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# Doing Well by Doing Good- CSR in a Global Context

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## Abstract

**Research background:** Nowadays, there is a general understanding that stakeholders are crucial for the successful enterprise. There is also a need to think about Corporate Social Responsibility (CSR) in a global context. Never before corporations enjoyed so much power and authority. Corporations need to evolve, re-think their strategies and change their processes accordingly. However, as of now, there is no agreed way of measuring overall sustainability of actions of each company. There is a great need for holistic studies of CSR, analyzing in details the value created, from stakeholders point of view.

**Purpose of the article:** This paper is an attempt to propose a way of looking at corporate social responsibility in line with current methodologies and frameworks focusing on value creation. Currently there is no one definition of global CSR to be used, nor there is one comprehensive methodology to describe it. Instead there is abundance of theories and frameworks. This paper proposes one definition and presents a method of analysis of the global corporate commitment to CSR approach. The main concern of this paper is to offer an insight into different ways companies can create value for various stakeholders groups.

**Methodology/methods:** To narrow the scope of the conducted analysis, the authors identified 13 companies, potential sustainability winners, from products industry Analyzed were both, CSR execution capacity and CSR value creation assessed on basis of compliance with identified CSR basic actions catalogue.

**Findings:** Conducted analysis indicated that products companies are aware of needs and expectations of various stakeholders and are good at meeting them. Although assessed companies managed to link sustainability with their strategies, they did not achieve transforming sustainability into core of their business.

**JEL Classification:** *Q01*

**Keywords:** *CSR; sustainability; CSR reporting; CSR measuring; global CSR*

## Introduction

According to Carroll (1999), although concept of responsible business existed long before, it is primarily a 20th century idea. Since the 1950s and in particular, since the Bowen's (1953) book "Social Responsibilities of the Businessman", the concept of CSR has been an area of high interest and research by academics and corporations. Since then, business CSR has gone through different stages as main focus of CSR was changing. Also the definition of the concept is constantly evolving and depending on the context- there is a maze of definitions nowadays (Crane et al., 2014).

Sustainability reporting started a little later, in 1960s and 1970s in Europe and then in USA with the first Earth Day held on April 22, 1970. In 1990s, reporting on nonfinancial aspects of CSR was becoming more and more popular and in 1997 the U.S.-based Coalition for Environmentally Responsible Economies (Ceres) established a Global Reporting Initiative (GRI) to provide globally recognized standards of sustainability reporting. The same year, Finland introduced the first mandatory CSR reporting law, to be later followed by other countries.

What can be observed now, is the increased interest in companies' stakeholders (Smith et al., 2010). To a great extent they now shape corporate strategies and how the operations are running. This is also visible

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in sustainability reports which are very often concentrated around value created for different stakeholders. Moreover, globalization – increasing expansion, entering new markets, working from partners from all over the world and selling globally – demands global CSR strategies that will take into consideration local specifics.

Therefore, the main purpose of this paper is to offer an insight into different ways companies can create value for various stakeholders groups in the international context and in particular at the global level. This paper proposes also definition of the global CSR and presents a novel method of analysis of the global corporate commitment to CSR approach.

## **Research Methodology**

Currently there is no one definition of global CSR to be used, nor there is one comprehensive methodology to describe it. Instead there is abundance of theories and frameworks. Therefore, for the purpose of this work, the following global CSR definition was proposed: all global corporate actions impacting stakeholders connected with responsible conducting of business.

In this work, companies in products industry were assessed on two levels: CSR execution capacities and value creation. After looking closely into numerous sustainability reports and websites, 60 actions were recognized as comprising a sustainability catalogue in products industry. Each of the actions was characterized, except for the category, by a number of describing factors based on different theories such as: dimension, type, main area of impact, value chain part/ industry factors impacted. Must be noted that the all of the analyzed actions are directly connected with company strategy, mission, and capabilities. The right mix of these actions determines how successful CSR agenda of a particular company will be and as a result set down its competitive advantage or lack of such in products industry.

This phase of analysis was comprised of two parts: first check was to determine whether the action is done based on company report on sustainability or dedicated website, secondly for each of the actions scores ranging from 0 (not done) to 4 (sustainability leader) were assigned in accordance to the concept of stages mentioned by Lubin and Esty (2010).

Analysis was conducted with sample of 13 companies from products sector: 10 of these companies were identified as potential sustainability leaders. This assessment was based on recognition in different publications, and in particular on the scores in four the most important rankings.

## **Corporate Social Responsibility in a global perspective**

Recently, CSR has drawn public attention. Various scandals, including Enron and collapse of Arthur Andersen left their mark. It has been understood that there is something not quite right with corporate world and that these problems need to be addressed (Kotler et al., 2012). The need for a more responsible basis on which businesses and economies compete in international markets has never been greater (Zadek & McGillivray, 2008). The global world of today means higher inequality between the rich and the poor, rising number of economically underprivileged societies, as well as tougher international competition, lower transparency and blurring accountability of businesses. There is an urgent need to address the environmental and societal challenges brought by open markets and current business practices- innovative strategies and forward thinking should be aligned to ensure responsible maximization of profit, rather than CSR being viewed as a way to maintain reputation or a reactive PR tool. Only cohesive transformation to welcome an era of “responsible competitiveness” in global markets would guarantee the lasting impact of corporate social responsibility actions. Responsible competitiveness strategies are defined as ones that can reshape tomorrow’s global markets in ways that take social and environmental issues into account (Mermod & Idowu, 2014). Achieving this, however, necessitates more than quick-moving businesses working alone. Overcoming the resistance of backward looking business and political interests will require innovative collaboration that combines smart public policies, with aligned business and civil society strategies, creating a new generation of market practices, norms, and standards (Zadek, 2008). Despite companies like NIKE or Levi’s securing safe work environments, poor work conditions of apparel factories in Asia

have recently caught media attention after one of such factories collapsed killing hundreds of people. Couple of companies “doing good” is simply not enough, as a systematic and significant change of whole industries and economies should be put in place. On average, fashion retail sector still lacks strongly enforced standards of ethical production. Worth mentioning is the fact that things are slowly improving for apparel industry thanks to co-operations between NGO’s, governments and private sector in form of different initiatives: the Fair Labor Association, the Ethical Trading Initiative, and Social Accountability International to name a few, focused on providing scrutiny and guidance, creating codes of conducts and setting reporting standards (Zadek & McGillivray, 2008).

The interpretation of CSR varies depending on the company. Some take advantage of it to improve reputation/brand image while making profits, other think it can be useful in mediating risks and providing an important learning opportunity. Therefore, it is crucial for them to align CSR activities with their long-term strategy, and there is even this small group of innovators who make their business around CSR. Thus, it is possible to distinguish three generations of corporate responsibility, where compliance and risk management comprise First Generation, strategy and innovation become important in Second Generation, and, last but not least, Third Generation is concerned with transforming markets (Zadek, 2007). A complimentary view is offered by Lubin and Esty (2010). There are defined 4 stages through which company goes while transforming itself into truly socially responsible business: do old things in new ways (1), do new things in new ways (2), transform core business (3), new business model creation and differentiation (4). The approach of generations and the idea of stages are very similar, however there is a shift of perspective in the two models. Zadek’s is more descriptive and generic, while the study of Lubin and Esty (2010) offers more practical approach, sort of a guideline for companies on how to become sustainability leaders.

Regardless of generation/stage the company is in, it must execute chosen CSR practice with excellence. Evaluating CSR requires investigating whether a company does all it can in terms of chosen options and internal capabilities. The managerial excellence consists of all the processes and policies, beliefs and patterns of leadership.

Each company has to make numerous decisions connected with sustainability within its range of options. As the potential for making sustainability the source of competitive advantage of every company, an ultimate goal of every company should be to make the best use of its own sustainability potential (Zadek, 2004). Companies fall into one of four categories: they are either “losers” or “defenders” or “dreamers” or “winners” based on how they create value from CSR and how well do they perform.

## **Results**

Currently all analyzed companies in CSR and sustainability reporting focus on the various stakeholders. The initial step of this must be therefore to understand what they want from the companies, what their interests are and how they think. Stakeholder theory in practice means that there is a shift in thinking towards better understanding motives and wider world-view of different stakeholders, rather than simply looking at their behaviors. All of the analyzed companies report in this manner, some has even directly shown mapping of their actions and stakeholders interest as in case of Sony Group (Sony Group’s “CSR reporting 2014”, 2014) or Samsung (Samsung Electronics’ website). Samsung understands that having so many different stakeholders with often opposite ambitions and needs means that company must seek for a balanced strategy, incorporating all the different perspectives and shaping one unified strategy. Samsung highlights the need of harmony and collaborative creation of sustainable value through creativity, win-win partnership, and innovations. To better understand its stakeholders, in 2011 L’Oréal started organizing forums with NGOs and all sorts of association to get feedback on the corporate sustainability agenda. For Procter&Gamble the most important for sustainable business are company’s brands and people. Creating the best possible products and attracting the best employees guarantees consumer satisfaction and loyalty. P&G believes that CSR value is created mostly within company and so the company designed a set of values oriented to improve lives of consumers in every corner of the world (P&G’s “2014 Sustainability Report”, 2014).

Analyzed companies scored the highest at co-operation with suppliers. Hence, the popularity of suppliers' codes of conduct is growing, more and more sublime forms of conducting audits and assessments are occurring and general interest in work conditions offered to workforce, especially in developing countries is adding pressure. Companies also embrace sustainability with their factory and transport setup. Almost all companies published information on their action aiming at improving production and transport – reducing waste, improving work conditions, use of multimodal transportation, increasing fill rate, or using innovative system saving energy and water in plants. Current trend of growing awareness of how to report CSR is also reflected in high score of reporting. Companies use sustainability reports and metrics not to “throw” data, but publish a comprehensive stance toward sustainability for their stakeholders. Majority of companies have website dedicated to CSR, where news, success stories, recent trends and analysis are published. Some even use social media channels specifically to support their sustainability agenda. Almost all companies follow the global reporting standards (mostly GRI G4) and use current methodologies such as UNs' “Global Compact”.

In terms of value creation companies scores balanced between 2,5-2,9, so were between stages understood as “do new things in new ways” (stage 2) and “transform core business” (stage 3). Analyzed firms achieved average score equal to 2,9 meaning they approach to company setup and inner policies was characterized by innovation and value in this area was well-captured. All companies developed unique way of thinking about sustainability that resulted in creating special mechanism to support it. Many established a position of CSO, however often named differently. Many have clear defined values such as Corporate Citizenship, Integrity, Leadership, Responsibility (Mars Inc.), Trust, etc. that guide their corporate behavior. The leaders in this category – Timberland and The Body Shop – went an extra mile with promoting sustainability and the notion of responsible company making CSR the center of their business. Sustainability is in these companies' DNA. Second best, Factory + transport category had a little different characteristic as there was no company that acts in a truly extraordinary sustainable way. However, almost all companies did something beyond average when it comes to action such as waste reduction, “green” design of factories, or communicating with customers. Third best score was achieved for value creation from philanthropy. Most companies understood how important is helping communities, not only by one-time support for instance in time of catastrophe such as earthquake, flood or fire, but also by long-term actions such as fulfilling the basic needs of community members by providing access to hygiene, healthcare, education, work and the most sophisticated ones such as for example promoting responsible women body image (L'Oréal). CSR value creation, apart from being measured as category average, was also measured per company.

The best scores (above 80%) in sustainability strategy and execution were achieved by two American companies: NIKE Inc. and Coca-Cola Company, while the third place belongs to IKEA. These companies show that they can respond well to the expectations of their stakeholders. None of the analyzed companies enter the stage 4 of sustainability (Lubin and Esty, 2010) or third generation of sustainable business according to Zadek's (2007) theory of generations. This means that, although they are very engaged in CSR, they innovate and alter their products and thinking accordingly, they contribution stops at aligning sustainability into their strategy.

## **Conclusions**

Recent shift toward viewing sustainability in a global context is a response to the impact of globalization on the corporate environment. The change in thinking about the sustainability was spotted by the companies which have done a lot to change accordingly to the new rules of the game. The highest CSR maturity has been achieved yet by small number of a first movers, who found ways to create new business models around sustainability. Such companies have an important role to play in pushing the whole industries to change accordingly. However, most companies so far have embraced the benefits of sustainable innovation and learning and of the alignment between CSR and strategy, but hasn't go through the deep change of core activity. This is clearly visible in the example of sustainability leaders from products industry. These corporations have the CSR execution capacity to create value for their stakeholders, however

they haven't gone through radical change of their core activity. Instead they are slowly evolving into increasing CSR value creation in their value chain. The most sustainable firms from the group of analyzed companies, NIKE Inc., Coca-Cola Company and IKEA, outstand other firms in terms of sophistication of ways of sustainable value creation. These companies consequently transform and innovate to bring value to all stakeholders through comprehensive portfolio of actions. They understand the wide social and environmental responsibilities imposed by various stakeholders and respond by carrying out well-thought CSR agenda.

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