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Is CSR just a Matter of Resources?

Claudio Battistini, Patrizia Gazzola

Abstract

The entire process of Globalization is more and more considered as an opportunity for corporations to growth and exploit resources, knowledge and new markets worldwide. However managers and corporations are often under pressures from institutions and public opinion due to their irresponsible behavior, especially in less developed countries, which many authors described as "a global race to the bottom", referring to the inability of creating long term entrepreneurial projects and sustainable development at global level preferring short term orientation and profit maximization. But, what are the reasons of such awareness beyond enterprises' activity? Why is it important to understand their behavior in less developed countries as a key aspect for achieving a sustainable developed model? Are only the multinational corporations, able to dedicate resources and investments to CSR activities, responsible of such sustainable development model creation? This paper present a literature review about the relation of globalization and corporate social responsibility, trying to achieve conclusions in the field of a) the relations among firms' dimensions and resources available to be dedicated to CSR activities and b) correlation among firms' dimensions and the steady of evolution of CSR activity performed. We will therefore present an integration of two important model recognized in the international literature to show the steps in the CSR activities that lead firms to structures themselves and create a constant dialogue with stakeholders.

Keywords: Corporate Social Responsibility, Globalization, Communication, Strategy, SME

1 – Introduction

In the last decades policy makers and practitioners are increasingly accepting the diversity in business population, where behind known and powerful multinational corporations there is a strong presence of small and medium sized enterprises (Spence, Rutherfoord, 2003).

Traditionally only the big multinational corporations were under pressure for their irresponsible behavior due to their economic power and their ability to influence national GDP, especially in smaller countries and third world countries (Werhane, 2012). We have however to take into consideration the importance of the many medium size and small firms in the creation of sustainable development models; we can think for example about many start-ups in the sharing economy business that are trying to address the problem of pollution and traffic while at the same time think to all those smaller firm that are able to survive with few resources and competing with global leaders (Boatright, 2000).

It is in such situation that the presence of CSR and social values can play an important role in driving the entrepreneurial success. For several decades a clear separation between business and society had been built on the basis of the assumption that public institution had mainly to deal with the creation of well-being for societies, while corporations were only considered economic actors with the aim of maximizing the well-being of shareholders (Sundaram and Inkem, 2004). According to Scherer *et al* (2014), either if firms engage in political system or engage in corporate philanthropy, such activity remain part of their business strategy and it doesn't change them into political actors operating for public interest achievement. All these activities were considered instrumental for corporate goal achievement. However, during the last decades, this net separation among public and private interest has become blurred (De Bettignes, Lépineux, 2009).

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Many states failed in regulating the economic system, environmental problems and administering civil rights, without serving therefore the public interest. This situation (Teegen, Doh, Vachani, 2004) has been grabbed as an opportunity from several corporations that started producing public goods and regulating their own voluntary activities contributing to public health, security, education and so on.

The present research paper is performed through the analysis of the existing literature about corporate social responsibility and international business management. The Analysis of a relevant model in business management "Controlling Business Strategy" (Simons, 1995) and the integration of two internationally recognized models for CSR: "CSR Learning Cycle" of the Copenhagen Charter and the model about "Stages of Integration of CSR in the Strategy of the Firm" (Gazzola and Colombo, 2014) let us draw important conclusions about the relation firms' dimensions – resources – CSR evolution.

The main questions of the paper are: what does it mean for small and medium sized firms to take into account corporate social responsibility? Is it reasonable for small and medium sized enterprise to take into account the opportunity of performing an accurate CSR Reporting while dealing with everyday lack of resources? Is the only presence of a CSR report a good proxy to evaluate social responsible behavior of the firm?

2 – Theoretical Framework

As Gazzola and Colombo stated (2014), Globalization is still considered to be one of the most important aspect influencing CSR ant its awareness. CSR is considered as the integration of social, environmental and economic issues into the culture, operations and strategy of the firm in order to create wealth and improve the well-being of societies (Bondy, Starkey, 2014).

Such a definition considers national and cultural differences in international operations (Barlett, Ghosal, 1998) of corporations so that it becomes not only relevant to encounter the stakeholders' needs of the home country, indeed, it becomes important to represent and take into account different needs and expectations of stakeholders' groups across countries relevant to business activity (Bird, Stevens, 2003).

There are however other streams of research that emphasize the creation of universal value and sustainability standards, relevant across multiple industries, sectors and countries; the UN Global Compact can be a good example of such standards.

Therefore the idea of an integration between local and global standards (Begley, Boyd, 2003) at world level seems to encounter the wider acceptance among practitioners identifying some local environmental and social standards to be taken into account, while taking for granted values that transcends national boarders (Kovtun), achieving the inclusion of universal and local values in the decisions making process (Belanger J. et all, 1999). Changes brought by the globalization process (Googler, Shi 2009) lead therefore to intense changes in the way of conducting business worldwide (Czinkota , Ronkainen, 2008); on one hand enterprise are more and more willing to chase opportunities at global level, on the other hand public opinion is more and more aware of their behavior in different countries. The ability therefore to manage external pressures is becoming a new and important challenge for corporations worldwide (van den Heuvel, Soeters, Gössling, 2014).

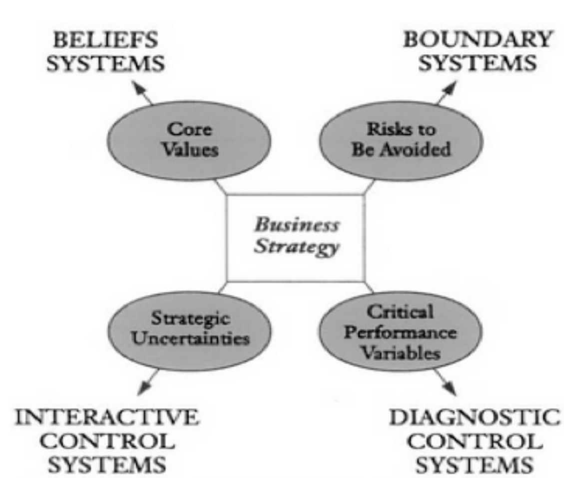
Other critical challenges to be considered are 1) sustainability, meaning the contribution of the company in the creation of sustainable development models 2) ecological sustainability preventing the waste of natural resources and the consideration of activities' environmental impacts 3) license to operate, allowed only to those company that follow regulations obtaining therefore permissions from government and stakeholders 4) reputation, conducting an honest CSR in order to protect and ensure company reliability and image.

As we analyzed there are various perspectives (Feeman, Hasnaoui, 2010) for understanding the concept of CSR at global level (Hah, Freeman, 2014), what is however commonly accepted is the lack of integration of CSR into the strategic imprinting of corporations.

3 – CSR Integration in the Strategy of the Firms

What Simons (1995) in his model explained is how the first focus of managers in using management system is to drive strategic renewal in order to choose the strategy, organize, deploy and monitor it (**Figure 1**).

Fig. 1 – Controlling Business Strategy: Key Variables to be Analyzed (Source: Simons, 1995)



However Simons already introduced the presence of core values within the management system of the firm, identifying them as a core aspect to create a positive working environment and allow managers' interaction with stakeholders with the aim of creating shared values. In order to give consistency to such aspects it's then however relevant that companies give real evidence about 1) their willingness to introduce these aspect into their strategy 2) their willingness to implement such activities and 3) the reporting and communication with stakeholders. The expectations of stakeholders are a critical point for corporations, the higher the ability of the company in understanding and deal with them is, the higher will be its success in dealing with new challenges.

The rapid exchange of information around the world is pushing a strong change in the expectations of stakeholders, an increasing attention to transparency, communication and engagement with stakeholder are processes and opportunities that enterprises have to exploit.

CSR has no more to be seen as an obligation for companies in order to improve their image achieving better reputation from public opinion.

4 – The Paradigm: Dimension - Time - Resources

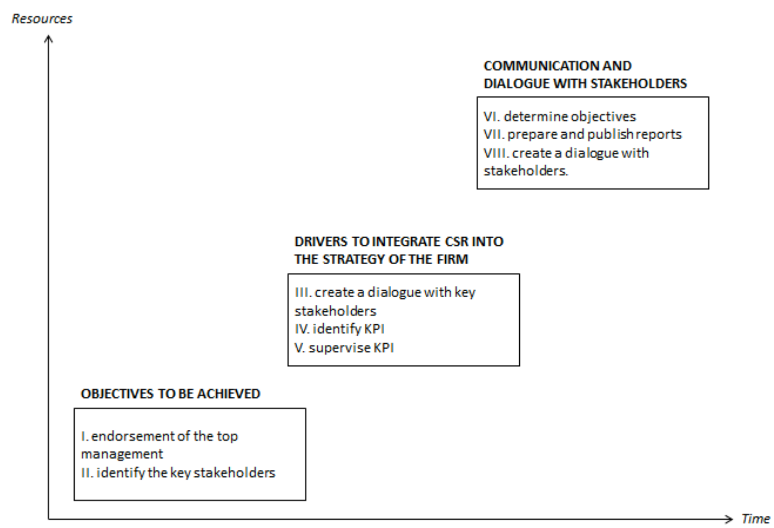
The CSR process and its integration in the strategy of the firm represent a learning process for corporations to be implemented and carried on that requires engagement, commitment, time and resources. Such processes can be well understood analyzing the proposed model from the Copenhagen Charter about the learning process of CSR where 3 classes of activities are split up in 8 integrated steps:

1) *objectives to be achieved* where the two most important steps are I. endorsement the top management II. Identification of the key stakeholders
2) *driver to integrate CSR into the Strategy* of the firm, referring to: III. creation of a dialogue with key stakeholders IV. identification of key performance indicators V. supervision of performance indicators
3) *communication and dialogue with stakeholders*: where the key points are VI. determination of objectives, VII. preparation and publication of reports VIII. creation of dialogue with stakeholders.

The model (**Figure 2**) let us understand the situation from an interesting perspective. As we can see, the 3 different classes of activities are performed by enterprises in subsequence with increasing investments and resources over time, both human and financial.

The higher the time and resources corporations are able to involve in CSR processes, the higher the possibility to present a structured and reliable reporting of such activities and to establish dialogues with all stakeholders' categories. This gives evidence about the presence of several smaller firm, currently not able to give evidence of their CSR behavior through reporting activities due to limited resources but however to be considered as important actors in the creation of sustainable development models.

Fig. 2 – CSR learning process (Adapted from Copenhagen Charter)

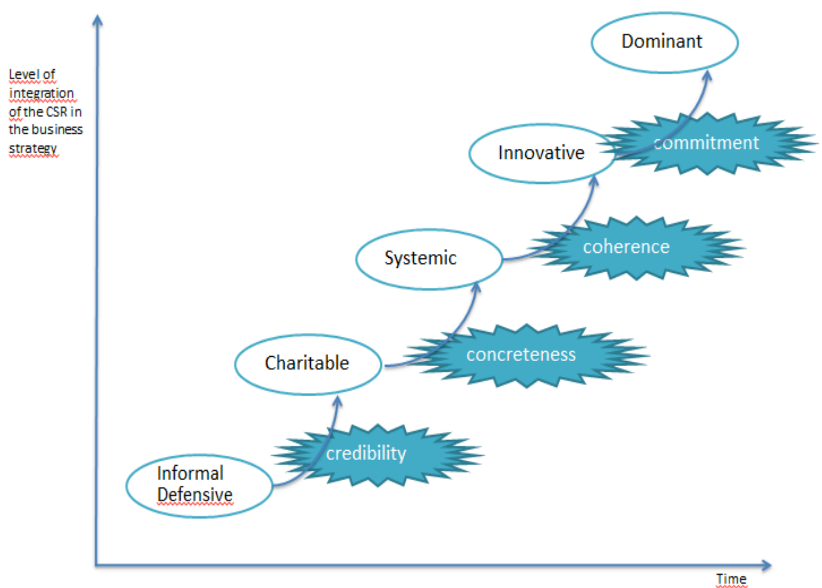


Therefore also the level of integration of CSR in the business strategy of the firm is a step by step activity that require time and resources. Gazzola and Colombo (2014) (**Figure 3**), integrating the model of Molteni (2007) and Mirvis and Googins (2006) present a model able to underline 5 stages of the CSR integration in the strategy of the firm. The 5 stages are:

1. *Informal and defensive CSR*: this represent the case of small and medium-sized enterprises, where the process of CSR remains almost informal. Firms believes in CSR, know its stakeholders and follow a responsible behavior,
2. *Charitable CSR*: when firms start supporting some organization through donations and start to use communications tools,

3. *Systemic CSR*: shifting to the micro-level firms start supporting social and environmental causes aligning them to the strategy,
4. *Innovative CSR*: in such a case, firms start analyzing the possible additional causes of irresponsibility and undertake actions plans like innovation on the business model, revolution of the internal processes, products and service. At this phase the process of CSR integration in the strategy is completed
5. *Dominant CSR*: present in huge corporations, in such phase firms implement social and environmental management systems, set goals and KPI and report their activities.

Figure 3: Stages of Development of the CSR in the Strategy (Source: Gazzola and Colombo, 014)



From an higher perspective is it then possible to identify a good relation among the two presented and revised model and a positive correlation among dimension of the firm, time and resources available.

- Informal and Defensive CSR deals with a situation of very small enterprises where the top management is endorsed and stakeholders have been identified. However in such a phase, the lack of resources and time do not permit to identify KPI, supervise them and create reports.
- Charitable and Systemic CSR deals mainly with medium sized enterprises. They start structuring their CSR activity, taking care of different social and environmental causes, aligning corporate social responsibility to its strategy. This can be identified as the drivers to integrate CSR into the strategy, KPIs are defined and supervised.
- Innovative and Dominant CSR phase is mainly achieved by the big multinational corporations, during which firms are in the position to implement CSR policy, CSR objectives, auditing and reporting their activities.

5 – Conclusions

Literature is reacting to the diversity in business population understanding the importance of small and medium sized enterprises in several economies and their creation of well-being within societies.

Globalization is leading also these firms in internationalizing their activities, encountering different cultures and stakeholders needs.

In considering CSR activity and its integration into the strategy, we cannot avoid to take into consideration the contribution of such firms and their growth in CSR activity involvement and improvement.

The analysis undertaken let us consider a first relation among firms' dimensions and resources available to be dedicated to CSR activities.

As we had the opportunity to analyze, such diversity among business population and size of enterprises have to be considered as critical factors when analyzing CSR activities of the firm. Firms are used to see CSR reporting as a non-strategic activity and therefore not to give a high importance during the development of the entrepreneurial project. It is moreover easy to understand how is it not reasonable for a small or medium size firm to settle and publish sophisticated report as multinational corporation can do.

The availability of resources usually affect the dimension of the firm, and the absence of CSR reporting is not always to be considered as a lack of interest of the firm in such issues. The second good point we can consider after the analysis is the correlation among firms' dimensions and the steady of evolution of CSR activities performed.

Indeed, smaller firms, due to their limited resources, are not yet in the position to formalize their activities, establish a dialogue with external stakeholders and engage them in the activity of the firm. Their CSR remains mainly Informal and it becomes not easy from an external point of view to understand and interpret the behavior of the firm.

Only when the firm growth and realize a structure for CSR activity will then be able to improve its strategy proposing an Innovative or Dominant CSR where reporting activity and Stakeholder engagement become powerful instrument to create shared value and gaining reliability at the eyes of external stakeholders.

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