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THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY (CSR) ON COMPANIES' COMPETITIVENESS – PROPOSED RESEARCH DIRECTIONS

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Abstract: The present paper is the continuation of the authors' previous publication on the potential impact of corporate social responsibility on the competitiveness of organizations. The research objective is to show the area of study as the junction of the classic concept of competitiveness and a new business model created out of CSR-focused management seen from the perspective of the value chain and the competitive context. The planned effect the paper is the presentation of a proactive and strategic approach to CSR and a way of exploring and testing hypotheses concerning the impact on enterprises' competitiveness. In the final section attention is paid to the pitfalls connected with implementing CSR.

Introduction

The concept of competitiveness became crucial for Polish enterprises during the transition period from a centrally planned economy to a market economy. Opening of the Polish economy, especially after its accession to the European Union caused an inflow of numerous foreign investments and toughening of the requirements set for Poland's enterprises concerning the application of the principles of sustainable development and corporate social responsibility. The indicated causes as well as the later international financial crisis brought about additional toughening of these requirements, which led to the acceleration in the realization of various CSR undertakings. CSR agendas were not implemented in the previous business activity of enterprises but from that time on it has started to affect their competitiveness. The objective of the present paper is to outline the scope

of research on the points of intersection of the classic approach to enterprises' competitiveness and a modern model of a socially responsible company. The final part of the paper includes a few hypotheses that could inspire some research into this area. The article is also a continuation of the authors' considerations of the impact of a corporate social responsibility paradigm on the classic concept of the company's competitiveness presented in a previous work on this subject written by the authors (Flak, Pyszka 2010).

Corporate social responsibility and competitiveness

As was mentioned in the authors' previous works, the problem of competitiveness is related to its economic character, which leads to the occurrence of a specific contradiction with CSR perceived as a tool used for the realization of social tasks. However, it turns out that CSR may, on the one hand, affect a company's economic goals, by, for instance, events taking place within its supply chain due to which we may learn how far a company's social responsibility reaches and how it can be translated into its economic performance. On the other hand, the government is increasingly pressurising companies, in particular those companies listed on the stock exchange, to make their activities transparent. At the same time external stakeholders are searching for ways of gaining tangible social benefits and are refusing to cooperate with companies burdened with too high risk in that respect.

Analysing the CSR problems pertinent to contemporary companies Porter and Kramer (2006) point to the need for seeking 'shared value' since successful companies and a healthy society do need each other (p. 64). Companies and society need safe products, good working conditions, education at a suitable level, effective use of possessed resources, healthy citizens, good relationships with authorities, and adequate legal regulations. According to the aforementioned authors, creating shared value is possible, however, only through the integration of the company's social perspective with its core business activity, which can be obtained within the five stages of conduct. The stages can be presented as follows:

- the identification of intersection points of companies' interests and social partners: internal and external,
- the choice of social issues important to the company: general ones concerning its values chain and/or competitive context,
- the preparation of a social agenda: reactive CSR versus strategic CSR,
- the integration of activities directed internally and externally: the impact of supply chain versus competitive context,
- the creation of a social dimension within the set of values respected by the company.

Organizations that realize the above stages should tend to achieve the so-called ‘symbiotic relationships’ within which corporate and social successes are conditioned by the proximity of social issues to the company’s activity. The chance of engaging the company’s resources and its capabilities of realizing social issues and gaining suitable social benefits is decidedly increasing. A more comprehensive description of the steps that enable a company to create symbiotic relationships is contained in table 1.

The characteristics shown in table 1 display some features that should be recognized by companies in order to improve their effectiveness in the CSR area and to build shared value by combining social and economic goals.

Out of the assumptions concerning the changes in corporate operations based on the new CSR paradigm, we would like to propose the evolution of CSR towards promoting the creative approach, the strategy of positive impact on the natural environment and society that would be realized in line with the organization’s basic strategy. The change in the approach necessitates a move away from responsive activities towards more strategic ones which would impact the company’s competitiveness more pro-actively. This new concept is presented in figure 1.

Figure 1. The shift of the paradigm from creative CSR to an increase in the company’s competitiveness and the change of the view in the direction of a strategic approach towards CSR



Source: elaborated by the authors.

Table 1. The characteristics of the stages of the creation of shared value between a company and society

Stage of the creation of shared value within CSR	Direction / area of CSR impact	Assumptions concerning the social impact of CSR	Potential impact of CSR on society and the company's competitiveness
Identification of the junction points of interests	Internal → External	The impact of the company's supply chain on society.	Changing over time (changes in trends and knowledge) and by location (different in the US, China, the EU) the impact of the supply chain on society, environment, etc.
	External → Internal	The impact of the elements of 'the competitive context' ^a on a company.	Proper reinforcing and the shape of competitive context generate a number of social factors that can be affected by a company, e.g., within the infrastructure, health service, housing problems.
The choice of social issues that are important for a company's competitive context ^b	General social issues	Problems are important to society but a company's operations do not affect them and these problems do not affect significantly its competitiveness	Civic duties adjusted to changing (in time) social problems on the part of stakeholders and a positive impact on the local environment through social initiatives (improving a company's goodwill and relationships with local authorities).
	Value chain, social impacts	Social issues are affected by a company's activity and they force some changes in the manner the company is run	Mitigating harm from value chain activities.
			Modifying operations in the value chain with a view to providing benefits to society and strengthening a company's strategy.
Social dimension of competitive context	Factors in the external environment which affect significantly a company's competitiveness in the places where the company is operating	Strategic philanthropy that makes use of an opportunity to improve essential areas of competitive context.	

continued table 1

The preparation of a social agenda (exceeding social expectations)	Responsive CSR	The company as a good citizen adapted to evaluating social issues on the part of stakeholders	Defined and measurable goals, on-going control of effects, improvement in goodwill, relationships held with local authorities, stimulating and awarding local stakeholders, which may translate into better recruitment and retention of employees.
		Preventing the occurring or predicted negative effects of the company's activities	Identifying the social impact through a systematic analysis of the activities of local business entities with the use of the chain of values (e.g. analysing sold goods paying special attention to their negative impact on the local environment).
	Strategic CSR	Realizing a small number of initiatives that stand out and which can give essential shared business and social benefits	Investing in the social aspects of the context (internal and external) reinforcing the company's competitiveness (the innovative Toyota Prius – the competitive edge and benefits for the natural environment)
		Creating shared value through investment in the social aspects of the context.	Reinforcing the company's competitiveness and social benefits through a symbiotic relationship – the more familiarized with social issues the company is, the more possibilities of using its resources and capabilities ^o .

continued table 1

The integration of activities directed internally and externally (simultaneously) ^d	Activities within a company's supply chain directed at the social dimension of the context.	Modifications in the social context improving the company's competitiveness.	Integrating the company's activities performed within its value chain with the activities performed within its social environment. This integration is directed at mutual benefits, e.g. training provided to chronically unemployed and local job agencies – likely effects are a decrease in recruitment costs and a better retention of the recruited staff.
	Investment made in a company's competitive context.	A company's impact directed at the elimination of impediments in its value chain.	Investing in local infrastructure and transferring knowledge with a view to gaining measurable, long-term social effects, e.g. improvement in suppliers' health, the level of education, or in the quality of semi-products which should translate into the improvement in co-operation and in the quality of goods.
The creation of a social dimension within the set of values respected by the company	A company's unique values embedded in its strategy.	Integrating the social impact with a company's general strategy.	Building a company's goodwill in two ways, i.e., by realizing its strategy and activities through the prism of social issues, or by completing the values determined by the company as the key ones with the values oriented at society.

^a According to Porter and Kramer (2002) competitive context is composed of a number and quality of reinforcements (e.g. potential employees), securing the realized strategy, competition (local policy concerning the protection of intellectual property, free competition), number and degree of sophistication of local customers, access to activities supporting the realization of the core business activity.

^b In the case of this area the importance of the same factors will be changing depending on their influence on a company's activity, for instance, CO₂ emission is an issue that does not affect banks significantly; however, for a transport company such as DHL it is an essential element in its value chain, and for the car manufacturer Toyota it may constitute an element of the company's competitive context (producing hybrid cars) creating a competitive advantage, e.g., by creating a new market niche.

^c Microsoft organized a 5-year educational IT programme for its voluntary staff and invested in it 50 million USD with a view to solving the following three problems: lack of standardized IT curricula, out-dated technology used in classrooms, lack of systematic development programmes to keep faculty up to date.

^d Only in the situation in which the practices of the value chain are fully integrated can we expect that CSR will be incorporated into the company's daily activities and will be hard to be differentiated from other activities performed by the company (e.g., the NESTLE company and its 'Day-to-Day' programme focused on developing direct co-operation with small farmers).

Source: compiled by the author based on: M. E. Porter, M. R. Kramer: *Strategy & Society. The Link Between Competitive Advantage and Corporate Social Responsibility*, HBR, Dec 2006, pp. 78–92.

To sum up our considerations concerning the link between CSR and a company's economic activities, following Porter and Kramer (2006), we would like to propose to shift our focus from CSR (Corporate Social Responsibility), which underlines a company's responsibility for its actions, to CSI (Corporate Social Integration), which directs the relationships held between the company and its social partners towards the integration of their goals and activities in order to build 'shared value'.

The company's competitive and socially responsible dna

The subject literature reviewed hitherto indicates a change in the approach to managing contemporary organizations, including the manner in which corporate social responsibility is perceived. We can see the abandonment of a purely commercial approach and avoiding social partners and a shift towards building mutual relationships and shared value. Analysing the new approach to corporate social responsibility we would like to propose the following guidelines in the scope of specific areas of competitiveness (Flak, Głód 2009) such as: the potential, strategic advantage, strategy, and competitive platform (p. 99).

In the case of the organization's potential, the choice of co-partners seems to be crucial. If this choice is adequate to the situation, it will bring some value in the form of more effective use of financial means handed over, more effective initiatives and of developing knowledge in the area of a new manner of acting that combines economic and social goals. Also, there appear new 'requirements' in the scope of employees' qualifications, the sensitiveness to signals from the environment (new products, services, ways of competing), displaying attitudes and behaviours corresponding to the principles of sustainable development (pro-ecological and pro-social attitudes). Other interesting new issues relate to connecting (influencing) a company's pro-social activity with its labour potential. Changes in a company's value chain and its competitive context are likely to lead to strengthening this company's capabilities, improving the characteristics of its resources, for instance, of human resources (the quality of the recruitment process, the levels of retention and fluctuation), improving the infrastructure on

which the company is dependent, or the demand in the sector the company operates in.

Strategy treated as a major programme leading to gaining a competitive edge requires the reformulation of the company's goals, mission and vision as well as of the areas of key results with a view to searching for (also anticipating) opportunities in its environment and in the organization itself in its sphere of social challenges and needs. Organizations can achieve this in two ways. The first way is to tie a company's CSR goals with its core business goals (allowing the introduction of incremental changes) and the other is to determine the CSR goals by the superior goals which will bring about revolutionary changes in the manner the business is managed. The organization may decide to continue the strategies in place (e.g., the cost leader strategy), however, with some minor modifications. For instance, it may change the size of the packaging used for its products facilitating in this way transport for individual customers (see the example of the IKEA company). Strategy seen through the prism of CSR prompts ordinary employees and managers to seek business-related opportunities for a new and more adequate model of activity. Directing strategy at CSR would require performing activities within the guidelines of CSR, sustainable development and/or searching for initiatives (long-term ones) in the competitive context adjusted to the company's core business activity. Also, CSR projects should be treated selectively and companies should realize and monitor ones that stand out and are already bringing specific economic benefits or will bring them in the near future. A competitive edge is the product of numerous links that provide something unique to a customer. A characteristic property of CSR activities is the fact that seeking a competitive edge comes automatically, i.e., happens within the social interrelationships being built, in particular within clusters. An interesting effect of CSR is it being directed at new and innovative ideas that allow passing over the constraints, for instance, the realization of challenging projects in third world countries, or the implementation of innovative ecological products. Yet another edge can be built by means of a company's image and strengthening its brand (see Toyota) and openness to non-profit organizational projects leads to utilizing 'the creative tension', which results in innovative business projects or the appearance of niche products (loans designated for ecological housing built collaboratively by architect companies, construction companies and ecological foundations). A competitive platform, in turn, functions as a bridge between seeking opportunities to realize interesting initiatives at the points of the intersection of economic and social goals with simultaneous monitoring of activities within the organization's value chain. Operating properly within the platform would require being sensitive to signals coming from the environment, which would, on the one hand, enable a company to seize the appearing opportunities and, on the other hand, to prevent the weaknesses and problems resulting from activities of units that belong to its value chain. Commitment to CSR could also lead to

changes within the same competitive platform since by activating other units, for instance, within industry associations, an organization could take a lead in some solutions, or even create a new market for its services and products that would expand into a totally new kind of industry (see the market for temporary jobs and the WorkService company's activities).

The effect of the change in the perception of CSR would be the use of the company's potential, creating a new strategy directed at social goals, building an edge on cooperation instead of on rivalry as well as a platform connecting the company's internal and external aspects. These attempts would result in the shift from CSR to CSI (Corporate Social Integration), that is, in seeking the integration of business and social activities instead of burdening it with responsibility and building shared value within these dimensions. However, two things would require changes in the following two spheres: firstly, in the sphere of the mentality of management boards and employees, and, secondly, a larger openness to social issues and understanding activities performed within stakeholders' value chain.

Proposals of determining a scope for research and hypotheses

Organizations' changing perception of CSR results, among other things, from the change in the paradigm that defines today's organizations and their competitiveness and affects modifications in the manner of conducting empirical research. New challenges within this scope should concern especially non-functional paradigms which, in Sułkowski's point of view (2005, p. 156), may complicate doing research by preventing the division of these paradigms into dependent and non-dependent. On the other hand, however, they lead to the use of non-standard research methods that include the following: profound, narrative and biographical interviews, etnomethodology and projection techniques.

The research area in the case of CSR should cover in its scope the sources of socially responsible decision-making and their impact on companies' functioning, in particular in the context of the integration with the company's core business.

Table 2. Potential research area concerning the sources and impact of CSR

Research area	Analysis perspective	
	Internal	External
Sources of initiatives	Organization and its internal stakeholders, i.e., employees and their initiatives: the grass-roots level initiatives taken by employees and compelling incremental changes. Initiatives taken at the level of top management of the organization and compelling strategic changes	The organization's external stakeholders functioning in its environment: suppliers, customers, public benefit organizations (foundations, associations), consumer movements, local authorities, educational entities, and others. Initiatives fall into three groups of categories, i.e., demanded, expected, and required by stakeholders and society.
Impact of CSR on companies' functioning	Behavioural changes (in attitudes, conduct, motivation methods), system changes (in ways of communicating, reporting, setting and reaching goals), changes in the way of perceiving and creating values, planning and realizing strategic and operational activities.	Change in the 'transactional' relationship with stakeholders from 'win-lose' into building shared value and 'win-win' relationships. Changes in the perception of the value chain and competitive context made with a view to integrating activities (adjusted to the company's activity) within indicated areas.

Source: elaborated by the authors.

The research area covers all the elements of the model of companies' competitiveness with special attention focused on competitive strategy.¹ In the authors' view, such an assumption results from the fact that competitive strategy encompasses the whole of the company's activities. The targeted object in the classical approach is an enterprise. However, as was shown, we may suppose that CSR activities may also constitute an element of competitive potential and be identified and described by a competitive edge.

¹ The model for competitiveness was presented in a publication by Flak and Pyszka (2010, p. 156) and in a book by the same authors (2009, p. 99); it can also be found on a web site devoted to the problems of companies' competitiveness: www.konkurencyjnoscprzedsiwiorstwa.pl.

The application of such a research perspective has led to the formulation of twelve research hypotheses in three dimensions: social, psychological and symbolic.

A. Hypotheses – social dimension:

- stakeholders perceive the company's activities as ethical and enlarging its competitive edge;
- company's competitive edge becomes even larger when the company is able to define its stakeholders, and smaller when the company is able to define only the receivers of its products and services;
- the more frequently the company undertakes CSR activities directed at its employees, the greater the company's competitive potential is;
- characteristics of the company's competitive platform affect the placement of CSR activities in its competitive strategy.

B. Hypotheses – psychological dimension:

- the larger the company's competitive edge is, the more inclined the company's management is to create a competitive strategy including CSR activities;
- the smaller the company's competitive potential is, the fewer CSR activities are included in its competitive strategy;
- the more CSR activities were included in the past strategy, the more such activities there will be in the future;
- the more intuitive the company's management of CSR is, the more chaotic and reactive it is.

C. Hypotheses – symbolic dimension:

- CSR activities affect competitive strategy to the degree dependent on the organization's type of culture;
- features of a competitive platform affect the choice of CSR activities in competitive strategy;
- features of competitive potential affect the choice of CSR activities in competitive strategy;
- CSR activities performed in the past become an element of the company's future competitive potential.

Apart from the presented hypotheses, we could include some more. However, those are 'pitfalls' that may be met while CSR activities are being applied and those pitfalls are based on the research of the impact of corporate and national cultures on the company's activities and CSR tools in place (Kim, Kim 2010; Williams, Zinkin 2008). These hypotheses are as follows:

- the more numerous CSR activities are, the larger the default expectations of stakeholders to the company (despite the fact that the company has not declared them);
- the bigger the company's declarations in its CSR agenda are, the larger the disappointment on the side of stakeholders and the public opinion at the moment when a mistake in the company's activity is made;

- the longer the period of the company's involvement in CSR activities is, the less sensitive it becomes (for example, in relation to its activities in the value chain);
- the more the company's CSR agenda is realized by external subjects (e.g., foundations, associations), the more effective the activities performed within CSR at the cost of weaker employees' commitment and satisfaction.

Despite some traps and misunderstandings of the idea of CSR – for example, some companies seek to create 'façade CSR'² (Grayson 2010), directing the company's strategy and operational activities towards CSR leads to an incremental need for 'positive management'³ (HBR 2004) and creating shared value by putting together economic, social and environmental goals.

To illustrate such endeavours made to integrate CSR with a company's strategy, let us provide the attempts to incorporate CSR into BSC (Balanced Scorecard), which seems to be an interesting way of influencing the growth of a company's competitiveness (Figge, Hahn, Schaltegger, Wagner 2002). It is so because BSC seeks to identify the impact of 'soft' elements in management (i.e., intellectual capital, creating knowledge, being customer-oriented) on competitiveness. In the case of the integration of two 'non-market' areas of CSR (so-called SBSC), environmental and social, two solutions can be proposed. Firstly, the assumption here is that the aforementioned problems should be integrated with the four BSC perspectives (economic goals as the key ones). Secondly, there should be created a separate socio-environmental perspective (the fifth one); however, it necessitates the existence of the key ones (that would be of strategic importance) so that the company could succeed in the aforementioned areas.

Conclusions

The presented considerations indicate the need to perceive a company's competitiveness in a conscious way and not only from the perspective of the possessed resources and position in the environment but also through interdependent

² On the one hand, some companies create the image of being socially responsible by, for instance, realizing philanthropic activities, but, on the other hand, they do not take care of their own employees, engage in fraudulent deeds, or in other ethical, economic and legal offences.

³ POS – Positive Organizational Scholarship – see more on the subject in K. S. Cameron, J. E. Dutton, R. E. Quinn (2003), *Positive Organizational Scholarship, Foundations of a New Discipline*. According to POS, organizations that foster positive emotions and features (among other things: trust, loyalty, humanitarianism) reach far better effects than those concentrating merely on solving their problems.

searching for value in relationships held with stakeholders, in particular in the company's value chain and context. To make it happen, companies and managerial staff should look upon processes, products and services more broadly without seeking to obtain quick returns but building new innovative business models which could, for example, by means of 'open innovations' (Chesbrough, Garman 2010), change completely the manner of the organization's performance and earning.

Further research to be conducted should focus on the recognition of the opportunities to create innovations as well as new business models based on the CSR principles, sustainable development, building relationships with stakeholders, both profit and non-profit ones. That would lead to the abandonment of the constraint on the perception of those relationships from the perspective of obtaining potential profit and moving towards the 'balanced value'⁴ model.

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⁴ The used formulation corresponds to building value applying the idea of sustainable development and the assumption that in relations held with stakeholders the value should move away from the sphere of contracts and transactions towards trust and co-operation, and towards the win-win model (stakeholders as a source of value for stockholders) – the reference made to the model of relations as described by Laszlo (2008).

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