbabwe Revenue Authority is detested by most of its stakeholders and customers, mainly because people do not

like to pay taxes and duties, and as such there are a lot of negative perceptions about Zimra as an organization, and this research seeks to evaluate whether corporate social responsibility which Zimra is also engaged in, has an impact to its corporate image.

## **RELATED LITERATURE AND ISSUES AROUND THE WORLD**

Corporate social responsibility issues have gained in importance internationally since the publication of King III. The United Nations has published the Global Compact and the Principles for Responsible Investment (Sibanda 2011; 15). There has also been the European Union Green Paper for Corporate Social Responsibility (CSR) and the OECD Guidelines for Multinational companies. The Swedish government has laid down that its state-owned enterprises must have corporate social responsibility reports following the Global Reporting Initiative's (GRI) G3 guidelines. In the United Kingdom, the corporate social responsibility relevant part of the Companies Act came into operation in October 2007. It requires that directors consider in their decision-making, the impacts of the company's operations on the community and the environment.

As has been pointed out, The Reform of United Kingdom Company Law, the intention of corporate law reform in this area was to encourage companies to take an appropriate long-term perspective, develop productive relationships with employees and those in the supply chain, and to take seriously their ethical, social and environmental responsibilities. In Germany, in terms of the German Commercial Code, management reports must include non-financial performance indicators and companies should demonstrate that their decisions have taken corporate social responsibility into account in an effective way.

In January 2009, the Norwegian government launched a national White Paper on corporate social responsibility. The paper deals with the responsibility of companies in Norway to report on corporate social responsibility performance. The paper explains how the GRI G3 guidelines can be used to fulfill the company's responsibilities to make transparent disclosure about corporate social responsibility issues. In December 2008, the Danish parliament passed a law on corporate social responsibility reporting for its companies, mandating that companies disclose their corporate social responsibility activities or give reasons for not having any, following the principle of comply or explain. Denmark encourages the use of accepted tools such as the GRI G3 guidelines and the United Nations Global Compact Communication on Progress. A recent survey shows that over 80% of the global fortune companies now have corporate social responsibility performance reports.

Recently, President Obama of the United States stated that corporate social responsibility issues would be central to the policies of his administration. The JSE launched the SRI index in 2004, as a tool for investors to identify companies incorporating corporate social responsibility practices into their business activities. Most recently, the Department of Environmental Affairs and Tourism of South Africa carried out a long-term mitigation scenario about climate change.

Plans were put in place, in the third quarter of 2008, to fast-track the process of translating strategic options into policy directions. The then Minister, Martinus van Schalkwyk, said that he would eventually develop a legislative, regulatory and fiscal package to give effect to South Africa's long-term climate policy which would entail conformity of governmental departments into corporate social responsibilities. He added that if South Africa continued with business as

usual, greenhouse gas emissions which impact on the society would quadruple by 2050 and, in the process, South Africa would become an international pariah as a result of its attitude towards corporate social responsibility.

He pointed out that South Africa's actions, in reducing electricity demand, were in line with the Department of Environmental Affairs and Tourism's long-term mitigation scenario and have already had a positive impact on the country's social footprint. South Africa planned to have a full climate-change plan which would be implemented by responsible governmental department at corporate level demonstrating corporate social responsibility.

An incentive for investments by corporates active in social responsibility in the energy-efficient equipment was introduced in South Africa in the form of a supplementary depreciation allowance. Existing excise duties on motor vehicles will be adjusted to take into account carbon emissions.

The proliferation of initiatives, tools and guidelines on corporate social responsibility is evidence of the growing awareness of corporate social responsibility issues. Because the company is so integral to society, it is considered as much a citizen of a country as is a natural person who has citizenship. It is expected that the company will be seen to be a responsible citizen. This involves social, environmental and economic issues – the triple context in which companies in fact operate. Boards should no longer make decisions based only on the needs of the present because this may compromise the ability of future generations to meet their own needs.

“The success of companies in the 21st century is bound up with three interdependent sub-systems – the natural environment, the social and political system and the global economy. Global companies play a role in all three and they need all three to flourish.” (Tomorrow's Company, UK). However, it is the corporate social responsibility deeply rooted in the social and political systems that is core to these three.

In short, planet, people and profit are inextricably intertwined. A key challenge for leadership is to make corporate social responsibility issues mainstream. Strategy, risk, performance and corporate social responsibility have become inseparable; hence the phrase “integrated reporting” which is used throughout this paper.

The achievement of best practice in corporate social responsibility and integrated reporting is only possible if the leadership of a company embraces the notion of integrated corporate social responsibility performance and reporting. There are some examples of visionary leadership in this area. Whilst many are Eurocentric, it goes without doubt that Africa and specifically Zimbabwe has got some good examples of policy implementation especially on corporate social responsibility.

Malunga (2014) says “tomorrow's global company should expand its view of success and redefine it in terms of lasting positive impacts for business, in society and the environment.” This is emphatic on the role of the company on its profiteering process and its responsibility for the consequences to the society from which it operates from and the society's benefits from the existence of such a corporate in its vicinity.

Corporate Social Responsibility is however, about more than just reporting on corporate social contributions. It is vital that companies focus on integrated performance. The board's role is to set the tone at the top so that the company can achieve this integrated performance. Corporate social responsibility also means that management paid schemes must not create incentives to maximize relatively short-term results at the expense of longer-term impact on the society within which it operates from.

This paper seeks to emphasize the inclusive approach of corporate social responsibility and its impact on the image of that corporate. It is recognized that in what is referred to as the Enlightened Shareholder's Model as well as the Stakeholder Inclusive Model of corporate governance, the board of directors should also consider the legitimate interests and expectations of stakeholders including the society from which it operates from other than shareholders and thus the urge to put the society within which a corporate is situated upfront.

## **THE ZACCHEUS SYNDROME**

In Zimbabwe, corporate social responsibility has been enshrined into the legislative system. The polarization of corporate profiteering as a norm has been eating into corporate social responsibility and thus corporate society has been viewed by citizens as monsters only set to drink dry the citizenship's hard earned resources.

According to Lahiri (2008), the best interests of the company should be interpreted within the parameters of the company as a sustainable enterprise and the company as a responsible corporate citizen. Thus, it is against this background that this study takes into account the relevance of corporate social responsibility to improve the image of the organization so that citizenship has a positive view of the corporate.

## **PRACTICALITY OF CORPORATE SOCIAL RESPONSIBILITY**

Against a backdrop of citizenship with beliefs that corporates are there to milk societies, a positive corporate image is hard to cultivate. The use of corporate social responsibility to improve the corporate image is critical for establishing a positive corporate existence. ZIMRA as a corporate has had a highly rated negative corporate image and it is this study's major objective to look into whether ZIMRA's corporate social responsibility strategies are having any impact on its corporate image.

## **JUSTIFICATION OF THE STUDY**

This study focused on a government owned institution in the Ministry of Finance whose operations have been marred by challenges of low revenue collections, tax policy change and loss of trust from stakeholders and customers who by nature try by all means to evade payment of tax, and even accuse the organization of being corrupt and hence a portrayal of a negative image. A detailed study of the impact of corporate social responsibility by Zimbabwe Revenue Authority (ZIMRA) is critical owing to the fact that ZIMRA is the organ of the government responsible for the collection of tax from various stakeholders in the country, thereby raising income for the government, and thus there is need for the Zimbabwe Revenue Authority's corporate image to be positive. With such a positive corporate image, voluntary compliance from its citizenships will be easy to achieve.

The study takes into account results of earlier studies on corporate social responsibility whose conclusion was that corporate social responsibility had a high positive impact especially in developed countries (Nsouli and Schechter, 2002, Allen, McAndrews and Strahan, 2002, *e-Business Watch* in 2003.4).

## **THE PROBLEM**

Zimbabwe Revenue Authority (ZIMRA) as a corporate has been suffering from the misdemeanor of the Zimbabwean society looking at it with the Zaccheus Syndrome Perspective (ZSP), whereby citizens have been attributing social failures and underdevelopment to the looting tactics and techniques ZIMRA is employing to collect revenue through harsh taxes to its citizenship. However, ZIMRA has been embarking on corporate social responsibility systems in order to try and spruce up its image so that the society will voluntarily comply in tax payments. This study tries to investigate the impact of such corporate social responsibilities and their impact on the corporate image of ZIMRA.

## **OBJECTIVES**

The objectives of this Paper are to:

- ≈ identify corporate social responsibility activities that ZIMRA is embarking on
- ≈ measure reception of such corporate social responsibility activities on the society
- ≈ evaluate the intended impact of such corporate social responsibility on the society
- ≈ analyse the impact of such social responsibility activities on the corporate image of ZIMRA

## **MAJOR QUESTION**

What are the corporate social responsibility activities being implemented by ZIMRA that would impact the corporate image of the organization as from the point of view of its citizenship?

## **SUB-QUESTIONS**

- ≈ How could social responsibility activities impact the society's perspective of the corporate?
- ≈ To what extent could be the impact of corporate social responsibility to improve the image of the Zimbabwe Revenue Authority?
- ≈ What could be other corporate social responsibility activities that the Zimbabwe Revenue Authority can employ to improve its corporate image?
- ≈ To what extent is corporate social responsibility relevant to a company facing corporate image challenges?

## **Significance of this Paper**

This research study is significant to the following stakeholders:

### **To the Zimbabwe Revenue Authority Management**

The research was carried out to aid managers at the Zimbabwe Revenue Authority to develop a focus on the relevance of corporate social responsibility so as to improve the image of the company. It is also hoped that with a clearer and intensified corporate social responsibility activities the Zimbabwe Revenue Authority can be rescued from corporate media damages and hence positive social perspective of its citizenship. The results of the research would enable the Zimbabwe Revenue Authority to follow an approach that could turn the operations of the organisation to an efficient service following the use of corporate social responsibility activities. The development and the implementation of corporate social responsibility strategies could be considered to improve not only the image of the organisation but also the performance of the institution on revenue collection.

### **To the public in General**

The study would stimulate more research in the area of corporate social responsibilities for companies struggling to improve their image in a unique economy where multicurrency is used.

### **To the Academic Fraternity**

The study will produce new knowledge regarding the effects of corporate social responsibility operating in a unique economy, and the material can be used in the library by other future students. Issues such as how to drive revenue and profits, optimize cash flows, and provide quality products and services and build effective management teams are also covered in the study.

### **To the researcher**

The research enhanced the researcher's research skills. The research will enable the researcher to develop new styles and creative work in research.

## **LIMITATIONS**

### **Cooperation from respondents**

Most of the information was deemed to be confidential and respondents wanted privacy of their contribution to be respected to get cooperation. The researcher assured the respondents that the information gathered would be purely for academic purposes.

### **Time constraints**

Time presents an immeasurable challenge because the researcher is both an employee and a student, but she will commit extra hours to meet the demands of the project. Time management was of paramount importance to meet vigorous requirements of the research study.

## **Costs**

The research program is associated with costs that include travel, fees and supervisory charges. The financial resources of the research is limited hence the need to confine the research study to Harare to reduce the costs and meet the demands using available financial resources. The study only concentrated on companies in the agribusiness industry in Harare and did not cover the whole of the country due to lack of resources.

## **DELIMITATION**

This study was restricted to corporate social responsibilities at Zimbabwe Revenue Authority head office in Harare. The study was conducted in Harare and at ZIMRA head office. The study covered the period 2011 to 2015. The main scope of the research was premised on the impact of corporate social responsibility to improve the image of the company. The major thrust of this study was to establish the effectiveness of the corporate social responsibility strategies under the perceived circumstances. Beneficiaries of ZIMRA Corporate Social Responsibility Activities, Managers and employees at the Zimbabwe Revenue Authority will be used as the main research subjects.

## **ASSUMPTIONS**

These were the assumptions of the study:

- Organizations struggling to improve their image could be resuscitated through the effective employment of corporate social responsibility activities.
- It was also assumed that the status of Zimbabwe Revenue Authority would remain the same throughout the period of the research.
- That the respondents would be able to provide relevant information throughout the research.
- It was assumed that the economic business environment where a stable multicurrency system would remain in use throughout the period of the research.

## **Definition of terms**

Terms used in this study should be understood within the context below:

**Corporate Social Responsibility:** A corporate practice designed to help the community and the society at large to solve social problems such as water challenges, school fees, sponsoring sporting activities etc.

**Corporate Image:** The image of the company in the community. The community may regard the company as good or bad.

**Turnaround Strategy:** Is a corporate practice designed and planned to save a loss making company and transform it into a profit making one.

**Restructuring:** Is rearrangement of a company's assets or liabilities. It is an act of reorganizing the ownership, operational or other structures of a company for the purpose of making it profitable.

**Organizational change:** Is a framework for managing the effect of new business processes.

## SUMMARY

This paper focused on the introduction which provided an overview of the research. It was followed by an exposition of the background to the study, which outlined the events that led to the problem under investigation. The study is meant to establish the impact of corporate social responsibility on the image of a corporate, an example of the Zimbabwe Revenue Authority. The study problem is that the Zimbabwe Revenue Authority was continuously experiencing challenges of corporate image due to bad publicity from the public and media, hence the need to use corporate social responsibility to improve the image of the company. The next paper will include a review of related literature.

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He is a member of Project Management South Africa and Project Management Institute of Zimbabwe. An accomplished Lecturer and Conference Presenter, he has designed and is working on establishing a Bsc- Project management Programme and an Msc – Project Management Programme with Great Zimbabwe University in Affiliation with Project Management Institute of Zimbabwe. He is a Peer Reviewer of several Academic Journals and a Lecturer at various Universities and Institutions of Higher Education. Whilst currently he is Project, Programme and Portfolio Management Consultant, Dr Mapepeta is free lancing in his field of expertise working on various projects and publications.

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