

Building Competitive Advantage: An Evaluative Study of CSR

Farzana Gulzar¹, Samiya Gul² and Aiman Fayaz³

¹The Business School, University Of Kashmir, Hazratbal, Srinagar-190006, Kashmir

^{2,3}The Business School, University Of Kashmir

E-mail: farzana_ls@yahoo.com

Abstract—Corporate Social Responsibility (CSR) is company's sense of responsibility towards the community and environment (both ecological and social) in which it operates. Companies express this citizenship through their waste and pollution reduction processes, contributing educational and social programs and by earning adequate returns on the employed resources. It is the continuing commitment by business to behave fairly and responsibly, and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large." Hence, the objectives of this paper are as:

- To study the concept of CSR and the best CSR practicing companies
- To study the various benefits that companies accrue from CSR activities
- To suggest the measures that will help the company to adapt the CSR practices.

The data was collected through secondary methods; books, journals and company reports and was extensively studied to understand the dynamics of the concept and its application. Some of the suggestions that companies should follow are CSR activities should be treated as a main core business strategy and not as a burden. It should not be viewed as a peripheral activity but a core activity of a company. It should be there from the very beginning of the business i.e; from the planning process. As this research paper is confined more on secondary data and not much on Primary data as it would have been very time consuming and expensive too.

Keywords: Corporate Social Responsibility, Organisation, Competitive Advantage.

1. INTRODUCTION

Business dictionary defines CSR as "A company's sense of responsibility towards the community and environment (both ecological and social) in which it operates. Companies express this citizenship through their waste and pollution reduction processes, contributing educational and social programs and by earning adequate returns on the employed resources." The concept of "Corporate Social Responsibility" (CSR) has various meaning to various people, but generally it is considered to know what is right or wrong in the workplace and doing what's right. CSR is generally accepted as wherever

the firm operates, that is either in the domestic and global economy, it should work for the improvement of its employees, customers and environment in which it operates. The way businesses involve the shareholders, employees, customers, suppliers, governments, non-governmental organizations, international organizations is usually a key feature of the concept. The European Union (EU) describes CSR as "the concept that an enterprise is accountable for its impact on all relevant stakeholders. It is the continuing commitment by business to behave fairly and responsibly, and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large." In other words, CSR refers to ensuring the success of the business by inclusion of social and environmental considerations into a company's operations. It means satisfying the shareholders and customers demands while also managing the expectation of other stakeholders such as employees, suppliers and the community at large. It also means contributing positively to society and managing the organization's environmental impact. CSR activities by a business not only bring positive changes in the community but hugely impacts the image of the company. A company with good CSR practice is rewarded hugely by the customers and attracts investors. The pyramid of corporate social responsibility portrays the four components of CSR, beginning with the basic building block notion that economic performance undergirds all else. At the same time, business is expected to obey the law. Next is business's responsibility to be ethical. At its most fundamental level, this is the obligation to do what is right, just, and fair, and to avoid or minimize harm to stakeholders (employees, consumers, the environment, and others). Finally, business is expected to be a good corporate citizen. This is captured in the philanthropic responsibility, wherein business is expected to contribute financial and human resources to the community and to improve the quality of life.

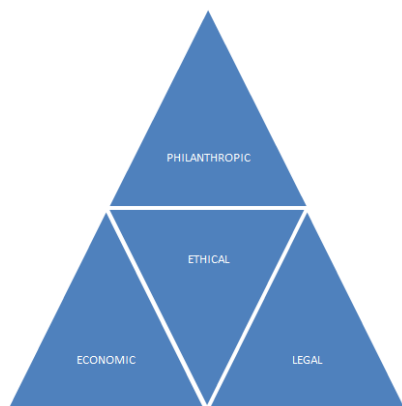


Fig. I: Levels of CSR

Literature Review: Labbai. M (2007) has explained the concept of Corporate Social Responsibility and ethical marketing. He also supports that corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. Meon & Jorgensen (2010) have studied how environmental (green) factors affect international business and competition. Their results suggest that CSR/green performance must be expected to be improved in most industries, but firms that perform weak in these dimensions will weaken their competitiveness compared to other firms in the industry. R. Shrikanth, D.Surya Narayana Raju (2012) worked on the concept, need and importance of green marketing and explored the main issues in adoption of green marketing practices and the challenges and opportunities businesses have with green marketing. It was concluded that green marketing is something that will continuously grow in both practice and demand. Swati John, Pranita Burbure, Sarika Pansare reviewed how the Corporate Social Responsibility and green marketing is fulfilled by various Indian organizations. They studied the impact of different companies who were successfully plasticizing CSR and green marketing in the changing business environment is either by saving the natural resources or providing good quality products/services to their customer and healthy working atmosphere to the employee. Henri Servaes, Ane Tamayo (May 2013), have studied the impact of Corporate Social Responsibility on the Firm Value. It was found out that that corporate social responsibility (CSR) and firm value are positively related for firms with high customer awareness. It was also analysed that the effect of awareness on the CSR–value relation is reversed for firms with a poor prior reputation as corporate citizens. A worldwide study done by the Reputation Institute ranked businesses on their CSR performance, four companies that tops the list- Microsoft, Google, BMW and Disney reports Forbes. **Microsoft:** Microsoft not only gives back to the society as a business, it also encourages its employees to give

back by organizing the *Employee Giving Campaign* every year since 1983. In its 30th year, the campaign reached the \$1 billion mark. The company launched *Microsoft YouthSpark* in September 2012. Through this global initiative, Microsoft tries to educate, generate employment and encourage entrepreneurship among the youth. In India, Microsoft has trained 7, 41,000 government school teachers in IT through *Project Shiksha*. Each year, *Microsoft Learning* certifies around 1,00,000 people. The *BizSpark* program has helped more than 2000 start-ups with technology, software and tools. **Google:** In 2005, Google started Google.org, the philanthropy wing of the global search giant with an initial investment of \$1 billion. To support the initiative, Google had set aside three million shares during its IPO. In November 2007 Google.org declared the launch of a project called RE<C *Renewable Energy Cheaper than Coal*, a project aimed at producing energy from renewable sources-wind and solar. The other notable social initiatives by Google include- *Google Crisis Response*, *Google for non-profits* and *Google Flu and Dengue Trends*. *Google Crisis Response* which comprises of Google person finder, Google crisis maps, and Google public alerts is aimed at making critical information easily available to the public during times of natural disasters. *Google Crisis Response* has proved its usefulness during the Haiti earthquake, 2010 Pakistan floods, tsunami, Queensland floods. **BMW:** BMW is known for its environmental commitment. It was declared world's most sustainable automobile company for 8th time in 2012. The company has committed itself to the United Nations Environment Programme, the UN Global Compact and the Cleaner Production Declaration. Still BMW is taking measures to reduce its impacts on environment. It is investing heavily in designing and developing less polluting cars and trying to incorporate design changes in existing models to make them environment friendly. It is also exploring the possibility of developing environment friendly fuels to be used in future vehicles such as-electric power, hybrid power. **Walt Disney Company:** Disney has spent \$23.5 million since 2009 in forest conservation, reforestation and forest management. Disney has declared its long term environmental goals as- achieve zero net greenhouse gas emissions, send zero waste to landfills and minimize product footprint. Disney has formed the *Disney VoluntEARS* with its employees and cast members. *Disney VoluntEARS* have spent 6 million hours in giving back to the society. In 2011, The Walt Disney Company launched the *Disney It's A Small World* product collection to support UNICEF. Disney has launched online interactive content for betterment of families worldwide known as *Disney Friends for Change* and *Disney Magic of Healthy Living*. The other companies initiating the best CSR activities are: **Apple:** Apple is a partner of the Product RED campaign which aims to reduce HIV transmission from mother to child. In 2012, Apple donated \$2.5 million to American Red Cross towards relief and rehabilitation of the victims of Hurricane Sandy. Apple is trying to reduce its impact on environment by using less toxic substances in manufacturing of products, shipping the

products with less packaging and making them recyclable. Apple declares its aim to equip all its facilities with 100 percent renewable energy. They have reportedly achieved 100 percent renewable energy at all the data centers, at facilities in Austin, Elk Grove, Cork, and Munich, and at the Infinite Loop campus in Cupertino. **Daimler:** In 2001, Daimler launched the *MobileKids* initiative. This is aimed at keeping children safe on the roads. Through this project Daimler imparts road safety education to children between 6 to 10 years with the aid of interactive tools. In August 2013, Daimler provided 11 trucks to aid agency *Aviation without Borders* to carry relief material to city of Gaziantep in South eastern Turkey for the Syrian refugees. The convoy carried clothings, vaccines, medication, wheel chairs, food and other essential items. The Process Learning Factory of Daimler is training its employee energy efficiency and ways to cut long term emissions. **Volkswagen:** The CSR record of Volkswagen dates back to 1970 when it set up a corporate foundation in Brazil to promote education and healthcare. Volkswagen has achieved its target of avoiding use of hazardous materials in manufacturing its cars, use of alternative fuels, reducing fuel consumption and green house gas emission. Volkswagen was the first car to get ISO 14000 certified. Volkswagen has committed itself to engage with the local community while taking important decisions. They invest in health care, education, and promotion of sport and the conservation of nature. **Sony:** The Japanese electronics giant divides its CSR agenda into 7 parts- corporate governance, community, environment, quality and services, responsible sourcing, human resources and compliance. Sony is committed to provide emergency relief and work with local NGOs to resolve issues faced by the local communities. Its environmental goals include-bringing down the carbon footprint of its products to zero for its whole life cycle, reduce carbon dioxide emission of Sony's business activities, use of recycled products in manufacturing and prevent pollution by reducing the use of chemicals in the process of manufacturing. In India, Sony has started e-waste management facilities and the public is encouraged to deposit their electronic waste at various collection centers it has set throughout the country. These companies have proven that they can differentiate their brands and reputations as well as their products and services as they take responsibility for the well-being of the societies and environments as a priority.

Therefore, being socially and environmentally responsible is not only good for people and the planet, but essential to the long term sustainability of business. Thus Corporate Social Responsibility is the long term success mantra for the organisations.

Table I: CSR Activities

Company	CSR Activities
Microsoft	Microsoft Youth Spark, Education, Employment and Entrepreneurship; Project Shiksha; Bizspark
Google	Project Renewable energy cheaper than Coal; Google Crisis Response; Google for non profits; Google Flu and Dengue Trends

BMW	Designing and developing less polluting Cars; Environmental friendly fuel vehicles- electric power and hybrid power
Walt Disney	Forest Conservation, Reforestation and Forest Management, Disney Volunteers; Disney Friends for change and Disney Magic of healthy living
Apple	partner of the Product RED campaign; Donations to American Red Cross; Projects: Renewable energy
Daimler	Mobilekids Initiatives; Relief Materials to Refugees
Volkswagen	Use of alternative fuels; Reducing fuel consumption and green house gas emission
Sony	Emergency Relief; works with NGO's; Prevention of pollution and e-waste management facilities

A Core competency is an activity that a firm performs especially well and when a core competency evolves into a major competitive advantage eg, when CSR activities of an organisation are identified as best, it will give rise to core competency for that particular organisation and it will evolve as the distinctive competence and in turn will lead into the sustained Competitive Advantage. For example, CISCO worldwide leader in IT use their expertise, technology and partnerships for CSR strategy. They have incorporated the CSR as a Goal. They have embedded the CSR objective into the business functions, processes and performance goals.

2. CONCLUSION AND SUGGESTIONS

The overall focus of this research paper is to study and understand the corporate social responsibility, the stakeholders that organization benefit from. The above examples of organizations shows that how different companies are contributing towards social responsibility, they are working for society by saving natural resources, providing good and quality product to the customers. As the saying is "when the Wind blows there are those that build Walls and then there are those that build Windmills", so the organisations should view the CSR approach as the investments rather than the liability. CSR activities should be treated as a main core business strategy and not as a burden. It should not be viewed as a peripheral activity but a core activity of a company. It should be there from the very beginning of the business i.e; from the planning process. Budgets should be allocated separately for the CSR activities as the lack of budgets is the serious problem for most of the small companies. CSR guidelines should be set up. The clear cut guidelines should be there to initiate the CSR activities.

REFERENCES

- [1] Cisco CSR Report 2013
- [2] European Commission, Directorate-General for Enterprise.
- [3] Fred R. David, Strategic Management, 13th edition, pp no.120-122.
- [4] Henri Servaes, Ane Tamayo (May 2013), The Impact of Corporate Social Responsibility on Firm Value: The Role of Customer Awareness, MANAGEMENT SCIENCE Vol. 59, No. 5, May 2013, pp. 1045–1061 ISSN 0025-1909 (print). ISSN 1526-5501 (online)

-
- [5] Labbai. M.M (2007), "Social Responsibility, Ethics & Marketing" International Marketing Conference on Marketing & Society, 8-10 April, 2007, IIMK <http://dspace.iimk.ac.in/bitstream/2259/392/1/17-27.pdf>
- [6] Meon. O & Jorgensen. R. B, (2010), "The new managerial challenges: Transforming environmental and health issues to competitive advantage" Journal of Technology Management & Innovation, Vol 5, Issue.2 Pg: 24-36
- [7] R. Shrikanth, D.Surya Narayana Raju, Contemporary Green Marketing - Brief Reference To Indian Scenario, International Journal Of Social Sciences & Interdisciplinary Research Vol.1 No. 1, January 2012, ISSN 2277 3630
- [8] Swati John, Pranita Burbure, Sarika Pansare, A Study Of Green Marketing And Corporate Social Responsibility In Context To Indian Companies, Incon13-Gen-015