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Conceptual framework of value creation through CSR in separate member of value creation chain

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Abstract. The main goal of this paper is to prepare a conceptual framework which would help to determine where any kind of value might emerge while various actions of Corporate Social Responsibility (CSR) are implemented. Such conceptual framework is suggested as a backbone for further research and empiric justification in order to develop a simplified yet effective CSR outcome evaluation model which might be used in practice in any company. Such practical model should help to determine which CSR action might bring maximized value outcome with lowest costs. The main attention in this paper is concentrated only on a single company as a member of value creation chain (VCC). The paper lays foundation for perspective to develop the research in a holistic way – to evaluate the effect of CSR integration in whole VCC.
Many authors have debated the different possibilities of simultaneously incorporating social, environmental and economic concerns into management thinking and practice (Aguilera et al., 2007) in organizational behavior; Buysse and Verbeke (2003); Starkey and Crane (2003); Barin-Cruz et al. (2006) in strategic management. All those scholars have been developing concept of CSR from different point of view. This paper concerns value creation through CSR as economical category. But therefore in order to indicate areas of possible value creation, various all above mentioned aspects of CSR concept are taken into account.
This paper suggests a framework of value creation through CSR, considering CSR implementation might help to create shared value for few beneficiaries simultaneously. The framework consists of all four types of responsibilities described by Carroll (1999), different levels of CSR activity, three major groups of beneficiaries (company, society, stakeholders) and areas of possible value creation.

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1. Introduction

Scientific problem as if true for all researches value creation through CSR is researched only episodically, concerning specific aspects, but not a holistic point of view, especially from the perspective of VCC. Furthermore, there is no framework available which would help to determine all possibilities of value creation through CSR while integrating it in VCC.

The objective of the research is to present a conceptual framework of CSR holistic integration into VCC from the perspective of separate member of VCC.

The methodology of the research: scientific literature review, the analysis of analytical and empirical studies and the synthesis of fragmentary knowledge on the subject.

The review of theoretical and empiric researches showed that value created through CSR for the company might emerge as a part of any of those benefits: financial benefits, better quality, marketing benefits, better organizational culture, effectiveness doing business globally.

2. Value creation through CSR

Concept of CSR is defined by the European Commission (2002, p. 5) and remembered by Steurer et al. (2005), CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". But as CSR is quite new concept there are disagreements in opinion should one or another activity to be called CSR or not. The aim of this paper doesn't concern the term of CSR itself, so we accept a broad viewpoint of CSR activity. According to many scholars (Tulder et al., 2009, Dicken, 2011) it is acknowledged that CSR can have at least four general types. In some cases there are even used different terms corresponding to each type of CSR (Dicken, 2011):

- inactive CSR – corporate self responsibility,
- reactive CSR – corporate social responsiveness,
- active CSR – corporate social responsibility,
- interactive CSR – corporate societal responsibility.

There has been quite little proof that CSR increases profits (Vogel, 2005; Aras et al, 2010) and no consistent relation between CSR and economic performance has been established yet (Lindgreen, Swaen, 2005; Ioannou, Serafeim, 2010). Some researchers even suggest there may be a negative relationship between the CSR implementation and company profitability due to increased cost of CSR initiatives (Aupperle, Carroll, and Hatfield, 1985) which do not increase the bottom line of the company. However, Waddock and Graves (1997) noticed that positive proactive as opposed to reactive social responsibility is beneficial as part of good overall managerial practice at least in short-term oriented assessment. The positive effects of CSR on financial performance are being encouraged for research with some encouraging evidences (Stanwick, Stanwick, 1998; Pava, Krausz, 1997).

As financial benefits of CSR are not always obvious, different types of value should be remembered while evaluating benefits of CSR implementation. It is well known that exchange value can be identified and measured quite obviously, but CSR creates use value especially for stakeholders and society very often. The use value is a relative subject and doubtfully could be measured (Lepak et al., 2007; Jonikas, 2012). There are quite many publications which generally conclude that benefits from CSR implementations received by company remain in the center of most researches and might be grouped into two major trends: financial value and marketing benefits. Summarizing scientific publications, implementation of CSR might cause to emerge different forms of value, especially for the company as the key player in CSR activities.

Yet another important point in value creation through CSR is that there already has been made a distinction between value creation and value appropriation. This recognizes that, in some cases, organizations that create new value will lose or have to share this value with other stakeholders, such as employees, competitors, or society (Nohria, Ghoshal, 1994; Makadok, Coff, 2002; Chatain, Zemsky, 2011; Porter, Kramer, 2011). Researching value creation through CSR, Porter and Kramer (2011) suggested concept of shared value. Shared value is defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. Shared value creation focuses on identifying and expanding the connections between societal and economic progress. Article related approach was given even earlier by Nohria and Ghoshal (1994) – it was named as creating share value.

Some scientists (Vaitkevièius, Stukaitë, 2009; Valackienë, Micevièienë, 2011) acknowledge that corporate social responsibility (CSR) discussions often fall into a logical trap. If some socially desirable activity is profitable, then it is best described as "intelligent operation of the business." If the socially desirable activity is not profitable, then companies will not voluntarily undertake it unless required to do so by law or regulation. When private profits and public welfare are aligned, CSR seems to be irrelevant. Companies will undertake this activity driven by their self-interest, even if they call their actions as CSR, and shared value will be created. Such value creation through CSR seems to be more sustainable, because it's emergence depends less on corporate interests and government regulations. If company adopts CSR concepts in it is business activity, there is a greater probability that shared value will be created. That value might emerge as use or as exchange value. Therefore all attention in this paperwork is focused on shared value creation through CSR.

Though there are many possibilities for value creation through CSR, scholars note some major problems especially related to CSR and stakeholders conjunction. Jušèius (2007), Yuan et al. (2011) pointed the situation that societal stakeholders' increasingly demand CSR initiatives, and simultaneous corporate managers require that any such initiatives should improve business performance. Such situation has triggered various alternative strategies to integrate CSR in prevailing business activities, but not all of them are successful.

As theoretical researches show, value can be created through CSR implementation in large as well as in small companies. Though, not always CSR helps to achieve desired benefits, effective communication of CSR implementation is stressed as one of major factors of value creation through CSR. It should lead to further discussions about CSR implementation strategies and capture of created value. As concluding theoretical assumptions about value creation, it should be noted that different type value might emerge. Attention should be paid, that according to most scholars, only shared value creation through CSR seems to be sustainable. It's already foreseen that CSR will evolve and value creation through CSR will change. Most likely, implementation of CSR will become more oriented towards creation of shared value.

3. Aspects of CSR implementation in VCC

It is well noticed that companies can create and sustain a competitive advantage by cooperating with other companies in a supply chain by nurturing and building competencies through collaborative partnerships (Kay, 1993; Dyer, 1997; Blankenburg Holm et al., 1999; Lambert et al., 2004). Furthermore, companies are now seeking innovative ways of unleashing the creativity of their suppliers and taking advantage of their expertise (Sahay, 2003; Swink, 2006). As Wang and Wei (2007) noted, cost efficiency is the most cited goal in supply chain management, but due to rapid changes in market conditions, evolving technologies or other developments, cooperation in supply chain has transformed. The concept of a value creation chain (VCC) evolved from the idea of supply chain (Rainbird 2004) which describes the series of steps a product (usually a tangible one) takes from the manufacturer to the consumer. The word "value" was substituted for "supply" to suggest that each step in the chain should add value rather simply move the product along. Value creation is commonly understood as the process whereby the capabilities of partners in a VCC are combined such that the competitive advantage of the VCC (or one or more of the partners) is improved (Larson, 1992; Hammervoll, 2009). According to Borys and Jemison (1989), there are two types of value creation logic in a supply chain: sequential interdependence and reciprocal interdependence. Stabell and Fjeldstad (1998) have amended the value creation logics by offering to take into account the objectives of the relationships, the focus of the coordination, and the nature of the value-creation initiatives. Implementation CSR seeking for shared value ought to be one of the best examples of value-creation initiative.

Pietrobelli et al. (2006) explains the concept of value chain as all activities necessary to "bring a product from conception to market". Therefore, it includes product development, different phases of production, extraction of raw materials, semi-finished materials, component production and assembly, distribution, marketing and even recycling. Feller et al. (2006) offers to involve the demand or customer activity in value creation. In such case value chain could be called an upstream flow of value, in the form of demand, from customers to supplier. As these activities may be spread over several different companies and countries, the value chain can become global. Effectiveness while doing business globally might be acknowledged as one of major motivators for integrating CSR into value creation chains. International actions such as the UN Global Compact (substantive human rights standards) or the Global Reporting Initiative (social, economic, and environmental disclosure format) are important factors, influencing companies to implement CSR initiatives and so become agents of social change (Aguilera et al., 2007). Under such assumption a CSR program may become the primary requirement for doing business globally. As Kagan et al. (2003) argue, multinational companies, particularly the high-profile ones, are expected to be pioneers in adopting CSR initiatives to reach social expectations, which in turn reinforce other factors, such as consumers, and institutional investors. Talking about CSR as value creation possibility, it is necessary to broaden the view up to the Global Value Chain definition. This term was developed along the lines of the concept of a global commodity chain by Hopkins and Wallerstein (1986), who focused on international chains for agricultural products. Such an approach usually involves analysis of price formation at different stages of production and processing. Humphrey and Schmitz (2002) proved that there are governance trends in global value chains. Some companies, differently to simple market relationships, set and enforce the parameters under which others in the global chain operate. These parameters have a control function and may apply to the product definition, production process, production volume, time of delivery and price.

CSR implementation in VCC was confirmed by Cruz and Boehe (2008) who proposed a new concept called "sustainable global value chains" that might stimulate an emerging research field. Their research showed that such value chains might gain additional benefits including: bargaining power, differentiation strategy, and awareness strategy. Sustainable global value chains, compared to conventional commodity global value chains, are influenced by certification agencies that usually set and enforce product and process related parameters. These environmental and social parameters impose new costs on the chain and may decrease the price competitiveness of CSR products. Consequently, the chain is driven towards a differentiation strategy, focusing on specific market segments that are willing to absorb CSR products. Though CSR as a distinct form of product differentiation has been acknowledged for more than decade, it still depends on particular success factors named by Reinhardt (1998).

Value is created and extracted in a network of relationships, and value can best be understood holistically as a function of the entire network. Network externalities such as information cascades, demand queues, social contagion, bandwagons, herding, and path-dependence in the cultural industries have been explicitly analyzed by Kretschmer et al. (1999) – amongst others. Such externalities are named as a key feature to understanding value. Watts (2003) describes three types of externalities which are pertinent here:

- information externalities;
- coercive externalities;
- market externalities.

According to Hearn et al. (2007), new value creation is achieved through manipulation of information and the characteristics of information are very different from ordinary goods. This is especially important while analyzing value creation chains and transfer of information. Information externalities occur when product choices are affected substantially by information outside the product. As Watts (2003) explains, coercive externalities result when a consumer is persuaded to make particular choices of products or suppliers. Market externalities operate when the value of a product increases in proportion to the number of people who use it. Implied in this shift is that value lies in the ability of the product to connect us to others. Moreover, it becomes increasingly difficult for the system to change, even though individuals might prefer a different product or service. The cost of the disconnect to the individual, and the impossibility of collective opt-out, means certain product classes become de facto monopolies or at least are dominated by large hubs in the network of connections. It is quite possible that some value creation chains might create such products according to requirements of any CSR policy.

Recent literature on standards in global value chains has emphasized the power of leading firms in defining standards and codes of conduct, as well as the ways in which CSR pressures can alter the nature of governance within the value chain (Altenburg, 2006; Gereffi et al., 2005). This tendency suggests that companies might receive different value and take different costs of CSR action while implementing the same CSR policy.

Some authors additionally offer to use the term of multi-stakeholder partnerships (that bring together public and private actors) as local stakeholders take more influence in the formulation, implementation, and monitoring of CSR standards within global VCC (Prahalad, Ramaswamy, 2002). This might provide greater scope for coordination and harmonization of CSR amongst society, thereby reducing the need for individual brands to undertake their own audits of CSR implementation. Prahalad and Ramaswamy (2002) strongly support consumer-centric view of value creation and suggest the consumer:

- is an integral part of the system for value creation;
- can influence where, when, and how value is generated;
- need not respect industry boundaries in the search for value;
- can compete with companies or leverage companies against each other for value extraction;
- can co-create value with the company at multiple points of exchange.

As Lund-Thomsen and Nadvi (2010) noticed, in highly visible VCC compliance with social and environmental concerns are central to the organization and governance of the chain and the relationships between local suppliers and global lead firms. In contrast, less visible chains are those where external CSR pressures are driven by a wider set of actors/institutions and/or less dominant global lead firms. On the one hand, less visible chains may include smaller or medium-sized branded buyers less capable of enforcing their CSR demands throughout the chain. On the other hand, external CSR pressures in less visible chains may also reflect a mixture of international or national regulatory frameworks and media attention as important CSR drivers in the VCC.

Concluding the research of different theoretical perspectives, two key motivators or initiators of value creation in supply chains are identified: structural mechanisms and relationship building (Jayaram et al., 2004). Furthermore it is proposed and proved by empiric research that these initiators have a positive influence on value creation efforts, operationalized by the improvement of supply processes and responsiveness to customer needs as well as internal production processes.

4. Conceptual framework

The framework is developed from single company view point which is the part of VCC (Fig. 1). The suggested framework conceptually shows all possible areas of value creation through CSR as well as beneficiaries of created value. The framework is proposed considering already performed theoretical and empiric researches on CSR activity benefits. It suggests taking into account that CSR, which is implemented by the company, can be of four types (or stages according to some scholars).

The implementation of CSR, as suggested by A. Carroll (1999), comes out in responsibility relations with any of stakeholders group or society in four fields: ethic, philanthropic, legal, and economic. It is important to acknowledge that if the company is bounded to responsibility by legal means, the company must perform current action of CSR, independently of what value it will create. So in such case the proposed conceptual model could only give some indications to the company, but will not influence the decision on CSR implementation. Quite similar situation is, once company decides to take some CSR actions due to ethic or philanthropic motives. CSR actions will be taken, most likely, without deeper evaluations of possible to create value. But such framework at least suggests taking a look at possible alternative CSR actions – maybe any other action could bring higher shared value. This conceptual framework is most useful for situations when CSR responsibility emerges as an outcome of economic considerations, because any company in such situation wants to know costs and benefits before taking any decisions on CSR action.

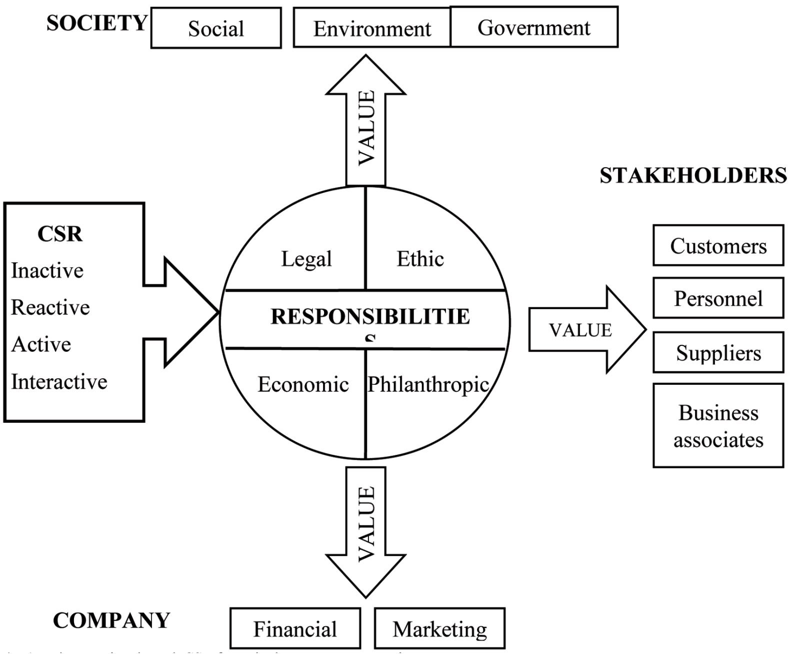

Fig. 1. Value creation through CSR from single company perspective

Source: Own compilation

The framework foresees three major groups who can claim for a part of created shared value: society, stakeholders, and company itself. According to the research, beneficiaries of shared value might be very different, so the framework suggests grouping them. Furthermore, CSR might help to create value in very different forms. So the conceptual model shows only most common forms in which value appears, but it does not limit or neglect any other form of value.

There are three major directions for further research of value creation through CSR using proposed framework.

1. The suggested framewor k should be modified according and developed to the holistic concept of VCC. The main point is that not every created value is transferred along the VCC. So while evaluating the effectiveness of CSR activities in the VCC, attention should be focused only on transferred value. The goal of new model would be to allocate and measure value creation and transfer in each stage of VCC. Such model would help to compare the effectiveness of different VCC as well as to look for possible synergy effect when CSR is smoothly implemented in whole VCC. The development of such model could lead to it is practical adoption in strategic marketing, especially where global competition is faced (VCC compete with VCC).
2. This framework as well as an updated one (for value creation and transfer in whole VCC) could be developed into calculation system which

would be based on CSR efforts (as input for calculation) and created exchange value (as an output). Final result of the research could lead to development of formulas, automated calculation tables which would be practically adoptable. Yet it is for further development, but such calculation system could be useful in at least few ways:
- it could forecast expected value volumes if company implements CSR activities at certain amount (or level);
- it could show whether it is useful for company to implement certain CSR initiatives (costs of CSR activity versus value received by company);
- to forecast allocation of created value – to show which beneficiary receives;
- to forecast the added value in the VCC created through implementation of CSR.

3. The suggested framework should be enhanced from the perspective of value creation period. As theoretical researches showed (Jonikas, 2012) value through CSR might be created, captured and accumulated in short term and long term periods i.e. brand value, impact on environment and human health.

5. Conclusions

As analysis show, shared value creation seems to be most sustainable way in implementation of CSR. Further studies should concentrate attention on shared value creation where company is one of beneficiaries. In pursuance to research and evaluate the effect of CSR integration into VCC, few major aspects should be taken into account:
- Value created through CSR might emerge of different types. Each of them is not equally simple to catch and measure. Therefore evaluating shared value might be extremely difficult because value received by stakeholders and society appear as use value quite often.
- CSR age, stage or policy might be considered while evaluating CSR implementation impact on value creation in VCC as well as different types of responsibility conjunctions.
- Leading and following companies of VCC should be identified. Theoretical research shows that there is much greater possibility for leading companies to benefit from CSR implementation in VCC, while following companies are forced to follow the requirements of leading company, even if compliance to them causes more costs that benefits.

Considering all these, future research of CSR in VCC could be simplified in the following way:

1. The company is an implementer of CSR, so measuring its received value is crucial. The methodology of further researches should allow any kind of value to be converted or measured as exchange value. If company receives lower value than takes costs to implement CSR policy, sustainability of CSR activity will be put under question.
2. If any society or any group of stakeholders receives any exchanges value it should be counted in currency or in any other unit. But if use value emerges for society or stakeholders, it is not necessary to measure it as exchange value. The most important point is whether society or any group of stakeholders has received any use value or not while company was implementing CSR initiatives. If it was and company received value for itself, than shared value was created. Only one question will remain – on what proportions this shared value was distributed for company and stakeholders or society.

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A more efficient match between firms' demand, VET supply and human capital capacities through bottom-up, participative governance

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Abstract. One of the main challenges facing EU territories is the development of strategies to better adapt to changing global socio-economic trends. Lifelong education and training is a main strategic tool and a key component in the achievement of EU goals. One component of the lifelong education concept is Vocational Education and Training (VET), aimed at closing the gap between workers' skills and qualification and changing demand in labour markets. Although local partnerships seem to be an adequate tool to implement VET strategies, some authors identify obstacles that can be attributed to bad practices. Thus, more evidence is needed to support the idea that local development and public-private partnerships are optimal organisational environments for the design and implementation of VET strategies and actions at local and sub-regional levels. The purpose of this paper is to contribute to an analysis of the state of the art as regards local VET partnerships in Europe and to provide recommendations for the process of initiation and management of expert VET partnerships.

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1. Introduction

One of the main challenges currently facing EU territories is the development of strategies to better adapt to changing and more demanding global socio-economic trends. Lifelong education and training is a main strategic tool and indeed a key component in the achievement of the EU strategy goals. One component of the lifelong education and training concept is the Vocational Education and Training (VET), aimed at closing the gap between workers' skills and qualification, and changing demand in the labour market. Although VET has proved its capacity to increase efficiency and productivity, not everything offered under this “label” is good. It is, therefore, necessary to establish mechanisms to ensure quality and efficiency of what VET offers. According to the European Common Quality Assurance Framework for VET, this could be measured in terms of increasing employability, improving the match between supply and demand, and promoting better access to lifelong training, especially for disadvantaged people (CEDEFOP, 2009a).

In order to achieve quality and efficiency in VET, there are two main requirements. On the one hand, to have suitable instruments to comprehend and measure the components defining VET supply and demand, and to ensure that information is updated and accessible to different sectors. On the other hand, to have efficient instruments to work for the identification of VET needs and the promotion of lifelong learning within companies. Although it seems that local partnerships are an appropriate tool to design and implement VET strategies and actions, some authors have pointed out challenges and potential damage that can be attributed to partnership bad practices. Thus, more evidence is needed to support the idea that local development and public-private partnerships (PPPs) are optimal organisational environments for the design and implementation of VET strategies and actions at local and sub-regional levels. Therefore, the purpose of this paper is to contribute to an analysis of the state of the art as regards local VET partnerships in Europe and to provide recommendations for decision makers, practitioners and other stakeholders in the process of initiation and management of expert VET partnerships. These guidelines have been tested in VET partnerships in the territories participating in the Let's Adapt Project, namely (set-up date in brackets): Chambre de Metiers (France, 1931), Arad (Romania, 2001), Cascais (Portugal, 2004), Békés (Hungary, 2006), Confservizi Lazio (Italy, 2009), Ayuntamiento de Gandia (Spain, 2009).

VET partnerships are conceived as information and advice tools useful for the design of vocational training policies and actions, adapted to the needs of a territory or productive sector. The partnership is a working group comprising representatives of those organisations and institutions involved in the supply and demand of vocational training. The interaction among these stakeholders encourages more accurate decisions regarding the provision of vocational training needed by a territory or industry. These partnerships are also created with a sustainability aim, that is, they will remain in the