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Assumptions of Corporate Social Responsibility as Competitiveness Factor

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ABSTRACT

The purpose of this study was to examine the assumptions of corporate social responsibility (CSR) as competitiveness factor in economic downturn. Findings indicate that factors affecting the quality of the micro-economic business environment, i.e., the sophistication of enterprise's strategy and management processes, the quality of the human capital resources, the increase of product / service demand, the development of related and supporting sectors and the efficiency of natural resources, and competitive capacities of enterprise impact competitiveness at a micro-level. The outcomes suggest that the implementation of CSR elements, i.e., economic, environmental and social responsibilities, gives good opportunities to increase business competitiveness.

INTRODUCTION

The interest of science, politics, business and other areas representatives in corporate social responsibility (CSR) continues to grow and this goes on, in particular, for its impact on competitiveness and sustainable development. Corporate social responsibility has remained the subject of debate for decades. One of main issues of scientific literature is whether the implementation of CSR determines an increase of enterprises competitiveness (Carroll and Shabana, 2010). Many authors argue that competitiveness is one of the main reasons for CSR implementation, but the nature of CSR's impact on competitiveness is still uncertain.CSR critics argue that it is costly to work responsibly and it may adversely affect the enterprise's competitiveness. CSR supporters argue that the implementation of CSR can help the enterprise to create competitive advantages, to open opportunities for innovation, to reduce operating risks, to increase loyalty of consumers and workers, to improve relationships with stakeholders, to reduce operating costs and to improve company profitability. The debates on corporate social responsibility in terms of competitiveness particularly increased during the economic downturn, which occurred at the beginning of this century and is distinguished by a degraded business environment (Placier, 2011). The economic downturn of 2008-2010 presented new and unexpected challenges for enterprises seeking to remain in business. The economic recession adversely affected the financial situation of enterprises and productivity, employee motivation and loyalty. Not only the global economic and financial crisis, but also a crisis of business maturity decided an economic downturn. According to Hopkins (2008), the lack of responsibility led to financial turmoil and recession in most international markets. Business, like financial institutions, lost the confidence of the public. CSR development was affected by the loss of trust in business, financial institutions and Governments. Fluctuations in economic activity forced business to change traditional methods of organization and management, and to search for new tools, knowledge, resources and competences in order to strengthen its position and to ensure competitiveness of the enterprises. This has particularly intensified debates on corporate social responsibility in aspects of competitiveness not only between business people, but also between representatives of Government and science.

1. INVESTIGATION OF CORPORATE SOCIAL RESPONSIBILITY IMPACT ON COMPETITIVENESS

Corporate social responsibility and its impact on particular factors of competitiveness were usually investigated in scientific studies. The impact of CSR on the improvement of enterprise's strategy, management and business processes was emphasized by Asif et al. (2013), Cantrel et al. (2015), Hopkins et al. (2008), Molina-Azorin et al. (2015), Souto (2009), Woan et al. (2010). The influence of corporate social responsibility on the intensification of business-to-business relationship was explored by Du et al. (2010), Murphy et al. (2015), Sarkis et al. (2010), Souto (2009). The impact of CSR's individual elements on product/service demand was analysed by Arli and Lasmono (2010), Chen (2008), Flammer (2015), Foster et al. (2009), Gallego Alvarez et al. (2011), Jaakson et al. (2012), Manasakis et al. (2014), Marin et al. (2009), Molina-Azorin et al. (2015), Porter and Kramer (2006), Woan et al. (2010). The links between CSR and human capital resources were analysed by Du et al. (2010), Flammer (2015), Griffin and Prakash (2013), Kapoor and Sandhu (2010), Kim and Park (2011), Sarkis et al. (2010), Woan et al. (2010). The value of enterprises' socially responsible initiatives for natural resources saving was assessed by Chang (2011), Esau and Malone (2013), Heras-Saizarbitoria et al. (2016), Khojastehpour and Johns (2014).

With numerous quantities of scientific publications about the link between CSR and competitiveness, the corporate social responsibility impact on competitiveness of enterprises in an economic downturn is rarely examined. The importance of socially responsible initiatives implementation for enterprises' competitiveness in an economic downturn is highlighted Charitoudi et al. (2011), Ducassy (2013), Eisenegger and Schranz (2011), Flammer (2015), Gallego Alvarez et al. (2011), Hansen et al. (2011), Heras-Saizarbitoria et al. (2016), Hopkins (2008), Lauesen (2013), Manubens (2009), Miras et al. (2014), Navickas & Kontautiene (2013), Porter and Kramer (2006), Souto (2009).

With reference to some theoretical and empirical studies already carried out by different countries researchers, corporate social responsibility has a positive impact on micro-level competitiveness. Most of the research was performed during the period of economic upturn. Evaluations of CSR on competitiveness were mainly carried out at an abstract theoretical level, sometimes based on empirical data. The impact of CSR on micro-level competitiveness in an economic downturn is not thoroughly analysed enough. No one methodology has been designed that would help to determine the importance of the implementation of elements of CSR for particular competitiveness factors in an economic downturn and the impact of CSR implementation in enterprises on the indicators of its competitiveness in the period of recession.

2. COMPETITIVENESS FACTORS IN AN ECONOMIC DOWNTURN

Competitiveness is ordinarily perceived as the ability of economics subject to compete that should be realized in the daily activities. Competitiveness at micro-level usually refers to the ability of enterprise to compete in a given market on purpose to increase its market share, to gain access to international markets and to achieve sustainable growth and profitability performance. According to Porter (1998), Porter et al. (2007), competitiveness at micro-level is defined as the ability of the enterprises to be productive, i.e., to create valuable goods and services through the use of the effective methods. Competitiveness is an enterprise's ability to consistently fight over the long period of competition and is usually associated with the four basic characteristics: long-term orientation, controllability, relativity and dynamism.

Delgado et al. (2012) and Porter et al. (2007) pointed out that competitiveness at micro-level depends on the interaction of four major micro-economic business environment quality determinants groups, i.e. demand conditions, terms of factors, enterprise's strategy, structure and its competitors, related and supporting sectors. The general development of these factors creates fundamentals for the development of micro-economic welfare, enabling national enterprises to gain and maintain competitive advantages, useful for the countries in which they operate. According to Sauka (2014), competitiveness of enterprises is affected not only by the specific factors, but also by the combinations of such factors, which are more dependent from many other factors, like, for example, from the external environment, success, etc.

Economic downturn, according to Archibugi and Filippetti (2012), Hudson (2010), Pike et al. (2010), is the most inauspicious period for enterprises with intense storm in the markets, the decrease in production and sales, a decline in consumer demand, enforcement of financial institutions, retailer's bankruptcy and so on. In difficult times enterprises are trying to survive, rather than grow, by means of the already established competitive advantages, by adapting over time and sometimes even in an extreme way (Archibugi and Filippetti, 2012).

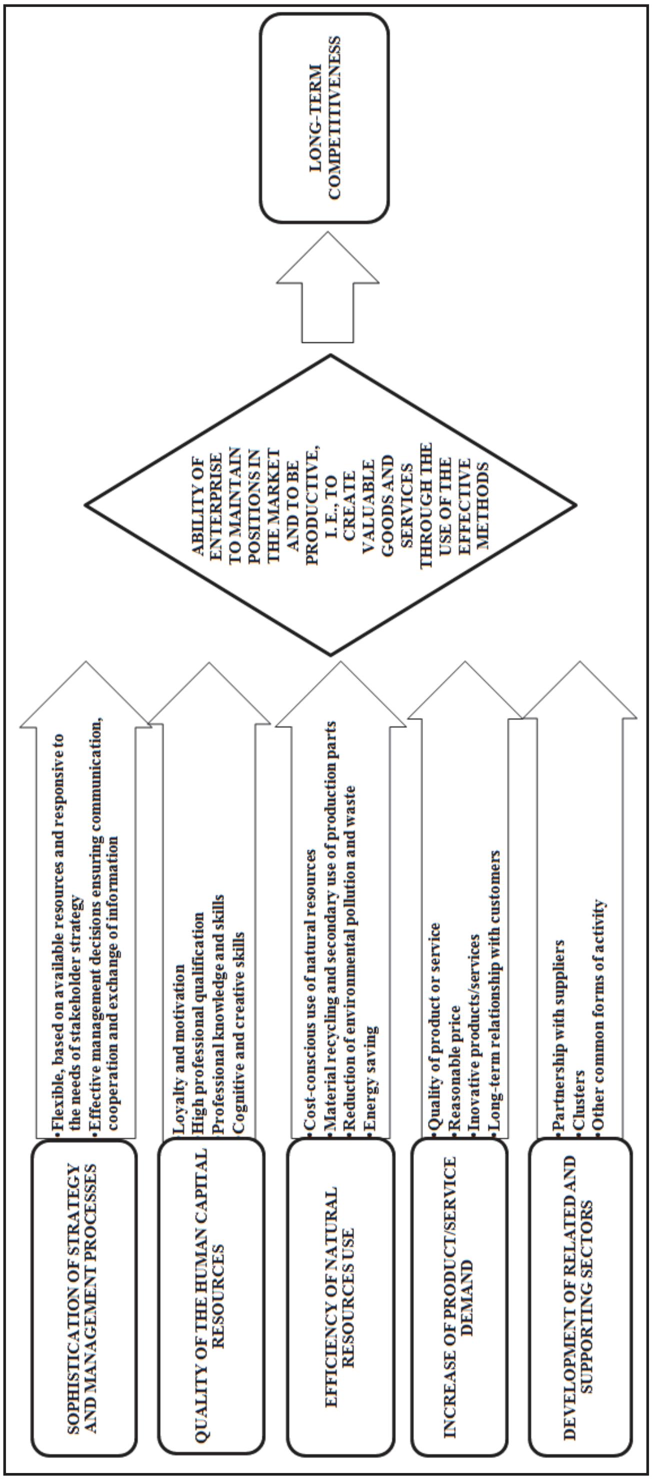
According Sullivan-Taylor and Branicki (2011) and Pall et al. (2014), the strategic and operational perspicacity, the readiness and the acquisition of knowledge are the other factors of successful reaction to environmental changes and turbulence. In order to survive in the competitive market, enterprises must develop their strategies and management, because the limitations in the management and business strategies showed up in economic downturn (Birchall, 2013; Whittington, 2013). The demand of almost all goods and services decreases on the decline of economics. In such an environment, according to Apaydin (2011), it is necessary to implement the appropriate strategies and actions in order to increase demand.

This is a difficult task because consumers are reluctant to allow the money in order to protect their personal budget (Apaydin, 2011). According to Mattsson (2009), during the period of economic stagnation the relations with suppliers are becoming none the less important as with consumers. The strong relationships with suppliers can help enterprises to survive the effects of the downturn. One of the main sources of enterprise competitiveness, according to Kahl and Hundt (2015) and Porter et al. (2007) remains the clusters, increasing the productivity of enterprises which constitute them.

Clusters play an important role for enterprises which constitute them within the process of creating competitive advantage, because the cluster (local or regional) resources have an impact on the value of the enterprise's internal resources (Jaime and Jean-Louis, 2013). In order to increase competitiveness, there is a need to balance the key corporate strategies and investments for efficiency increase of resources use looking for the synergies between existing environmental and quality programs (Delmas and Pekovic, 2015).

The efficiency of natural resource use, which comes through cost-conscious use of natural resources, material recycling and secondary use of production parts, reduction of environmental pollution and waste, energy saving, gives economic benefits represented with a decrease of the operating costs, increasing market share, growing sales and profits (Esty and Winston, 2009). According to Hallgren et al. (2011), the ability to adapt to the changed economic environment, flexibility, efficiency, quality, innovation and development are the essential competitive capacities of enterprises in the economic downturn.

Figure 1. Factors of long-term competitiveness increase



Competitiveness at a micro-level is a multidimensional phenomenon, but in all cases refers to the ability to compete in a given market and the productivity of which depends on created economic value, level of the remuneration for work and investment payoff. In summary, competitiveness at a micro-level in an economic downturn is defined as the ability of enterprise to maintain positions in the market and to be productive. On the basis of the carried out scientific literature analysis competitiveness at a micro-level depends on two major factors, i.e., factors affecting the quality of micro-economic business environment and competitive capacities of the enterprise.

Combinations of interaction of the sophistication of enterprise's strategy and management processes, the quality of the human capital resources, the increase of product/service demand, the development of related and supporting sectors and the efficiency of natural resources use as the factors affecting the micro-economic business environment (Delgado et al., 2012; Porter et al., 2007), and competitive capacities and resources of enterprise (Hallgren et al., 2011) are characterised as the factors of competitiveness at a micro-level increase in an economic downturn. An economic downturn is a period of economic (business) cycle that sooner or later comes to.

Competition remains an agent weighted business strategies during the deep business depression. During a period of economic downturn the major corporate objective is to maintain its market share and to remain productive in purpose to meet the period of economic growth in a higher position than competitors. Combinations of interaction of factors affecting the quality and competitive capacities of the enterprise, i.e., the sophistication of enterprise's strategy and management processes, the quality of the human capital resources, the increase of product/service demand, the development of related and supporting sectors and the efficiency of natural resources, are some of the factors necessary to ensure the long-term competitiveness at a micro-level (Figure 1)

3. INTERACTION OF CORPORATE SOCIAL RESPONSIBILITY ELEMENTS AND MICRO-LEVEL COMPETITIVENESS FACTORS IN AN ECONOMIC DOWNTURN

Many interrelated factors, i.e., political, economic, social, technological, environmental, legal, affect the business environment and the capacities of enterprises during an economic downturn. The change of these factors affects the environment in which companies operate herewith capacities of enterprises and their relationship with the stakeholders, i.e., competitiveness of enterprises. Eisenegger and Schranz (2011) pointed out that the CSR initiatives can be a resource with economic value during an economic downturn. Hopkins (2008) argued that CSR is a long-term tool and helps to overcome the challenges of an economic downturn better than traditional business measures if it used judiciously. First, CSR implementation is associated with reducing business risks, opportunities and key organisational values as guarantors of successful business. Flammer (2015) emphasized that corporate social responsibility can boost business competitiveness, for example, through more efficient use of materials and energy, an increase of employees' motivation, the availability of new market segments. An increasing competition, according to Flammer (2015), promotes the implementation of CSR as businesses seek to objectives of the triple bottom line, i.e., to meet the public expectations, to reduce or to eliminate any significant adverse effects to the natural environment without any financial damage for enterprise, in order to remain competitive.

Economic responsibility describes the means by which enterprises intend to maintain and strengthen their competitive position in the market, to increase sales and to solve challenges encountered in synergy with customers, suppliers, and shareholders. CSR is perceived as a mean of strategic enterprise management involving all interested parties, so it is needed in an economic downturn more than ever (Hopkins et al., 2008). The significance of strategic management increases in the period of economic crisis in particular because the environment dynamism significantly increases the insecurity about the future of enterprise. The introduction of socially responsible management standards not only supports to the implementation of organisational change processes, contributing to the improvement of the enterprise's strategy and management, but also encourages enterprises to intensify the implementation of corporate social responsibility. The introduction of standards as a strategic function is useful for enterprises that seek to justify the reliability of CSR. As Jaakson et al. (2012) pointed up that the realization of ISO and other management standards contribute to customer confidence leading to a larger number of orders. The customers' needs for the quality of the production are concerned not only with the product or service, but also with the enterprise that provides suggestions and responds to complaints. Customers prefer products manufactured in accordance with the criteria of socially responsible business (Arli and Lasmono, 2010).

Porter and Kramer (2006) argued that corporate social responsibility is a source of innovation. The promotion of responsible consumption as the option, by which the production of goods or supply of services and consumption based on the reduction of the adverse effects on the environment and the public, makes a positive impact on the efficiency of natural resources use. The integration of CSR principles and regulation to new products or services has required new knowledge and skills, capital investment and appropriate management decisions. The integration of CSR principles and regulation provisions to enterprise's activities has a positive impact on the gain of staff qualification and specific skills (Woan et al., 2010). CSR only indicates limits that should not be overstepped in order to make a profit. An implementation of CSR gives new opportunities to the increase of business competitiveness, particularly, if enterprises are prepared for changes and innovations herewith to contribute to the welfare of society and environment (Woan et al., 2010).

The implementation of environmental responsibility is associated with the increase of positive impact on environment or with the reduction of negative production impact (Griffin and Prakash, 2013). The realization of CSR environmental element requires a modification of technologies, products, processes and business models in purpose to avoid negative environmental impacts. According to Sarkis et al. (2010), enterprises have to get additional skills and abilities, because an implementation of environmental responsibility a constant improvement of activity. In purpose to overcome these challenges well trained, highly qualified and environmentally conscious employees are required for enterprises. A development and a supply of environmentally safe products, services or technologies have an impact on the increase of human capital resources quality, because it requires highly skilled, in possession of cognitive and creative skills labour. Highly skilled and environmentally conscious employees are more innovative for the increasing the efficiency of natural resources. Environmentally safe innovation can improve product design, quality and reliability. Such innovation provides the ability to supply goods and services at competitive prices. That fills the needs of customers, contributes to the improvement of life quality and to the reduction of damage to an environment. Environmental corporate initiatives affect an increase of natural resource use efficiency. Enterprises, developing eco-friendly products and environmental safe innovations, create an added value for both environment and public. That improves enterprises' image in the eyes of consumers and workers and increases their loyalty. The introduction of environment management system contributes to enterprise's management improvement and to natural resource efficiency increase as guaranteed the organized and coordinated environmental performance, the achievement of results at minimal cost, and establishes means of prevention of negative environmental impact. Enterprises, actively involved in environmental policies, have a favourable assessment of public and market participants, who influenced sale' increase (Molina-Azorin et al., 2015). The development of environmental responsibility initiatives helps to strengthen corporate reputation, to gain the confidence of stakeholders (Sarkis et al., 2010). That permits of the transactions between businesses and suppliers, business alliances with enterprises that are more experienced in environmental field and other groups of economic structure. Such forms of cooperation contribute to the increase of business efficiency, because it improves an accessibility of important company resources, i.e., financial, human, natural and capital, and reduces business risk. Strong environmental obligations of businesses create positive relationships with stakeholders herewith reduce the costs of relationship between stakeholders and customers management.

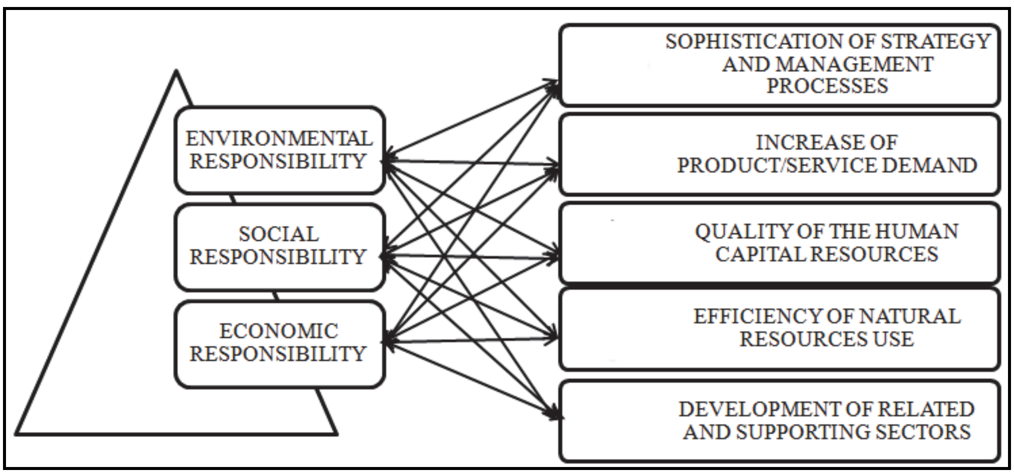
The implementation of social responsibility is associated with the security of mutual relations between an enterprise and its stakeholders, i.e., customers, employees, communities, owners, investors, Government, suppliers and competitors. Social element of CSR involves the investments to community, staff relations, employment creation and management and the improvement of business environment. That means that business practice is based on the principles of ethics, human rights, antidiscrimination and honesty in anticipation of same practice of suppliers and partners, i.e., secure and favourable conditions of work; the payment of taxes; active cooperation with the local community and non-governmental organizations. On the basis of resource-based view, enterprises that are capable of attracting and retaining a highly skilled and motivated staff should be competitive advantaged for companies that do not have such workers, because the quality of human capital resources is a strategic resource, which is hard imitable and replaceable. Socially responsible initiatives focused on the increase of economic, social and political opportunities for employees, which implementation are oriented to enhance the staff impact on business decisions, to increase wages and to improve working conditions, and so on. Such initiatives may be directed to the decision of specific employee problems or specific issues, i.e., women's representation, employee diversity, reputation increase, ethical and linguistic skills. Socially responsible initiatives, implemented in purpose to increase possibilities of internal stakeholders, to improve workplace and working conditions, are positively considered by the potential employees and other public members, and with the help of the media has a positive impact on corporate reputation (Griffin and Prakash, 2013). Du et al. (2010) on the basis of accomplished studies argued that enterprises, that practise social responsibility activities, attract the best qualified employees. The enterprise's socially responsible activity is associated with employer attractiveness and that impact on employees, with the opportunity to choose the employer, decision to employ in the enterprise. Future workers are especially interested in socially responsible business initiatives such as training in the workplace, participation in business decision-making, dialogue opportunity with an employer, capacity building opportunities in enterprise, which impact the gain of high professional qualification, job-specific skills and the experience. That was emphasized by Kim and Park (2011) on the basis of the investigation, the results of which showed that young people understand CSR as an important criterion in choosing an employer. The active implementation of socially responsible initiatives in regard to the staff can help attract, motivate and maintain talented employees in the industry, and directly contribute to business competitiveness (Flammer, 2015). CSR is a method used by many organisations for the indirect communication with the public about specific companies and their products and/or services. In order to remain competitive enterprises must ensure the value of product or service in costumer eyes. Costumers require not only high-quality products, but also hope that their production and supply meet in socially responsible manner. They prefer the products manufactured in accordance with the criteria of social responsibility, i.e., with respect for human rights, anti-discrimination and ethical behaviour in the workplace, favourable working conditions and guarantee for social security, transparency and accountability (Kapoor and Sandhu, 2010). Foster et al. (2009) stressed that despite the existence of criticism in respect of CSR, an implementation of social responsibility strengthens the brand, image and reputation of an enterprise. Marin et al. (2009) established that social responsibility initiatives have an impact on customers' behaviour in several ways. The implementation of CSR initiatives in the production and service offering increases socially conscious customers' willingness to buy. That has an impact on the growth of such product demand. A socially responsible enterprise is perceived as a good business partner. Enterprises operate by following the principles of ethics, human rights and antidiscrimination, appreciating employees, responsible paying taxes and in cooperation with academic institutions and local community and encourage your business partners to do so. Generally accepted values and a responsible approach encourage the development of socially responsible business alliances and other forms of cooperation (Murphy et al, 2015). The satisfaction of the main stakeholders' needs required the effective changes of policies and management. The implementation of socially responsible principles with regard to employees and other stakeholders has an influence on the improving of business strategy and management (Cantrel et al., 2015, Souto, 2009).

For competitiveness increase, according to Bhawsar and Chattopadhyay (2015), social and environmental aspects are becoming increasingly important, not only economic. In order to remain competitive enterprises must ensure the freedom of decision-making and equal opportunities for their staff and partners, and the efficient use of physical capital and natural resources (Bhawsar and Chattopadhyay, 2015). According to Kambil (2008), Kitching et al. (2009) and Quelch and Jocz (2009), cogitative about their future and aimed at the long-term objectives businesses see an economic downturn as an opportunity to increase their competitiveness and to consolidate positions for good economic times. The implementation of corporate social responsibility, according to Hopkins (2008) and Souto (2009); is not just business opportunity to overcome the challenges of an economic downturn, but also a potential to improve the microeconomic environment and competitive capacities.

In summary, it could be stated that the implementation of CSR elements, i.e., environmental, economic and social responsibilities, has an impact on the sophistication of enterprise's strategy and management processes, the quality of human capital resources, the increase of product/ service demand, the development of related and supporting sectors and the efficiency of natural resources use. A positive impact on the factors, which affect the long-term competitiveness at a micro-level, leads to more active implementation of corporate social responsibility elements (Figure 2).

The true corporate values and activity's principles particularly show up in economic downturn. One of the main reasons of the last recession was socially irresponsible business practice, when the focus was concentrated not on the socially responsible profit making, but on the speculation in the market. The implementation of corporate social responsibility elements helps businesses to achieve long-term strategic objectives, i.e., social and economic benefits and the reduction of impact on environment, gives the opportunity to meet different stakeholders' needs and has a positive impact on the long-term competitiveness.

Figure 2. The interaction of CSR elements and factors of competitiveness at a micro-level



CONCLUSIONS

Corporate social responsibility, like competitiveness at a micro-level, is a multifaceted phenomenon. Still is not generally accepted definition of corporate social responsibility. Corporate social responsibility remains an evolving and differently interpreted concept. Generally, the realization of corporate social responsibility is associated with the development of triple bottom line, i.e., perceived as a combination of three elements: economic, social and environmental responsibilities. Competitiveness at a micro-level as usually refers to the productivity and the ability to remain and/or increase the market share also is diversely defined by the representatives of the different scientific fields. Competitiveness is a relative, complicated and changeable due to the time, place and conditions concept. There is no generally accepted and universal method for CSR as a competitiveness factor evaluation. Taking into account the complexity of the scientific research object and the analysed problem evaluation of CSR as a competitiveness factor should be carried out on two levels: theoretical and empirical.

Competitiveness at a micro-level as usually refers to the productivity and the ability to remain and/or increase the market share also is diversely defined by the representatives of the different scientific fields. Competitiveness is a relative, complicated and changeable due to the time, place and conditions concept. Combinations of interaction of factors affecting the quality and the competitive capacities of the enterprise, i.e., the sophistication of enterprise's strategy and management processes, the quality of the human capital resources, the increase of product/service demand, the development of related and supporting sectors and the efficiency of natural resources, are some of the factors necessary to ensure the long-term competitiveness at a micro-level.

The implementation of corporate social responsibility is not only a business opportunity to overcome the challenges of economic downturn but also to increase its competitiveness by reducing business costs, improving management, enhancing the potential of demand and securing better supply conditions. Economic responsibility is a mean by which an enterprise intends to maintain and strengthen its competitive position in the market, to increase sales and to counter challenges encountered in synergy with customers, suppliers, shareholders. The realization of environmental CSR elements require a modification of technologies, products, processes and business models in order to avoid a negative impact on the natural environment. The implementation of corporate social responsibility is associated with mutual relationships between the enterprise and its stakeholders, with investments in improving the quality of human capital resources, with a positive impact on customer satisfaction, suggestions for increasing demands on production and for enlarging the enterprise's market share. CSR is not only a business opportunity, but also a tool for increasing an enterprise's capacity to maintain its market share and to remain productive in an economic downturn, and for making certain of a higher position than its competitors in the period of an economic upturn.

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