Influence of Corporate Social Responsibility on Competitive Abilities of Corporations

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Influence of corporate social responsibility on competitive abilities of corporations is analyzed in the article. While assessing the role of CSR in the processes of competitive advantages formation on the academic ground, the following traditional models of the competitive abilities analysis can be used: the model of five forces, the model of resource based approach and the model of network approach. Every model of the company’s competitive ability analysis has its advantages and disadvantages. Each of them can be useful in researching the connection between competitive advantages and CSR because they emphasize different aspects of the origins and the importance of advantages. The summarized scheme of the formation of competitive advantages, connected with CSR, is presented in the article. Meeting requirements of consumers is considered to be the centre-line of business oriented towards the market. The complex of marketing established for this purpose has to be founded on the principles of social responsibility. Meeting the requirements of consumers the interests of other groups and members of the society must be considered, so it is necessary to find out about these interests during the interactions with stakeholders. The tension between business and society is obviously unprofitable for both sides, thus its prevention and elimination are very important strategically.

Only the companies, which aim to save all universally accepted ethical standards of social behaviour, can expect a positive attitude and support in the modern society. Moreover, helping to solve burning social and ecological problems they get competitive advantages and ensure their successful work in future. The company’s attitude towards CSR is reflected in its mission, vision, value-system and the whole culture of the organization.

At the present stage of social development consumers are getting greater power to influence business organizations. As the modern informative technologies are broadening and the number of their users is increasing, the population has got greater possibilities to compare products and services, to choose them as well as sellers and ways of selling. Consumers are mostly intolerant of the goods or companies, which are indifferent to social and ecological problems. On the contrary, the companies, which worry about them, are supported by consumers. Getting CSR advantages enterprisers tend to consolidate, support, strengthen, defend, renovate and change them. For this purpose a new system of communication with objective markets is created or modified. The traditional complex of support is not effective although it is supplemented with unconventional instruments in order to form a set of CSR competitive advantages. Openly announced CSR reports have become the main instrumentality of communication in the field of social responsibility for recent decades. Rapidly developing processes of globalization throw new challenges for CSR competitive advantages creation. Business interaction with stakeholders has been becoming more complicated and requires from companies new knowledge, different skills and additional resources.

Keywords: corporate social responsibility (CSR), competitive advantage, stakeholder.

Introduction

The attention to corporate social responsibility has not subsidized for recent decade. CSR gradually becomes a concurrent part of modern companies’ activity, which stimulates a number of factors: an alternation of consumers’ wishes and demand, changes of suppliers’ attitudes and requirements, pressure on legislators and principles, new expectations of employees, changing scale of social values.

Despite the increasing number of scientific works on CSR issue the research of the role of corporate social responsibility is on its starting-point in the modern society and especially in Lithuania. The expedience of social programs and their positive effect on sustainable development of society are discussed very little in the scientific literature. However the surveys of CSR feedback become more relevant on some reasons:

1. An increasing number of companies joined the CSR enterprises. About three thousand well-known world companies (for instance, Berger and others, 2007) joined the UNO Global Compact program during five years of its existence. According to this voluntary pact, business organizations are encouraged to work on the ground of the principles of people’s rights, employees’ rights, protect environment and avoid supporting of the broadening corruption.

2. Increasing companies’ expenses on social projects, which are initiated by stakeholders. The issue of assessment of social programs’ efficiency has become especially important.

3. The leaders of the companies are interested in the practical recommendations of CSR surveys. They are especially interested in normative functions of CSR. The influence of CSR activity on the companies’
competitive ability is not studied enough in the context of the feedback.

The aim of the article is to identify the CSR aspects, which serve as the main instruments of competitive advantages formation and to construct a model of competitive advantages formation for socially responsible business.

The methods of scientific investigations: comparative analysis of scientific literature, critical analysis, systematization, generalization.

Scientific literature suggests a lot of definitions of corporate social responsibility (CSR). It can be treated as a normative polymorphous concept of business, the meaning of which depends on different relations and perspectives and changes being influenced by the tendencies of social development (Silberhorn and Warren, 2007). Other authors remark that the essence of social responsibility is made of the dialectical connection between business and society (Knez-Riedel and others, 2006), that it is a business practice apprehended in a broad sense, which doesn’t aim for the maximum benefit only, but also for the social improvement (Vives and Peinado -Vara, 2003). Berthout finds that corporate social responsibility, like the term “sustainable development” means different things for different people (Berthout, 2005). The Commission of the European Communities defines CSR as “a concept whereby companies integrate social and environmental concerns in the business operations and in their interactions with their stakeholders on a voluntary basis” (2001). For the World Bank CSR is “the commitment of businesses to contribute to sustainable economic development-working with employees, their families, local community and society at large to improve the quality of life in the ways that are good for business and development (World Bank, 2004).

Most scientific works emphasize the voluntary principle of CSR. However some researchers focusing on the greater importance of social programs maintain that they become a factor of the company’s durability and fail to be called voluntary in the full sense of the word (Zadek, 2004; Nijhof and de Brujin, 2008). Although the idea of the treatment of the XXI century CSR as a consciously realized and inevitable case of necessity is based on very different arguments, most of its exponents agree that according to the final conclusion the programs of corporate social responsibility are “the key for increase of companies’ competitive ability” (Vives and Peinado-Vara, 2004). However in order to convert CSR potential abilities into real competitive advantages, it is important to find out what possible ways to do it take place.

Most researchers compatibly state that participating in CSR work is useful not only for society but also for corporations. It is stated that CSR practice gives additional advantages to business:

- helps to attract positively motivated employees, enhances the value of human capital;
- stimulates the organization’s culture;
- lowers expenditures, stimulates production and income increase, enhances the efficiency of work.

Such declarative statements require more thoughtful analysis and solid reasoning.

Formation of competitive advantages of socially responsible business

While assessing the role of CSR in the processes of competitive advantages formation on the academic ground, the following traditional models of competitive abilities analysis can be used.

Porter’s model of five forces is the one, which is discussed very often and has been quoted for three recent decades. According to this model the company’s competitive position in the market is determined by five factors: 1) appearance of new rivals; 2) the threat of homogeneous goods; 3) customers’ bargaining might; 4) suppliers’ bargaining might; 5) the intensity of competition in the branch (Porter, 1980). The model is constructed with the reference to the supposition that the companies have the same resources, so the competitive might of the company depends on its capability of forecasting and reaction to possible changes in the market.

The exponents of Resource Based Approach deny this supposition and emphasize the idea that the companies’ internal recourses can be absolutely different and they are the secret of general potential of competitive advantages (Barney, 1991). While investing in improvement of internal recourses (human capital, knowledge, information, competence, capabilities), the company gets special advantages which are hard to replace unique and can be durable. Using unique recourses special competitive advantages are formed not only on the stage of production (operation), but includes the whole chain of the creation of the value for consumers: internal and external logistics, marketing, the system of distribution, additional services.

In the XXI century business organizations work in the circumstances when plenty of information and knowledge take place. Traditional hierarchic structures are inevitably transformed into multi-stage organizations of networks which clearly demonstrate their advantages and viability in the modern economy. Achrol and Kotler suggest the following definition of network organization: “It is a connective formation of single-purpose subjects of economy (independent companies or separate organizations) made on the basis of commitments and capabilities, which works without hierarchic control although it is founded and strengthened due to horizontal relations without the tangle of interests as a system of generally accepted values, which determines the roles of the participants and their responsibility” (Achrol, Kotler, 1999).

The exponents of the third, so called Network Approach state that a unique system in the chain of value creation can be formed due to specific relations between its members while making strategic alliances, confedérative companies, pacts of partnership and other associations and combinations.

Each above mentioned model of analysis of companies’ competitive abilities has its advantages and disadvantages.
Without making their detailed research it is possible to remark that every model can be useful to investigate the competitive advantages in connection with CSR as each of them emphasizes different aspects of the origins and importance of advantages.

1) The model of Five Forces stimulates following, assessing and conforming to rapidly changing microenvironment and macroenvironment of the company. The fluctuation of the dimension of the social responsibility in the society makes companies identify the alternations, research their influence on the company’s aims and ways of their realization, integrate them into the chain of the value for consumers creation and proposal.

2) While researching CSR the model of Recourses Approach is also useful. According to it the external imperative of social responsibility can be identified with the competitive ability of the company’s internal recourses. First of all it is responsible to its employees. The company’s successful work mostly depends on their employees’ satisfaction and labour productivity. The competence of the employees becomes an important and especially valuable source of the competitive advantage. The exponents of the theory of learning organization point that the development of human recourses becomes the basic factor realizing the company’s strategy tasks (Saru, 2007) and helps to avoid stagnation (Blackman and Lee-Kelley, 2006). Among other vital issues in the content of studies the problems of business social responsibility inevitably appear. The solution of these problems influences the company’s infrastructure, aims, instrumentality and the final results of the work.

The conception of human recourses development includes not only employees’ qualification, their participating while making decisions, working conditions, satisfaction with work tasks. Modern organizations invest a great part of the budget into social programs for their staff in order to attract and hold the employees. Taking an additional responsibility companies aim to ensure the loyalty of this especially important internal recourse.

The whole human capital also includes the scale of employees’ values, commitment and dedication to the company and its aims. Corporate social responsibility towards employees stimulates employees’ responsibility to their company and at the same time expands the set of necessary and vital competitive advantages. Employees’ moral and ethical qualities, their system of values have become especially important internal recourse.

The system of the company’s values and the system of working for the company individuals’ values are not identical. Nevertheless, it is obviously that at the certain points the company’s and its employees’ attitudes towards values must agree or at least should be similar. Without such tune the increase of the company’s competitive ability and its development are impossible. If openly declared company’s values are incomprehensible or unacceptable for most of the employees and, as a result, they do not become the reasons of their actions, and it means that they remain only declarations.

The above mentioned contradiction can be eliminated while forming a new culture of the company’s behaviour on the ground of the modern theory of business ethic and practical experience. Unfortunately, the empirical researches have proved that even in developed countries the companies mostly have a positive attitude towards CSR programs, appreciate their necessity but only some of them aim to make social responsibility an integral part of the company’s values (Hassan, 2007).

It is important to accent that all employees should be involved into the process of social responsibility realization and the values declared by the organization should be clear and acceptable for them. This can be done with the help of transparency. It is obvious that transparency is paramount if CSR is to become an organizational norm. Indeed, without transparency it is impossible to endorse the behavior of any specific organizations. Transparency includes:

- an explicit set of beliefs shared by everyone in the company;
- organizational leaders who set the right example by their sincerity and dedication to the cause;
- objectives based on the shared values;
- benchmarks established so that progress can be measured.

The company’s values must be adequate to the attitudes towards values which dominate in the society. Only then corporate social responsibility doesn’t object to the aims of external stakeholders and becomes an important instrument in the business competition.

3) The third model of Nets or Relations Approach removes the issue of formation of competitive ability using CSR instrumentality into the sphere of internal and external relations. A great number of internal and external participants are involved into discussions on social programs, evaluation of priorities, realization, control, assessment of results. The contacts based on the above mentioned points can be formalized by contracts, protocols of united work, work schemes, codes of behaviour, publicly announced reports and other documents. However, it is necessary to accent that formal and informal pacts are united by the most important element – perception of the collective
benefit. The broad-brush process of formation of competitive advantages with the reference to requirements of social responsibility is shown in the scheme Nr.1.

![Diagram](image)

**Figure 1.** The model of socially responsible business competitive advantages formation *(constructed by the author comparing the general models of competitive advantages formation)*

Business organizations mostly get the propulsion to changes in the field of social responsibility from the environment. In order to avoid negative influence of the environment or envisage in it new potentials the companies’ leaders and specialists initiate the reorganization of the processes and systems “building in” them elements of social responsibility. On this stage CSR programs are created and the ways and sources for their realization are planned. Such reorganization requires the correction of the company’s strategy. Unfortunately, not all strategists, in spite of their belonging to the business elite, percept the importance of CSR and treat it as a source of competitive advantages. The inquiry made from the enterprisers participating in Davos economic forum in Switzerland in 2004 showed that only 24% of them think that CSR should be an integral part of the company’s work and identity *(Corporate social responsibility…2004)*.

Meeting requirements of consumers is considered to be the centre-line of business, oriented towards the market. The complex of marketing, which is made for this purpose, has to be founded on the principles of social responsibility. Meeting requirements of consumers the interests of other groups and members of the society must be considered, and it is necessary to find out these interests during interactions with stakeholders. The tension between business and society is obviously unprofitable for both sides so its prevention and elimination are very important strategically.

Only the companies, which aim to save all universally accepted ethical standards of social behaviour can expect a positive attitude and support in the modern society. Moreover, helping to solve burning social and ecological problems they get competitive advantages and ensure their successful work in future.

Finally, the company’s attitude towards CSR is reflected in its mission, vision, value-system and the whole culture of the organization. To use CSR potential the companies shouldn’t be motivated to aim at the lowest short-term costs in order to get the largest short-term profit *(Berhout, 2005)*.

The organization, whose social activity agrees with universally accepted standards, strives to confine to them in the whole chain of the value creation and if such endeavours in the objective market are not thought to be the deception of public relation but are a real part of the company’s long-term policy, the company gets very important additional competitive advantages which are directly connected with their social orientation.

**RESULTS**

**THE CULTURE OF THE ORGANIZATION**

**AIMS AND TOOLS**

**INFRASTRUCTURE OF THE ORGANIZATION**

- The factors influencing alterations and stimulating CSR
- Environmental changes
- Renovation of techniques and technologies
- Internationalisation and globalization
- New business networks and combinations
- Learning in an organization

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CSR competitive advantages discerning

Undoubtedly, while forming competitive advantages business organizations aim not only to get them, i.e. to create greater value for its objective market than other organizations, but also to hold it what is quite difficult to do in the fast changing surrounding. It is necessary to give the definition of the competitive advantages achieved on the ground of CSR.

The permanent process of coordination and integration of complex relations and complex aims, reaction to the reasonable expectations of stakeholders is supposed to be the angular element of CSR initiatives (Freeman and MeVEA, 2001). It is the process of continuous learning, when the organization learns to solve increasing problems throughout the interactions with a broadening contingent of stakeholders.

However, the connections of various stakeholders with a company are different. Their abilities of influence and importance for the company’s decisions are not identical too. This point was accentuated by Porter and Kramer (2006). That is why in the process of studying it is purposefully to mark the prior stakeholders, which are at risks one or another way because they invest the capital (human or monetary) or some other value into the company.

Stakeholders, investors, consumers, employees, suppliers, local authorities, who regulate the company’s work by law and ensure necessary infrastructure can be subsumed to them. The prior stakeholders have the determinate influence on the company. If at least one of these stakeholders is dissatisfied or gives up (partly or completely) cooperating in the company’s work system it can be very harmful for the company’s work or even disrupt its development (Clarkson, 1995).

A company cannot range all the social initiatives without exception because their recourses are limited. The same social work has a special importance for different organizations in different markets. The company itself should find what kind of CSR activity is prior for it or is useful for competitive ability increase, what benefit it can bring and how it could be realized.

Different stakeholders (both internal and external ones) appreciate companies’ social work throughout the points of their interests, which are quite different or sometimes controversial. Their influence on the companies’ work is also different. That’s why in the context of environment assessment the leaders of companies must:

- identify the demands and aims of various stakeholders;
- assess their influence on the ways of the company’s strategic aims realization and accent the prior partners in the sphere of its social programs;
- start the interactions with the representatives of the prior stakeholders and look for the possibilities of interests coordination;
- integrate the balanced demands of the prior stakeholders into the system of the company’s aims and their realization;
- calculate the amount of sponsorship for social programs and plan its sources;
- create the system of interactions with stakeholders.

Every business organization first of all orients towards its objective markets. It aims to create such complex of marketing which would agree with the markets’ expectations. Only such type of the company’s social activity which is expected by the object markets’ consumers turns into competitive advantages. Every corporation declaring its CSR competitive advantages in objective markets makes efforts to accent them comparing its work with its rivals’ activity. Consumption has already lost its utilitarian function in developed countries. In the XXI century consumers fail to be delighted if the products satisfy only their needs. While buying goods people often want to express their attitude towards values and relevant social problems, to show what things in their life are important and what are unimportant (Senge and Carsted, 2003).

Buying goods consumers want to be identified with the enterprisers, who demonstrate the similar concept of values, and to feel like partners sharing ideas in the common team. Buying or ignoring the products of certain companies, residents using non-verbal communication vote “for” or “against” certain attitudes towards business values. So the increasing or decreasing level of certain products consumption (for instance, the products, made of elephant bones or crocodile skin) can become a particular index of the level of social trust (Holbrook, 2005).

At the present stage of social development consumers are getting a greater power to influence business organizations. As the modern informative technologies are broadening and the number of their users is increasing the population has got greater possibilities to compare products and services, to choose them as well as sellers and ways of selling. Consumers are mostly intolerant of the goods or companies, which are indifferent to social and ecological problems. The companies which worry about them, are supported by consumers (Shaw, Newholm and Dickinson, 2006). The newest empirical researches show that quite large groups of consumers are ready to pay a little higher price for those goods, which are produced sticking to strict environmental and non-discriminatory working conditions. During the recent decades the changing culture of consumption is related with sustainable business development, including ecology, social law, perspectives. New habits of consumption are being made. Much more people do not think of satisfying their needs only but consider the impacts of consumption in a wide context. Such ethical impulses connected with consumers’ behaviour and preferences objectively stimulate corporate social responsibility.

Consolidation of competitive advantages of socially responsible business

There is no reason to think that enterprisers demonstrate only passive reaction to the dynamic of the social parameters of consumers’ demands. Having envisaged the competitive efficiency of social demands they logically step forth – make efforts to consolidate achieved advantages: support, strengthen, expand, defend, renovate and transform. In order to realize that it is necessary to create a new system of communication with objective markets or modify a present one and to inform consumers and other stakeholders what environmental and social conditions took place when the offered products were being produced and what values are important for the company. Ways of interactions in the sphere of CSR
can be quite different: the traditional complex of marketing support is appended with unconventional forms: CSR reports, recommendations for consumers and others.

The traditional complex of marketing support appended with unconventional forms

Under the influence of CSR the term “social marketing” appeared in marketing dictionaries. It is defined as “the marketing including social dimension or the marketing having non-economic criterion” (Handerman and Arnold, 1999), in which long-term social interests are framed. If the company’s practice of social marketing aims at the direct profit for itself, it becomes cause related marketing (Ward and Lewandowska, 2008).

Efficiency of traditional instrumentality of support complex, which aims at giving information about CSR, seems to be questionable. It seems to be risky for a company to publicize its social responsibility in the Mass Media for one simple reason that it is quite difficult (or even impossible) “to dress” social responsibility in an argumentative and trustworthy commercial. Common commercials announcing that the company leads ethical course of actions, does not pollute environment, respect people’s rights, condemns corruption and other low-informative statements can be treated by consumers as a boast and evoke rejection. The accomplished researches have showed that publicity evokes credibility and becomes more efficient only when it informs consumers about concrete qualities of certain products or about socially responsible actions of the company (Berens, 2004).

More and more companies have been publishing and sending by post (or distributing in shopping malls) leaflets or magazines to their clients lately. They contain information about innovations, discounts, loyalty programs. Sometimes a point of information about the company’s program of CSR is also given. However such types of publications are not efficient in the field of CSR. Mostly the issues of social responsibility are not emphasized and are drowned in the general flow of information about brands.

Package is an important way of giving information. It also can serve the purposes of CSR. However efficiency of such information is really shown only when it doesn’t discord with clearly expressed and universally accepted attitudes towards values, clear preferences of consumers and when it (as in the case of publicity) is concrete enough. For example, the underline announcing that the product does not contain Freon, which destroys atmosphere of the Earth, has a positive influence on its selling if the price and quality of rival brands are similar.

As traditional ways of marketing interactions in the sphere of CSR are not efficient, the efforts to find the other ones are made. They are the complementary ways of communication with objective audience, which would not look so aggressive and evoke more trust. These innovative forms of communication include the initiating of conferences and seminars on environmental and social issues and participating in them, publishing and distributing of brochures about CSR events, organization and sponsorship of public actions and so on.

Fast spread of informative technologies makes good conditions for communication with present and potential consumers in a virtual space. There are plenty of discussions and assessments connected with companies’ social and environmental activity, which can be found in the consumers’ responses columns on the companies’ websites or in forums. Surely, companies endeavour to direct their discussions towards prosperous attitudes and influence formation of positive image of its work as much as possible.

It is noted that if the information about CSR spread virtually is real and it appears during a long period of time, the increased trust of consumers influences positively not only the company’s image but selling too (Klein and Dawar, 2004).

Companies can involve some stakeholders into their communicative channels and their partnership can be beneficial for the both sides. Such benefit in the sphere of CSR is obvious while developing the partnership’s relations with non-governmental organizations. The support of non-governmental organizations influences positively the company’s prestige, besides they function as independent experts. On the other side, large companies can provide financial, informative and other support for the projects of non-governmental organizations.

Internal contact audience, i.e. the company’s employees, can also spread positive information about CSR. If the people working for the organization understand and support its CSR initiatives they become its particular outside ambassadors. If they know the content and details of the social and environmental programs being realized by the company, they can comment on them to their friends and explain the purpose of getting benefit. The information given in this way is very valuable because such sources of information evoke higher trust of surrounding.

The traditional support complex, despite being appended with unconventional instrumentality because of above mentioned defects, is still used very little while making and supporting the contacts with objective audiences in order to form the set of CSR competitive advantages. Publicly announced CSR reports have become the main instrumentality of interactions in the sphere of social responsibility for recent decades.

Corporate social responsibility reporting

The companies, which reacted to the increasing number of environmental movements at the end of the last century, in 90-ies started publishing the reports, which announced their work in the sphere of environmental problems. Later on such reports were broadened and appended with other important social and non-monetary indexes. In 2006 in Amsterdam GRI conference “Reporting Sustainability” Margot Wallstrom Vice President of the European Commission responsible for Institutional Relations and Communication Strategy declared: “If we really are serious about furthering the values of sustainable development, and excel through CSR, then we need to measure our performance and success - reporting is key. Reporting is key as a tool for consumers, for investors, for transparency and accountability” (Wallstrom, 2006).
The business organizations striving to demonstrate their worries about sustainable development of the society and their efforts while aiming at such sustainability seek to present them as various reports. The number of companies publicly announcing CSR (or sustainable development) reports has increased from 26 companies in 1992 to 22,235 companies in 2007 (http://www.corporatereregister.com). Financial Times maintains that 333 companies of the 500 largest world companies openly publish such reports (http://www.ft.com/reports/ft5002007). Social and ethical accounting models have proliferated on national and international level. The reports, based on the methodic recommendations of Global Reporting Initiative (GRI) are especially spread on the international level. The general aim of GRI is to help companies to inform society about positive and negative effects of their work, elevate the comparability and credibility of sustainability reporting practices worldwide.

On this purpose Sustainability Reporting Guidelines were created (in 2000) and improved (in 2002). Nowadays GRI includes about 30 thousand business professional confederations and the net of representatives of other institutions, which help to arrange CSR reports. Precise, credible, comparable, easily controlled CSR (sustainable development) reports are supposed to equal the companies’ financial accounts. It is aimed to combine two general principles, clarity and validity, in CSR reports. With the reference to these principles it is aimed to make a set of rules, which would help to ensure the most concrete and credible publicly declared information. To declare the company’s environmental, social and economic work GRI recommends to present well-organized, illustrated by concrete indexes information about the company, its administration structure, policy, leaders’ activity, processes of manufacturing, products. It is suggested to show how the previous undertakings have been applied, what contacts with stakeholders take place.

Many companies use AA1000 (Account Ability’s) standards, which are based on John Elkington’s model of triple bottom line. AA1000 framework was created by the Institute of Social and Ethical Accountability in 1999. Framework provides guidance to users on how to establish a systematic stakeholder engagement process that generates the indicators, targets and reporting system needed to ensure greater transparency, effective responsiveness to stakeholders and improved overall organizational performance. AA1000 focuses entirely on the processes of reporting and auditing without specifying any reporting indicators. AA1000 offers a methodological framework to link new demands for accountability and transparency by stakeholders and link these through consultation and measurement in order to build new understanding of sustainability in organization performance. The framework has been developed according to the Global Reporting Initiative and integrates perfectly.

The triple-bottom line approach to CSR reporting refers to the use of economic, environmental and social factors in the assessment of a company’s performance. In reporting and auditing the economic assessment is well addressed and, increasingly, so is the environmental one. However, the social aspect has been almost completely ignored up till now.

The Good Corporation standard developed by the Institute of Business Ethics covers fairness to employees, suppliers, customers, equity and loan creditors, contribution to community and protection of the environment. The framework provides that the company’s performance should be assessed by an independent verifier.

Social Accountability 8000 (SA8000) standard is popular all over the world. It is a management system that can be implemented in each country and sector. It was developed in 1998 by CEOAA (subsequently SAI) with the aim of monitoring and certifying working conditions in organizations following nine prescribed areas. The standard is based on the conventions of the International Organization of Standards (ISO). SA8000 uses the conventions of ISO as its point of reference is to provide necessary definitions and to develop a management and control system, which can be certified by independent bodies. Social Accountability International provides a crediting system for companies and NGOs to check and certify companies.

It is necessary to accent that practice of CSR reporting in particular countries is quite different. The GRI and the International Finance Corporation (IFC), with the assistance of the General European University and the CSR network, have conducted a project on introducing corporate sustainability reporting in corporations in Croatia, the Czech Republic, Hungary, Poland, Serbia, Turkey and the UK. The authors of the project made the conclusion that political, social and economic conditions in the host countries are significantly affecting the prospects of sustainability reporting in participating companies. It is more difficult to initiate reporting in economically and politically unstable environment with significant legacies of “shadow” or informal economies thriving under former authoritarian regimes.

Most of participating companies have initiated reporting in response to international rather than local factors. In all participating companies Western stakeholders (owners, customers or investors) played critical roles, providing both the encouragement and resources for initiating reporting. A common barrier to reporting in the region was the issue of confidentiality. There have been significant fears that the information from sustainability reports can be used by competitors, authorities, NGOs or even organized crime to the detriment of the reporting company (Cherp, 2003).

In order to assess companies’ responsibility in the sphere of environment ISO 14001 system is used. This is an international standard, voluntarily developed in 1996 in order to encourage and efficient the system of environmental management. Conforming to this standard results in certification, given by independent body and demonstrates the effort to minimize the negative environmental impact of production processes, products and services. However, only ISO 14001 system fails to measure corporate social responsibility because it does not show the company’s social practice.

Analysts emphasize that CSR reports are different, refer to different standards and indexes (Gobbels and Jonker, 2003,
Pedrini, 2007). The process of reporting and decision making appears to depend on the country of origin, corporate size and corporate culture (Adams, 2002). That is why the critics of social responsibility and sustainable development assess reporting quite skeptically. They maintain that CSR reports lack systematization, complete and credible information is not always given, some indicators are difficult to compare and check, there are plenty of declarative statements. For all these reasons CSR reports can evoke distrust, sometimes they are treated as a special tool of companies’ public relations and they are thought to fail to display the real situation in the company and consequences connected with its work.

Such attitude of distrust towards CSR reports minimizes its efficiency while communicating with objective audiences and using the reports as a way to form competitive advantages. Nevertheless, during the first decade of the XXI century not only the quality of prepared CSR reports was improved but the community’s trust to their information gradually increases. The newest reports demonstrate more transparency, and are addressed to wider circle of stakeholders and actually aim to involve them into discussions in order to consider the company’s internal and external problems.

It is difficult to predict what the prospects of CSR reports in the nearest 5-10 years will be. According to the modern tendencies of business practice in the sphere of social responsibility, it is possible to forecast that the importance of CSR (as well as reporting) tends to increase. At present CSR gradually becomes a component of business practice and one of the most important arguments while making decisions. CSR is likely to have the strongest influence on the most important business functions: administration and management, the company’s strategy, investigations and the policy in the sphere of innovations, controlling risks, staff management. The imperative of long-term sustainable development will stimulate companies to work on improving CSR reporting, the process of arrangement and ways of presentation. The reports themselves are to be more valid, credible, integrated into financial accounts of the companies and their practical activity. More and more companies’ staff of different levels and external stakeholders will be involved into the process of preparing reports. Most of companies nowadays present sustainable development reports in an electronic format as well as in papers. The role of modern technologies in the process of considering and distributing CSR reports will become more important. It is possible to state that there are prosperous prospects for CSR reports to become one of the most important tools of companies’ competitive abilities formation.

**Consumer guides**

To help consumer choice thousands of consumer guides offer product information including prices, specifications, features, reviews, results of testing and comparisons. Nowadays the Consumer Reports, newsletters, websites and radio and television programmes serves the public. Research on buying behaviour suggests that buying guides published by consumer organizations or other public and private entities perform an important role in the overall buying process. In some guides and magazines product recommendations are made based on environmental, social, fair trade or ethical considerations. All of them offer a variety of printed and online materials. They usually inform in detail on the producer’s environmental reporting, sustainable farming, forced and child labour record, its code of conduct, irresponsible marketing, genetic engineering.

The social responsibility (and irresponsibility) of firms is listed and analysed in numerous sustainability indexes and NGO ranking. Many consumer organizations are members of Consumers International (CI), a private international coalition representing 234 public and private consumer organizations in 113 countries and promoting the consumers right to have the facts needed to make an informed choice worldwide. Consumer organizations encourage high standards of corporate responsibility and support sustainable consumption and production practices.

Some experimental studies have investigated the influence of CSR information provided through a consumer guide type of format on consumers’ attitudes and preferences. A comparison of the effectiveness of CSR information ostensibly provided through a customer association and CSR information provided through a company website found that attitudes towards the company and its products as well as purchase intentions were significantly higher when the consumer organization was the source (Swaen and Vanhamme, 2005).

**CSR competitive advantages in the global context**

Economic processes of internationalization and globalization are reasonably directly connected with corporations’ competitive advantages formation. Economic globalization is due to the capital movements and special foreign direct investment (FDI). Through product proliferation and the diffusion of global brands, transnational corporations have acquired significant market power and the ability to shape the consumption habits of a growing part of the population in developed and, to a lesser extent, in developing countries. The latest research proves the direct and indirect influence of transnational corporations on the lifestyle, revenues and jobs of citizens in different regions of the world (Palpacuer, 2006). “Functional integration” of complementary activities across locations constitutes a distinctive feature of globalization. This has led to the emergence of global value chains governed by large lead firms that arrange for the manufacturing of their products through complex transnational networks.

The global companies, who control the supply chain, have seen significant financial benefit. The major beneficiaries of globalization are considered to be consumers who now have greater choice and lower products prices. Multinational companies, which created reflective system of manufacturing and arranged values creating chains all over the world, have got important competitive advantages. However due to the global character of their activity they face new challenges. Not of any kind of businesses, as often implied in meetings and conferences on the theme of corporate social responsibility, but of large transnational corporations. While forming the strategies of global work they are made to find out how to solve newly appeared conflicts. O’Higgins remarked straight that…”globalization, like all strategies, is...
essentially amoral, concentrating on economic objectives. However, moral objectives and corporate social responsibility can become an inherent part of globalization strategy if those social goods also satisfy corporate economic claims” (O’Higgins, 2003).

Most of scientists accent that globalization leads to concentration of the power in the arms of limited number of corporations. The situation connected with multinational corporations is paradoxical: despite the fact that they have been getting more power beyond the borders of states and societies, at the same time they are more and more vulnerable and dependent on the opinion of their stakeholders and various pressure groups. Their opportunities for managing publicly and controlling the behaviour of NGO and other activist groups are limited. Interactions with stakeholders have been becoming quite complicated and require new knowledge, different skills and additional resources.

First of all, the circle of stakeholders has been broadening significantly. As the activity of multinational and transnational companies has already overstepped the borders of a separate country, the geography of stakeholders has become much wider. Not only aspects of their quantity have been changing but also the aspects of quality. Heterogeneity of stakeholders in separate objective markets has been increasing. Countries are different in their levels of development, political and law structure, business environment. Various cultures have different habits and traditions of consumption, values systems, working ethics, non-governmental organizations’ influence on the society. Some researchers pay attention to the fact that even CSR concept is different in different countries and regions (Holme and Watts, 2000). Globalization is the concern for and recognition of the environment, languages, cultures, social development and economic sustainability of the home-based market as well as regions seemingly distant and remote (Wildes, 2008).

European countries typically propose the company maintain social responsibility at its core. Investments are linked to the community with a much hoped-for economic payoff. In other words, the creation of wealth is circular – community ventures based on social responsibility ultimately return to the company.

Conclusions

While assessing the role of CSR in the processes of competitive advantages formation on the academic ground, the following traditional models of competitive abilities analysis can be used: the model of five forces, the model of resource based approach and the model of network approach. With the reference to them it is possible to make the model of socially responsible business competitive advantages formation. According to it, considering the factors of influence of social responsibility, certain changes in the company’s infrastructure take place, also the company’s aims and ways of their realization are revised, the new company’s culture is formed and long-ranging results of work are assessed. A fundamental factor of socially responsible business competitive advantages formation is reacting to reasonable expectations of stakeholders and permanent process of coordination and integration of complex contacts and complex aims. The same business social practice is a matter of special importance for different organizations in different markets. The company itself must assess what CSR activity is prior for it, whether this activity is beneficial for the purpose of strengthening its competitive ability, what kind of benefit it will bring and what ways to get it are possible. Only such company’s social work can become a competitive advantage, which is expected by consumers of objective markets. Every corporation declaring their competitive advantages in objective markets endeavors to accent them. At the present stage of social development consumers are mostly intolerant of the goods or companies, which are indifferent to social and ecological problems. The companies, which are worried seriously about them, are supported by consumers. During the recent decades volatile consumption culture is connected with sustainable business development including environment protection, social law, perspectives. The new consumption habits are being created. Much more people do not think of satisfying their needs only but consider the impacts of consumption in a wide context. Such ethical impulses connected with consumers’ behaviour and preferences objectively stimulate corporate social responsibility.

Having appreciated competitive efficiency of social demand, modern companies make efforts to support, strengthen, expand, defend, renovate the achieved advantages or, in case their efficiency decreases, to transform into new ones. In order to realize that a new system of communication with objective markets is created or the present one is modified. It helps to inform consumers and other stakeholders what environmental and social conditions took place when the offered products were being produced and what values are important for the company. A traditional support complex, despite being appended with unconventional instrumentality, is not efficient to form a set of CSR competitive advantages. Publicly announced SCR reports have become the main instrumentality of interactions in the sphere of social responsibility for recent decades. CSR reporting is expected to become one of the most important tools for a company’s competitive advantages formation.

As the processes of globalization diffuse rapidly new challenges in the sphere of CSR competitive advantages formation appear. Business interaction with stakeholders has been becoming quite complicated and requires new knowledge, different skills and additional resources.

Notes
1. Analysis of the development of the theory of social responsibility.
2. CSR influence on the competitive abilities of companies had been changing in the process of its evolution. The increase of CSR importance for making decisions in companies’ management is considered in the article “Social responsibility evolution” (Philip, Cochran, 2007).
3. The role of networks (relations) to form competitive advantages coherently and consistently was studied in the works of the scientists belonged to Sweden school and others (Hakansson and Snehota, 1995; Gadde and Hakansson, 2001; Mo Iler et al., 2005; Johnston et al., 2006).
4. Comparative analysis of competitive advantages models was made by Beyong Yong Kim and Haemoon Oh, 2004.
5. Considering the rapid expansion of CSR, the authoritative American Marketing Association gave a new, corrected definition of marketing in 2004. Now it as follows: “Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in a way that benefit the organization and its stakeholders” (American Marketing Association, 2004).

6. Researchers noticed that for various reasons there is a certain gap between respondents’ declarations and their behaviour in shops. Nevertheless, having interviewed 12 000 respondents of 7 (of 12) countries of European Union it was found that the greater number of customers were ready to pay a higher price for the goods offered by socially responsible companies. The lowest number of customers was in Italy, only every 6th person (Fliesl and others, 2006, p. 17). It is believed that differences of cultural and social values determined the results (Kampf, 2007).

7. Global Reporting Initiative was founded in 1997 and in 2002 it got institutional status as a Fund in the Forum of World Sustainable Development Leaders.

8. CSR analysts offer great number of new standards of reports. The reports made by Scandinavian companies are assessed as the most successful ones because they demonstrate true worries not only about economic but social and environmental problems. For instance, the report made by Danish pharmacy company Novo Nordisk, which can be found in Internet (http://www.novonordisk.com/sustainability/reports/reports.asp)

References


13. Corporate social responsibility: two-faced capitalism. The Economist, 22 January


Santrauka

Straišnyje analizuojama socialinės atsakomybė įtaikos įmonių konkurencingumui. Teoriniu pagrindu vertinant įmonių socialinės atsakomybės (ISA) vaidmenį konkurencinių pranašumų formavimo procesuose, taikomi jau tradiciniais taip konkurencingumo analizės modeliai: penkių įmonių, išskleidžia pagrįstas modelis ir tinklu pagrįstas modelis. Kiekvienas įmonių konkurencingumo analizės modelis turi savo pradinę sąlygą, tačiau jie gali bendri naudingas įtaiskant konkurencinių pranašumų sąsajas su [2], nes akcentuoja skirtingus pranašumų kilmės ir įrenginių aspektus. Straišnyje pateikta apibendrinta konkurencinių pranašumų, susiųtų su [3], formavimo schema. Į rinką orientuoto verslo esminis aspektas yra vartotojų poveikis patikimumui. Šiuo tikslu kūrėjas rinkodaros kompleksas privalo remtis socialinės atsakomybės principais. Tenkinant vartotojų poreikius, negalima neatidžiavoti kito visuomenės narių ir grupių interesų, todėl šie interesai išsykėjęs bendraudant su sintezuojant socialinių pranašumų grums. Akivaizdu, kad štampa tarp visuomenės ir verslo nenaudojai abiem pusems, todėl jos pažeidimams ir preventija įtaka svarbu strategine prasme.

Šio straišnio tikslas – nustatyti, kokie įmonių aspektai yra pagrindiniai konkurencinių pranašumų formavimo instrumentai ir sudaryti socialiai atsakingo verslo konkurencinių pranašumų formavimo modelį.


Skirtingose kultūrose yra skirtingi vartojimo įprastis ir tradicijos, skirtingos verslo tikslai, skirtingas darbo etika, skirtingų nevairusybinių organizacijų įtaikų visuomenėje. Kai kurie tyrėjai atkreipia dėmesį į tai, kad įvairios įvairios regionai ir regionai skiriui nėtmonių socialines atsakomybės pamegina
