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STRATEGIC CORPORATE SOCIAL RESPONSIBILITY: A THEORETICAL FRAMEWORK

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Abstract: In this dynamic environment, there is a dire need to work in a responsible manner that may lead to the sustenance of a company in any situation. This paper aims to provide the theoretical framework on Strategic Corporate Social Responsibility which will help in the proper implementation of Corporate Social Responsibility (CSR) activities in integration with the company's main strategy. The framework is based on the review of the literature and involves four steps (analyzing the internal and external environment, formulating the CSR strategy, measuring the outcomes of CSR activities and comparing with the expected outcome, and taking corrective action to achieve the desired objectives). This framework not only increases the conceptual understanding of Strategic CSR but also provides guidelines to the managers as to how they should consider their CSR activities as a part of their business.

Key Words: Corporate Social Responsibility; Strategy; Strategic Corporate Social responsibility

1. Introduction

To live a purposeful and respectful life, an individual needs to be ethical, responsible, and be a good citizen. Similarly, a company being an artificial person should be a responsible citizen. Corporate Social Responsibility (CSR) is a term that is interchangeably used as Corporate Responsibility, Corporate Citizenship, Business Responsibility, Corporate Sustainability, Strategic Philanthropy (Rangan et al., 2012).

Various researchers have defined CSR but there is a lack of consensus on one universally accepted definition. World Business Council for Sustainable Development (2000) explains Corporate Social Responsibility as an ongoing obligation of businesses to behave morally for the economic development and well-being of their stakeholders. Further, Van Marrewijk (2003) considers CSR as

voluntary action to include the aspect of society and environment in business operations along with dialogues with stakeholders.

However, Carroll (1979) has classified the obligations of business into four categories as economic, legal, ethical, and discretionary responsibilities. The economic responsibility of the business is to sell goods and services to people and earn profits. Further, legal responsibility involves complying with all the legal obligations of the business. Simultaneously, companies should also consider ethical responsibility which is the expected behavior of business towards society and discretionary responsibility that is voluntary and philanthropic in nature.

Fauzi (2009) and Morsing and Perrini (2009) mention CSR as a burden on companies if considered from the philanthropic perspective. Due to such type of criticism, the word strategic corporate philanthropy (Logsdon et al., 1990) and strategic CSR (Burke and Logsdon, 1996) came into existence (Contri, 2012). In line with this Burke and Logsdon (1996) suggested five dimensions (centrality, specificity, proactivity, voluntarism, and visibility) through which CSR activities can also be beneficial for a business and its stakeholders. Porter and Kramer (2002, 2006) suggest that convergence of philanthropic or socially responsible activities with the business strategy can create a competitive advantage for organizations. Further, Porter and Kramer (2011) emphasized the integration of CSR into a business strategy which will ultimately create shared value for the company as well as its stakeholders.

Hence, the present study attempts to understand the concept of Strategic CSR and its model in the current business scenario. The first section is the introduction part of the research paper along with the roadmap of the study. In the second section, a review of the literature is done followed by the objective of the study. Further, a theoretical framework is developed for Strategic CSR along with the guidelines for practitioners. Finally, the conclusion emphasized the need for empirical research on the integration of social responsibility into business strategy.

On the basis of the review of literature, the objective is developed and a theoretical model is proposed along with guidelines to the practitioners.

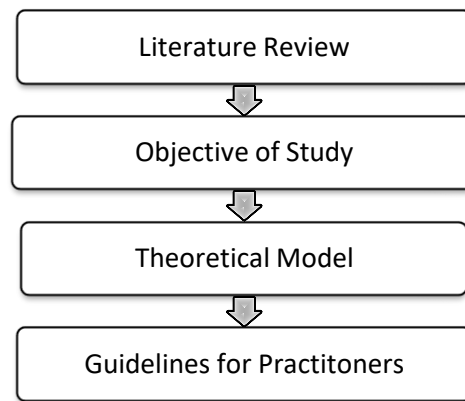


Figure1: Framework of the study

2. Literature Review

Various research papers, articles, and thesis are referred for the purpose of literature review. Based on this review of literature, a theoretical framework is developed. For this purpose, the papers from leading academic journals are reviewed. These include European Management Journal, Journal of Business Ethics, Brazilian Administration Review, Harvard Business Review, Business Ethics: A European Review, Social Responsibility Journal, Corporate Governance: The International Journal of Business in Society, Journal of Management Studies, European Journal of Management and Business Economics, Long Range Planning, Academy of Management Review, Nonprofit and Voluntary Sector Quarterly.

Research papers related to strategy, CSR, strategic CSR are reviewed to understand the concept of strategic CSR in detail.

Andrews (1987) explains the concept of corporate strategy. The author explained that strategic management leads to the formulation of those plans, policies, procedures, and programs which ultimately lead to the achievement of the desired goal of the company. However, Clarkson (1995) emphasized that companies should focus on the strategy of wealth and value creation for all of their primary stakeholders instead of considering only shareholders of the company. There should be fairness and balance in distributing wealth and value among all primary stakeholders otherwise the ignored one can opt for withdrawal from a firm which will ultimately hamper the long-term sustainability of the firm.

Burke and Logsdon (1996) try to link the CSR activities of a company with the core strategy of the business. The paper provides for the five strategic dimensions that can create value for a firm by its CSR activities: Centrality, Specificity, Voluntarism, Visibility, and Proactivity. Further, Moir (2001) tried to explain the concept of Corporate Social Responsibility. For this purpose, the author has reviewed various definitions of CSR and also has analyzed the reason why organizations are moving towards socially responsible behavior

and conclude that with the passage of time companies are increasing their focus on CSR activities on realizing their obligations towards society and society is also expecting the organizations to show the socially responsible behavior.

McWilliams et al. (2006) study the strategic implications of Corporate Social Responsibility in which authors explain CSR as a situation in which a company performs social activities beyond the legal requirements and its own self-interest. However, Porter and Kramer (2006) clearly explained the link between strategy and society. The authors provide that CSR activities of companies create a good corporate image and increase the reputation of the business, and thus, lead to competitive advantage. Dahlsrud (2008) analyzed various definitions of corporate social responsibility. Through the content analysis methodology, the definitions taken under the study are examined on the basis of five parameters-voluntariness, economic, social, stakeholder, and environmental. The study found that though there is a lack of a universally accepted definition of CSR that is not a big issue to define it instead how to integrate the CSR in corporate strategy formulation is the biggest challenge that needs to be sought out.

Bhattacharyya (2010) proposed the four screens that a CSR activity needs to pass through to be considered as Strategic CSR. The screens are 'intent screen' i.e. intention behind CSR activity must be proactive in nature followed by, 'focus screen' which provides the CSR activity must be related to the company's mission and vision. The next screen is the 'commitment screen' that involves long-term substantial resource commitment and the last screen is the 'activity screen' that is CSR activity must be strategic in nature and help in external and internal activities. Though the study is conceptual in nature but can be used to empirically test the screens proposed in a research paper.

Filho et al. (2010) explain how competitive advantage can be achieved by the social responsibility strategies of a company. Through a review of the literature and an in-depth case study of a company, the authors developed a model on corporate social strategy and explain how strategic CSR leads to the situation of competitive advantage for the company. Further, Moura-Leite and Padgett (2011) extensively review the conceptual development of Corporate Social Responsibility. It has covered the period from the 1950s to the 2000s and ended up revealing that CSR has now a day becomes the big strategic issue for all businesses.

Wang (2015) did a review of literature on the concept of Corporate Social Responsibility and its related concept. On the basis of his review, the author has suggested examining the individual level strategy related to CSR. However, Martínez et al. (2016) suggest that based upon two approaches i.e stakeholder and institutional theory, the company can gain competitiveness and survive long by carrying out socially responsible behavior.

3. Research Gaps

The literature review highlights the following research gaps that is considered in this research paper:

- How does the company can practically align the CSR activities in the core business strategy?
- Need of comprehensive and practical framework of Strategic Corporate Social Responsibility that is feasible in a dynamic environment.

This research paper considers these gaps and provides the framework of Strategic Corporate Social Responsibility.

4. Objective of the Study

Due to continuous pressure from NGOs, government, and media (Garriga and Mele,2004) and to remain competitive (Burke and Logsdon,1996), companies need to consider CSR activities as an important part of their business operations. Hence, a framework is required to inculcate CSR activities in core business so that it will ultimately be beneficial and easy for businesses to adopt in their daily regime. The present study attempts to develop a framework explaining the process of framing, implementing, and monitoring CSR activities. Considering this, the objective of the study is:

To develop the theoretical framework of Strategic Corporate Social Responsibility that is feasible in a dynamic environment.

5. Theoretical Framework

The present study attempts to provide a framework for the implementation of CSR activities that will benefit society as well as the organization itself. The study has considered various frameworks proposed by various researchers in the literature. These frameworks are discussed as follows based on which the study has developed a theoretical framework:

5.1 Formulation of Corporate Social Strategy — A Framework by Filho et al. (2010)

Andrew (1987) explains the four components for the formulation of strategy (a) market opportunities (b) corporate resources and skills (c) values and aspirations, and (d) knowledge of obligation to society and shareholders. Based on the reviews of various tools and techniques of strategy formulation Filho et al. (2010) provides the framework of corporate social strategy which includes various aspects of strategy (a) market opportunities (b) resources (c) corporate values (d) structure of industry (e) stakeholders (f) CSR alignment to core business and (g) the social impact of corporate competitiveness.

Considering the social issues that should be considered by the companies Porter & Kramer (2006) divide these issues into 3 categories as generic social issues that neither affect operations of company nor competitiveness in the long run, value chain social impact that is affected by regular activities of the company and last is the social dimension of competitive context covers external environment that affects the direction and competitiveness of the company in the location it operates. However, through a literature review and case study of a company named Carrefour, Filho et al. (2010) developed a framework that will ultimately lead to competitive advantage in the form of an increase in the company's reputation, employee motivation, employee retention, etc. The authors emphasized that companies should perform CSR activities after considering the following parameters and inculcating them in the company's core business to get a competitive advantage.

- Resources and Competencies: Through SWOT analysis, the company can chalk out its strengths and accordingly can use these strengths to grasp the opportunities for the welfare of society and the company itself. Resources and Competencies of a company can be used as its strength to increase the company's image in society by rationally employing these resources in those activities that are beneficial for both company and society. Through this company can also gain a competitive advantage.
- Market opportunities: The company needs to perform its SWOT analysis and should endeavor to grasp the opportunities which involve the element of social benefit along with the company's benefit. It should give preference to those opportunities that involve the benefit for society also.
- Organizational values: CSR activities of a company depend upon its value system. It should follow a top-down approach i.e., if top-level management frames and implement the CSR policies and shows socially desirable behavior then the lower-level management will also move in their footsteps.
- Structure of Industry: Companies should analyze the CSR activities of their competitors to improve their own performance and to remain competitive in the market. Not only this, the company should also consider the activities of companies other than its competitors to get new innovative ideas, and adopt new CSR projects.
- Other Stakeholders: Company should identify those stakeholders who are important for the achievement of objectives of the firm and should frame CSR policies that address their needs and help in the achievement of the firm's goal.

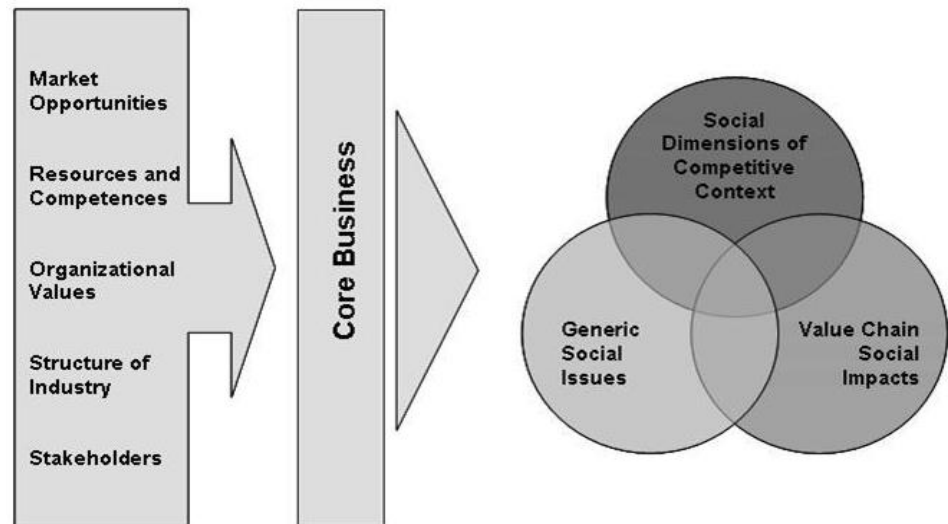


Figure 2: Formulation of Corporate Social Strategy
Source: Filho et al. (2010)

5.2 Categorization of CSR activities into three theaters by Rangan et al. (2015)

Rangan et al. (2015) divide CSR activities into three theaters based on the in-depth interview of 142 managers who attended the Harvard Business School's CSR executive education program during the past four years as Theater I (Philanthropy), Theater II (Operational improvements), and Theater III (Business-Model transformation).

- Theater I (Philanthropy): In this company will perform some CSR activities but these activities will not directly or indirectly improve the performance of a business. Example: Donations, Blood donation camps, etc.
- Theater II (Operational improvements): In this Company perform CSR activities within their business operations which may or may not improve the performance of a company. Example: Providing higher education to employees may lead to high employee motivation and employee retention in the company.
- Theater III (Business-Model transformation): In this company may opt to create that business that is beneficial for society or the environment at large. Example: Project Shakti of HUL recruits village women to sell their products door to door thereby not only lead to increase in the sale of the company, but also empower women in villages and improve public health by providing access to hygienic products.

To align these CSR activities into the company's core strategy the Rangan et al. (2015) has given the four-step process which involves (a) alignment of programs within theaters which involves that company should take those CSR initiatives which match with the company's vision & mission (b) Developing Metrics to measure the performance which involves the measurement of the impact of CSR activities under all theaters on the society and company itself (c) Coordinating

programs across theaters lead to the impact of performance on theaters on the other two theaters also. (d) Developing an interdisciplinary CSR strategy demands the appointment of personnel who will be responsible for CSR activities of the company and coordinate activities of all three theaters.

5.3 Five dimensions of integrating CSR into corporate strategy by Burke and Logsdon (1996)

Burke and Logsdon (1996) suggested five dimensions for integrating CSR activities into a corporate strategy that involves:

- Centrality: CSR activities should be as per the vision, mission, goals, and objectives of the company.
- Specificity: Activities that will benefit the firm as well as society.
- Voluntarism: CSR activities that are voluntary in nature and over and above legal obligations.
- Visibility: Actions that will be evident to internal as well as external stakeholders.
- Proactivity: Anticipated actions and plan considering changes in technological, social trends beforehand.

5.4 Weber's framework of CSR impact assessment

Weber (2008) proposed the four steps framework for measuring the impact of CSR activities that involve assessment of qualitative corporate social responsibility impact, development, and measurement of key performance indicators for the assessment of CSR, assessment of monetary corporate social responsibility value-added, and evaluation of strategic relevance of assessment components. These steps are explained as:

- Assessment of qualitative corporate social responsibility impact: Considering and evaluating stakeholder's relationships through surveys or stakeholder dialogues. Through this, any change in the stakeholder's satisfaction level can be traced and can be worked upon can be considered by a company.
- Development and measurement of key performance indicators for the assessment of CSR: Weber (2008) mentioned monetary brand value, customer attraction and retention, reputation, employer attractiveness, employee motivation, and retention as KPIs for the assessments of CSR activities. The author suggests that monetary brand value can be measured by price-oriented, or capital value-oriented brand value or Cost-oriented value of the brand; Customer attraction and retention by repurchase rate or market shares; reputation by reputation indices and rankings; employer attractiveness can be measured through applications per vacancy, hiring rate; and employee retention and motivation by absenteeism and rate of fluctuation of employee's turnover.
- Assessment of monetary corporate social responsibility value-added: The Author has proposed the formula for the calculation of monetary CSR value-added.

$$\text{Monetary CSR Value Added} = \sum_{n=1}^{n=\infty} (B_n^{\text{CSR}} - C_n^{\text{CSR}}) * \frac{1}{(1+i)^n}$$

With n = period, B^{CSR} = CSR benefits,

C^{CSR} = CSR costs, i = discount rate.

Source: Weber (2008)

- Evaluation of strategic relevance of assessment components: In this last step, Weber (2008) suggested to evaluate the high or low CSR benefits against long-term and short-term CSR goals. CSR benefits and contribution towards CSR goals will ultimately lead to the complete assessments of CSR activities of companies.

5.5 Management Control System Typology by Malmi and Brown (2008)

Simons (1995) explains the Management Control System as the system of organizing and maintaining the business operations with the help of well-managed and information-based procedures. However, Malmi and Brown (2008) suggested Management Control System Package that can be used to direct the employees in an organization so that organizational ultimate goals can be achieved. The authors have mentioned five control system that involves planning, reward, and compensation, cultural, cybernetic, and administrative controls through which an organization can achieve its goal.

On the basis of the above-mentioned strategic framework and dimensions, the following theoretical framework is developed along with the guidelines for the practitioners.

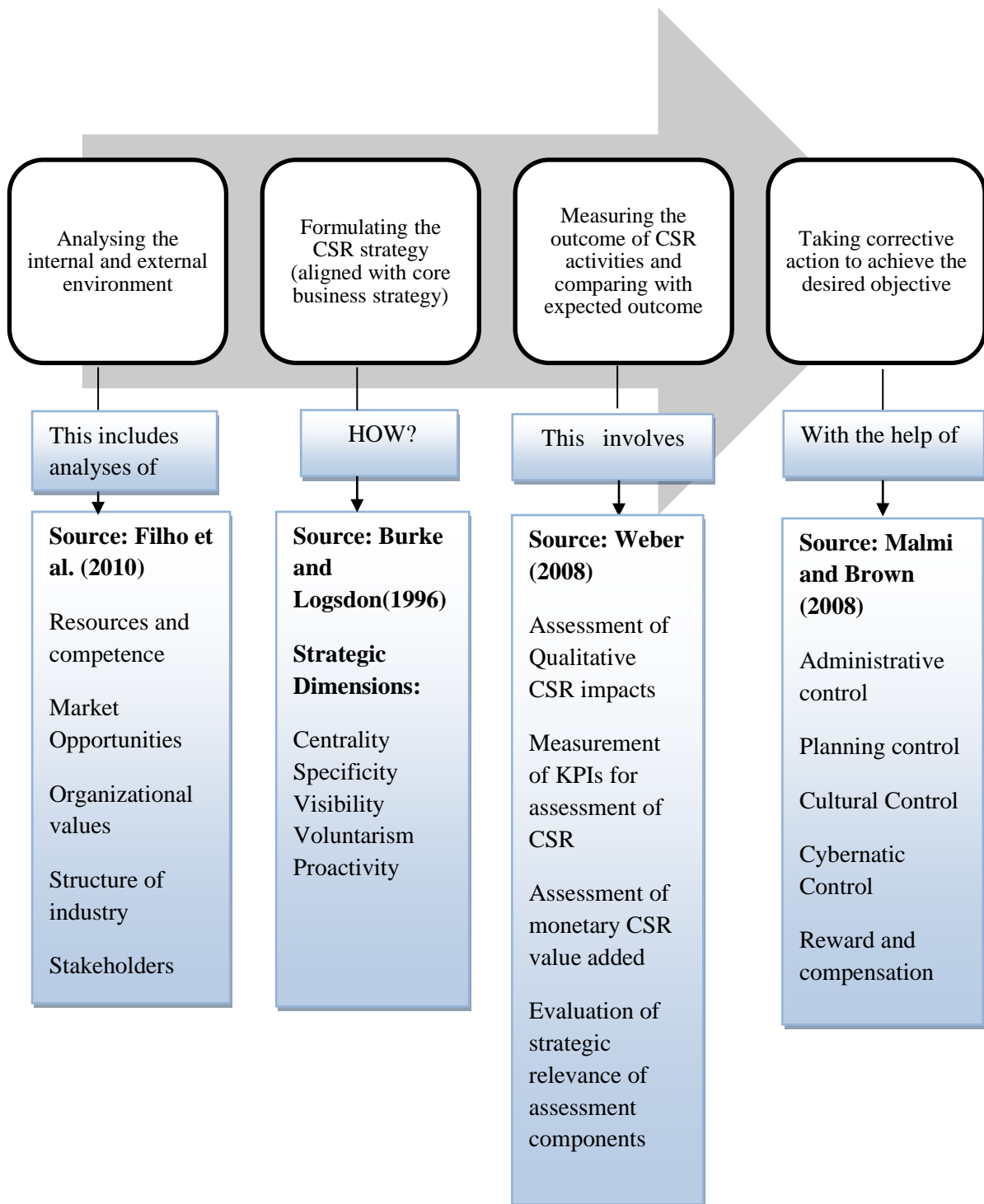


Figure 3: Theoretical Framework on Strategic CSR
 Source: Prepared by author

6. Explanation of theoretical framework and guidelines for practitioners.

By following the framework given above the practitioners can build their CSR strategy in such a way that it will not only benefit society, but also the company at large. Along with this, it will also help them to achieve the desired goal of the company.

a) **Analysis of external and internal environment:** Firstly, the company needs to scan the internal and external environment of the company. It involves analyzing the resources and competencies, market opportunities, organizational values, structure of the industry, and identification of stakeholders of the company as discussed above in the paper suggested by Filho et al. (2010) in their study.

b) **Formulating the CSR Strategy (aligned with core business strategy):** After analyzing the external and internal environment next step is to frame the CSR strategy which can be aligned with the firm's core strategy. Various strategic dimensions are mentioned by Burke and Logsdon (1996) can be considered to frame CSR strategy. These are a) Centrality b) Proactivity c) Voluntarism d) Visibility e) Specificity. These dimensions are already explained in the earlier section of this research paper.

However, as per Rangan et al. (2015) if the company is doing CSR in the form of philanthropy only then also the company should choose those philanthropic activities that are directly related to the company's core business.

c) **Measuring the outcome of CSR activities and comparison with the expected outcome:** Next step in this process is to measure the actual outcome in the form of a positive impact on society. The actual outcome should be compared with the expected outcome. This step will show the true picture of the results of efforts that the company has put in for the welfare of society. Weber's four-step framework as discussed above can be used to assess the CSR impact.

d) **Corrective actions to achieve the desired outcome:** At this stage company needs to do all possible efforts that are required to be adopted for achieving the best possible outcome as expected by the company. The Management Control Systems typology suggested by Malmi and Brown (2008) can be used to compare the performance with the set standards and take corrective action to achieve the desired outcome.

These entire steps if followed properly may lead to a competitive advantage over other companies and increase the long-term sustenance of the business.

7. Conclusion

Strategic CSR provides the companies a powerful tool through which they can simultaneously fulfill their economic motive and benefit the society at large. The study has developed the four-step model that involves analyzing

the internal and external environment, formulating the CSR strategy (aligned with core business strategy), measuring the outcome of CSR activities and comparing with the expected outcome, and taking corrective action to achieve the desired objective. The model developed in this research paper provides a clear understanding of strategic CSR which if properly implemented can provide the feasibility of CSR activities in such a dynamic environment. By practically implementing the theoretical framework mentioned in this research paper companies can perform their CSR activities in alignment with their core business strategy which will not only lead to the benefit to society and also lead to the economic benefit to a business. Further, there is a need for empirical research on the integration of CSR into core business strategy. Future research can be on the case study of companies by using the framework given in the study to empirically analyze the feasibility of the suggested framework.

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