The integration of corporate social responsibility into the strategy of technology-intensive firms: a case study[*]

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Abstract

This paper presents a new perspective which calls for an integration of ethics and corporate social responsibility (CSR) into the company strategy as a source of competitive advantages. The research question we pose is how a company can successfully carry out this integration of CSR into its strategic management, for which a model that includes three stages – introduction, implementation and generalization of CSR – is presented. Based on an exploratory case study within a Spanish technology-intensive firm (Indra), we show the way this company has developed and implemented an explicit plan for the integration of ethical values and CSR initiatives into its corporate and business strategies. Although this company has established its own methodology in order to develop and implement CSR plans, it fits in essence to our three-stage model of CSR integration. In general, our analyses show a beneficial impact of the development and implementation of CSR plan for this technology-intensive company. In particular,

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it seems that the CSR plan enables companies to improve its' internal and external (competitive) context through a better exploration and exploitation of knowledge, its stable relationships with stakeholders and the development and improvement of intangible resources such as reputation or social capital. It is also shown that there are important factors to consider in order this process can successfully carried out, such as organizational culture, human resource practices or knowledge management systems. Future research will need to engage in larger-scale confirmatory as well as longitudinal studies of the impact of CSR implementation for company performance.

Key words*: Corporate Social Responsibility, strategy, case study, Indra, Spain.*

JEL classification: *M1*

1. Introduction

While interest in Corporate Social Responsibility (CSR) has historically received a large amount of attention in the business administration field, the discussion around this issue is nowadays gathering an exceptional significance, both in the academic community as well as among the practitioners. Specifically, the strategic management literature opens the question whether CSR may be a source of a competitive advantage by differentiating products, processes or the firm itself from its competitors (McWilliams and Siegel, 2001). Similarly, Porter and Kramer (2002) point to the option that to taking into account CSR in corporate and business strategies might be a way to outperform rival companies.

In addition, the concerns and objectives of the *stakeholders* are important aspects to consider, in order to integrate CSR into business operations and activities of a company. As Norris and O'Dwyer (2004: 174) assert, a new paradigm for business is emerging, which accentuates firms' responsibilities to several stakeholders in addition to the oft revered shareholder (e.g., Freeman, 1984; Clarkson, 1995; Donaldson and Preston, 1995; Mitchell, Agle and Wood, 1997; Friedman and Miles, 2002). Furthermore, the way the company applies their ethical principles and values to its activities and how these are diffused and transfer thorough the organizational network affects the relationships with all them - shareholders and other investors, customers, suppliers, employees, or the wider community.

Overall, the application of CSR can lead to social benefits and legitimacy[4] for the firm, since it can consider itself as a coalition in which the different stakeholders participate to gain their own benefit (Freeman, 1984). Owing to this, managers progressively renounce the idea that CSR distracts them from their main objectives.

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[4] Legitimacy can be understood as the social justice through which an action is publicly validated; this is to say that it is recognised that the firm possesses a distinctive competence to provide a product or a service (Perrow, 1961). This is not an end in itself, but it can become a strategic resource with an important economic and competitive potential for the company (Dacin, Oliver and Roy, 2007).

Furthermore, they assume CSR as an essential part of the company's strategy. In doing so, they introduce organisational changes to promote its development and integration in business activities and processes (Donaldson and Preston, 1995). The problem is that although recognition on the necessity to consider CSR as a fundamental part of the firm's strategic activities exists, there is still a lack of models or frameworks that show the way CSR can be integrated in business and corporate strategies on a permanent basis.

Therefore the integration of CSR into the firm strategy will be discussed, putting forward a preliminary model through which firms could make this integration possible to accomplish. This integration draws organizational problems concerning culture, leadership, structure or the way that knowledge management can support CSR practices in order they to be highly effective for the firm. To illustrate this issue, a case study of a Spanish technology-intensive company – Indra – will be shown. Besides the fact that technology is at the core of its business model, this company is trying to integrate several ethical and CSR initiatives into its corporate and business strategies with the aim of becoming a more innovative and responsible enterprise. It aims to meet its' stakeholders needs and expectations, using a structured plan that seeks to establish concrete objectives, actions and assessments which permit it to follow the advances and problems that arise in this process. The model used by this company to make this plan possible to carry out is based on four main stages: the establishment of CSR vision, diagnosis of CSR problems, CSR development plan, and CSR communication plan.

Consequently, we aim to analyse the approach used by this company in order to connect CSR initiatives with firm's strategies, based on the idea that CSR integration into strategy will lead the company to competitive advantages via the development of intangible assets such as firm's reputation, legitimacy and social capital regarding stakeholders. Therefore, research question we ask is how a company could successfully implement an integration of CSR into its strategy and how the organization can put in practice this process having in mind certain important factors to facilitate or, on the contrary, put at risk the success of this integration process.

An in-depth case study was used as qualitative research methodology in order to analyse exploratory questions (Yin, 1994). Qualitative primary data was collected through semi-structured interviews with corporate managers. We also collected secondary data from other company's documents such as internal reports, the company's website and other relevant information from financial and economic press.

The structure of this paper is as follows. First, we analyse the integration of CSR in the business management of a firm with the aim of establishing an overview of this issue. Second, we conduct the case study of the integration of CSR in Indra's strategies. Finally, we conclude with some reflections and lessons extracted from the

qualitative analysis, which show how the integration of ethics and CSR in business management could be an opportunity of generating and sustaining the competitive advantage of the firm.

2. Integration of Corporate Social Responsibility in business management

From a strategic viewpoint and following Godfrey and Hatch (2007), literature regarding CSR can be divided into two branches: (1) the ethical or moral orientation, and (2) the business orientation. In its extreme form, the first approach suggests that CSR is an act of reciprocity between the firm and its stakeholders (based on the company's obligation towards them). As such, this morally oriented approach is manifest, for example, in stakeholder theory.

In relation to the stakeholder approach, the selection of a CSR initiative depends on the way the stakeholders perceive the problem and the need to resolve it, and on a decision process which is based on a complex network of relationships among internally and externally affected groups (Mitchell et al., 1997). Thus, some questions with potentially different answers, such as establishing which stakeholders the firm creates value added for or what benefits stakeholders are going to receive, are raised. However, certain limitations exist, which organisations must not exceed, in relation to dignity and human rights, work conditions or environmental respect (Werhane, 2008: 471).

On the contrary, the economic (business) approach suggests a positive relationship between CSR practices and financial performance. Clearly this second perspective provides a strategic anchor for CSR that can be rationally linked into and form a part of company business strategy (Sharp and Zaitman, 2010). In this view, CSR activities should be compatible with the objective of profit maximization, thus contributing to obtaining the best long term economic performance (McWilliams, Siegel and Wright, 2006).

Irrespective of one or another approach, both perspectives (ethical and economical) give a rationale for the firm to integrate CSR into corporate and business strategy. Sharp and Zaitman (2010) call this process "strategization of CSR", which from a "strategy as practice" approach (Whittington, 2006) it is an attempt to explain the process by which CSR is strategized in an organization (i.e., the process by which a strategy is integrated into organizational behavior and culture).

From this starting point, the question to deal with makes reference to the way the company will carry out the *strategization* of CSR (Sharp and Zaitman, 2010). In other words, how to institutionalize CSR in the firm, in line with its strategic objectives

and internal characteristics. Although strategy can be viewed from a content or process viewpoint (Whittington, 2006), we consider aspects from both perspectives. Thus we take into consideration that institutionalization of CSR in firm management implies the intended approach based on the elaboration of formal plans and also the emergent approach, which implies the consideration of factors that affect the way CSR plan is implemented and put in practice, such as knowledge management systems, culture, leadership or human resource practices.

In our view, the integration of CSR into firm strategy could be established through the development of the following stages:

(1) *Introduction*. In this stage, the fundamental issue is the transmission of ethical principles and their integration into the culture which is shared by the organisational members. This is not easy to accomplish, owing to the firm has to take into account its strategic objectives which are influenced by the stakeholders' needs, power and legitimacy (Mitchell, Agle and Wood, 1997) and the managers' ethical posture. From this starting point, formal plans are elaborated in order to attain concrete goals. Also, an effective communication plan is necessary to develop in order the employees and other stakeholders have a clear perception that CSR is an aspect of strategic importance for the company.

(2) *Implementation of the CSR plan*. In this stage certain factors come into play when CSR formal plans are implemented, which are mainly related to HR practices, capabilities development and certain changes in order to adapt the organisational structure to the new situation, for which knowledge management systems and organizational culture are essential aspects.

(3) *Generalization* of CSR. This is as an essential part of the CSR integration into the company strategy. This is only possible to achieve if the previous stages have been successfully overcome, and it implies a global change for the company, since CSR will be incorporated into firm's culture, mission and values. This third stage is completed with reports in order to measure advances in CSR and benefits for the stakeholders.

Figure 1: Process of CSR integration into strategic management
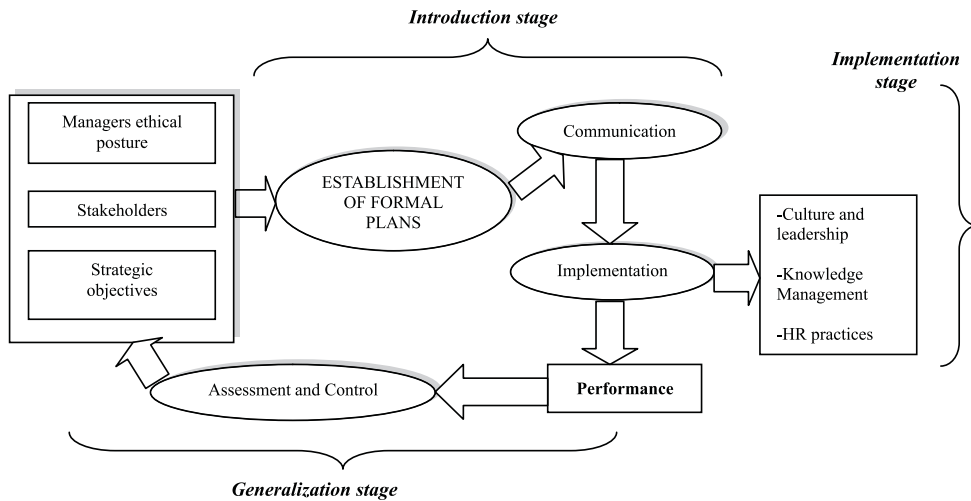
Source: Authors

Following the three stages previously pointed out, Figure 1 shows that formal CSR plans are established from the ethical posture of managers, the influence and power of the stakeholders and the organisational strategic objectives. The next step corresponds to the communication of these initiatives and objectives to the stakeholders implicated and those affected by their consequences. In this point, to decide the message to transmit and its unification with the different strategic initiatives is of special importance, as the communicated information has an important influence in the legitimacy and reputation of the firm. Thus, several documents are drawn up to communicate the initiatives and later on, achievements are also communicated in relation to all these aspects. Next, these actions are implemented resulting in outcomes in environmental, economic and social ambits. These results have to be assessed in order to justify the benefits (and costs) of the initiatives. The assessment must be based on criteria related not only to financial or economic performance, but also respecting generated and/or improved intangible resources, such as trust or reputation (Surroca, Ribó and Waddock, 2010). These assessments can be made through audits, or other measurement indexes which are developed by independent institutions[5]. In this process, establishing who (or whom) is going to be the main person (or group of people) responsible for managing it is needed.

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[5] These institutions, such as the Global Reporting Initiative (GRI), are endeavouring to unify and homogenise indicators in order to create a group of CSR and ethical measures which can be universally adopted.

Moreover, the process shown in figure 1 is a dynamic and cyclical process. Due to changes in strategic objectives caused by CSR generalization, stakeholders' needs and their influence in corporate strategy may alter as well (Mitchell et al., 1997). Also values, attitudes and priorities which shape the ethical posture of managers evolve as a function of their experience and environmental changes, even if these are maintained within certain limits. Thus, an ongoing learning process is carried out, in which new knowledge is developed (Vera and Crossan, 2003), and this process should help future decisions to be efficient, from economic and ethical points of view (Argandoña, 2008). On the other hand, learning is a key matter for organisational survival and performance (March, 1991). Due to the ethical values guide the behaviour of employees and managers, we can appreciate that they are conditioned in what they learn, which is of great importance for company performance and results.

In this framework, a main point is determined by the implementation of CSR plans on aspects such as KM systems, organizational culture, leadership or human resources (HR) practices. In general all these factors could be considered as propellants or, on the contrary, as barriers to the CSR implementation if they do not fit among them or are not aligned to the main company objectives and plans.

In general terms, culture can be understood as a set of rules, values and beliefs that are shared by a firm's members and which influences their behaviors, along with the configuration of the firm's image and identity in relation to its environment (Schein, 1985). This concept has been linked to implicit aspects, sometimes of an abstract nature, such as ideologies, beliefs, basic assumptions of behavior or shared values, although other more observable and explicit elements such as rules and organizational practices, symbols, language, rituals, myths and ceremonies have also been included as being related to culture (Alavi et al., 2005: 194). As beliefs and shared values are at the core of organizational culture, it will act as a propellant, or instead as a barrier, in relation to CSR plans implementation. If culture is rightly aligned to CSR, it will be likely that these kinds of initiatives can be accepted and institutionalized better than if they are not. Should this alignment happen, it is also very important that a clear leadership exists in order to push employees towards goals achievement, among which those of the stakeholders are included (Maak, 2007). On the other hand, culture will be affected by changes that CSR practices (among which ethical behaviors are included) introduce in the company. As Sims (2000: 65) asserts, an accepted fact is that an organization's culture socializes people (Schein, 1985) and that ethics (and a responsible behavior in relation to stakeholders) is an integral part of the organization's culture. Therefore, organization's culture will affect the way CSR is implemented in the company and will be affected by ethical and CSR practices.

HR management is another important implementation aspect. It facilitates the implementation of CSR can by providing the employees with the willingness, training and motivation that are necessary to apply CSR actions and initiatives, which it in

turn allows the firm to attain its strategic goals and objectives (Waring and Lewer, 2004). In doing so, HR practices are an important propellant for CSR along with other organizational artifacts such as culture or technical systems (Kraft and Hage, 1990). Among these HR practices we can stand out, for example, the promotion of learning and professional development through training, incentives, or ethical initiatives such as non-discrimination (gender) programs and labour conciliation.

Finally, KM systems allow the firm to disseminate knowledge about CSR initiatives in an effectively manner through the use of Information Technology (IT) tools and other KM practices such as knowledge transfer, storage or application (Alavi and Leidner, 2001). Moreover, knowledge on the stakeholders' needs and preferences is disseminated and ideas and new solutions can be developed through socialization, internalization, externalization and combination processes (Nonaka and Takeuchi, 1995). In order to make these processes easier to develop the existence of common "environments" is an essential aspect for the organization since it allows company members to share experiences, information and ideas (Nonaka and Konno, 1998).

3. Case study: Indra

As it was previously pointed out, ethics and CSR are both questions which have become of great significance for business management within the corporate milieu as well as in an institutional and the academic sense. As a result of this, the most competitive firms around the world have been developing a number of initiatives for applying ethical and CSR principles and values to their decisions over the last few years. Spanish companies are no exception and they are endeavouring to apply CSR initiatives. In general terms, 50% of firms included in the IBEX-35 index (the main Spanish share stock exchange index) provide a CSR Report and, as the EIU (2005) report points out, 25% of firms included in the Global Fortune 500 develop this kind of report too, with the main objective of highlighting their best practices in relation to economic, environmental and social aspects.

In order to analyse CSR integration into the firm's strategy we conducted an exploratory case study of a Spanish technology-intensive company, Indra. This technology-intensive firm has developed a specific plan to integrate ethical values and CSR into its corporate and business activities and seems also successful as a result of such positive engagement with their stakeholders and business context. Our methodological framework consists of qualitative primary data collection (using semi-structured interviews with two corporate managers). Primarily we used open questions in order to encourage the manager to converse freely (Maykut and Morehouse, 1994). We also collected secondary data from other company's documents such as internal reports, company's website and other relevant information from financial and economic press.

3.1. Indra: Corporate Social Responsibility and innovation

Indra is a corporation which is a leader in Information Technology (IT) development in Spain and it holds a strong competitive position in Latin America and Europe. Its path of growth clearly responds to a related diversification through knowledge on IT and developments in this area. In 2008, Indra achieved around about € 2,380 million in sales[6] and €182 million in net profit, had close to 24,806 employees[7], and developed projects in more than 100 countries. Shareholders structure is the following: Caja Madrid (20%); Corporación Financiera Alba (10%); Caja Grande de Cartagena (5.68%); Cajastur (5%); Gas Natural (5%); and free-float (54.31%).

Having in mind that the Spanish economy is not a technology-advanced one in comparison to other industrialised countries in Europe such as Germany or France, the importance of counting on a knowledge-intensive multinational company is a valuable aspect for the future development of the Spanish Economy, which should change its growth pattern –over the last decade it has basically been based on the construction and tourism sectors– in order to overcome those problems that the world crisis has aggravated (e.g., a raise in unemployment rate and a drop in demand). In 2008, Indra invested €152 million in R&D, which represents a 6.4% on the total sales income of the company[8]. This figure is much above average of R&D investments of a 'typical' Spanish company, which has accounted for 1.35% in the same year.

Indra develops solutions and high value-added services for industries such as Security and Defence, Traffic and Transport, Energy, Financial Services, Health and Public Administration, Telecom and Media. Overall, the IT industry, which Indra is part of, has made advances in important organisational themes as compared to other industries, such as the prominence of horizontal structures and self-managed work teams. At the same time, knowledge creation, upon which the process of continuous innovation in the company is based on, is a fundamental requirement to attain competitive advantages in the market. For Indra, these aspects are all considered as strategic and so form part of its business model, in which innovation stands out as the main objective. On this basis, the way to the implementation of a social responsibility plan has been carried out. The following subsection shows how this fact has reinforced Indra's strategic objectives attainment.

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[6] Following the National Statistics Institute (INE), this represents a 0.21% over the total GDP figure in Spain, which was about €1,088,502 million in 2008.

[7] This represents a 0.13% over the total of the Spanish employment figure (18,971,400 people).
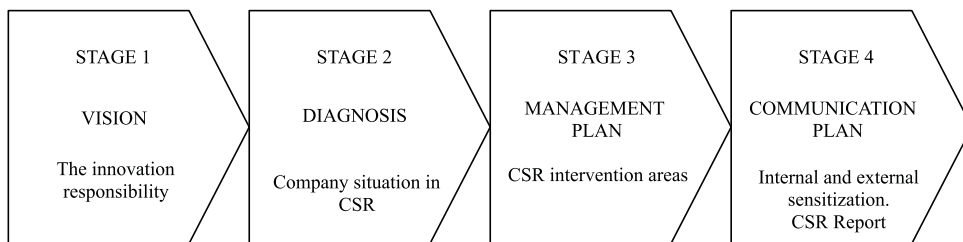
[8] Indra Annual Report (2008).

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Table 1: Indra factsheet

- mln EUR

Financial categories and employees / Year	2006	2007	2008	Average rate of growth (%) 2007-2008
Equity	372.1	738.5	823.6	48.7
Sales incomes	1,406.8	2,167.6	2,379.6	30.0
Net profit	114.0	148.0	182.0	26.5
Number of Employees	14,478	23,482	24,806	30.8

Source: 2008 Indra Annual Report (2009)

3.1.1. Corporative Social Responsibility implementation in Indra

The implementation of a social responsibility model entails changes in the organisational strategy. This implies counting on strategic and organisational factors which will form part of this change. They must be related to one another and evolve in a coherent manner. In addition to this, the implementation of a social responsibility model, which evolves through four stages, was planned by Indra (Figure 2).

Figure 2. CSR implementation stages in Indra

| STAGE 1 VISION The innovation responsibility | STAGE 2 DIAGNOSIS Company situation in CSR | STAGE 3 MANAGEMENT PLAN CSR intervention areas | STAGE 4 COMMUNICATION PLAN Internal and external sensitization. CSR Report |

Source: Adapted from Indra Annual Reports (2006; 2007; 2008; 2009)

From the study of the Annual and CSR Reports of the company, we consider that the development of each stage has been carried out through a series of activities.

• *Stage 1: Vision*

From the moment of the conception of corporate responsibility – which is what CSR should be – Indra has prepared its own vision of the way managers consider what its application in the company means (Indra Annual Reports, 2007; 2008):

"*To be an innovative and knowledge intensive company in our relationships with internal and external groups (shareholders, employees, customers, etc.) and with other institutions which cultivate and develop knowledge, and communities in which we operate*".

Indra describes Corporative Responsibility as "…*the honest behaviour of the firm in relation to all groups with which it operates, in line with an idea of sustainable profit. This should be understood in a three-fold way: economic, social and environmental*" (Indra Annual Reports, 2006; 2007; 2008).

In this definition, the elements that the firm considers as essential in its CSR are: innovation, knowledge, ethical values and corporate responsibility. Thus, Indra maintains that its main CSR objective is its consolidation as an innovative and knowledge intensive company which offers value to all groups interested: shareholders, employees, communities in which it develops its activities, customers, suppliers, and society, in general terms. According to this vision, Indra's established values are: customer satisfaction, excellence, human capital development, integrity, innovation and profitability.

• *Stage 2: Diagnosis*

From the corporate mission and its recognized values, an array of CSR initiatives was established. However, to do this, it was necessary to make a previous diagnosis on the corporate situation in relation to Indra's different stakeholders.

This diagnosis was made through interviews with top and middle managers, and Union representatives. Also, discussion groups with employees[9] were created, using several documents regarding data on customers, suppliers, firm partners, and information from financial markets. Jointly, all this information was used to establish the diagnosis of Indra's situation in relation to CSR, which was reflected in the *Corporate Social Responsibility Report*. This document is made up of two main components: (1) Indra's stakeholder map, and (2) CSR objectives of Indra's performance regarding these groups. The former involves shareholders, employees, customers, suppliers, knowledge institutions, local communities, and environment. And the latter has to do with (a) relationships framework (with these groups), and (b) to be an innovative company (in relation to these groups).

Counting on this methodology, the company tries to attain knowledge of high strategic value with the aim of achieving a number of innovations, because it establishes who its main stakeholders are and their necessities, motivations and aspirations. From all of this, it selects priority areas of CSR management, those that could be

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[9] The company calls them 'focus groups', and up to 40 employees participate in each.

improved upon and those in which it could reach a leadership position because of the application of its knowledge base (for example, satisfying new customers' needs).

- *Stage 3: The Management Plan*

Knowledge obtained from the diagnosis stage allows them to establish a *Corporate Responsibility Management Plan*, which is used as the axis to develop all the activities that have been pointed out. This is a document in which the advances of the firm in knowledge management and corporative responsibility is planned, in relation to three variables: relationships with stakeholders, knowledge management – especially the exchange with external groups –, and innovations obtained from these relationships.

This plan includes some objectives which try to ensure that CSR becomes an important strength for the company (Indra, 2007): (1) to promote a responsible culture among all the groups, and especially employees, with the aim that they get involved in social responsibility initiatives; (2) to create an adequate framework to transform CSR into a development engine for innovation and knowledge and aligning it with the strategic objectives of the company; (3) to develop the CSR Report following the Global Reporting Initiative (GRI) directives, trying to ensure that it becomes a sustainability report, soliciting an external evaluation from an independent institution.

The development of this plan permits the assessment of current activities with stakeholders, along with the establishment of standards to reinforce these relationships, the improvement of indicators of the attained objectives, the period's fulfilment, the performance of individuals in charge and the assumed economic and social risks.

These objectives are followed up by classifying them into specific documents according to the main stakeholders, which detail the person(s) in charge to manage them, actions to be developed, and indicators to assess the fulfilment of each one.

- *Stage 4: Communication Plan*

With this plan, the company tries to disseminate all the social responsibility activities and the achievements which have been obtained. The fact that all groups are aware of these aspects contributes to their active implication in them and helps to promote the responsible culture of the company and reinforces its image as a firm committed to all the stakeholders' interests. Among the initiatives carried out with this aim in mind, the following stand out (Indra Annual Report, 2009): (1) CSR reports for 2005, 2006, 2007 and 2008; (2) detailed information on the company's web; (3) articles in different general and specialized publications and conferences in several congresses and forums; and (4) interviews, conferences, meetings, presentations and

making contacts with some important institutions in the ambit of ethics and social responsibility.

3.1.2. Specific actions of CSR in Indra

Basically extracted from the Indra Annual and CSR Reports and interviews with managers, we explain detailed CSR objectives and actions developed for each of the Indra's stakeholder groups: customers, suppliers, employees, shareholders and community.

• *Customers*

For Indra, knowledge exchange with customers to develop *ad-hoc* solutions is essential. In doing so, Indra selects those customers that it considers as highly innovative and with great growth potential, for which the development of trust (based on cooperation agreements) is critical. Thus, Indra establishes strategic alliances to share knowledge that is needed to develop products and solutions adapted to customers needs, developed from Indra's own technologies and solutions.

With this group, the company is carrying out other KM initiatives, such as the *commercial observatory* or the creation of some *extranets* in which information and data are exchanged with them. Thus, it fulfils a two-fold aim: it improves its knowledge on needs and expectations of this group, and intensifies the relationships through the existence of fluid communication and links.

• *Suppliers*

In relation to suppliers, the company maintains stable agreements for the development of certain technologies, the results of which reverberate in aspects such as training and performance assessment. One of the initiatives carried out is the *survey of suppliers*, through which it obtains valuable knowledge that allows it to improve its own supply management. In relation to this, one of the immediate objectives of the firm's corporate responsibility is the improvement of this survey to enhance communication with this group.

• *Employees*

In relation to employees, Indra has implemented an *Employees Code of Conduct* to try to instil the main principles of its culture, concerning ethics and knowledge generation and transfer. In doing so, it promotes and spreads training, the creation of trust and development of talent. The key objective is that employees are motivated using incentives such as their participation in work teams, and that through such initiatives they are stimulated into making worthy contributions.

Thus, Indra counts on a "Performance Assessment and Internal Search for Talent" program, which it applies twice a year. It contains three main activities: the General Development Plan, which is used to manage employees' talent; the investment in actions to identify employees' potential; and plans to identify successors in critical working places. This allows Indra to establish remuneration systems by results and to reward employees with the highest potential, on a contribution basis in relation to the different KM activities. Also, small work groups are established in which the transfer of tacit knowledge is promoted.

On the other hand, the employees' selection policy and individual evaluation system are very rigorous, in order to assure a high qualification level and better professional development careers, avoid overstaffing and maintain a high flexibility level. With the same objective, Indra often subcontracts the manufacturing of some products and services to small-sized companies, and sometimes employees from these are contracted by Indra on a talent and professional potential basis.

In the next few years, more ambitious goals regarding social responsibility will be raised in relation to employees, such as diversity policies, labour insertion actions for the disabled, the "Equilibra" program which tries to conciliate the employees private and working life, the promotion of actions which favour flexibility such as tele-work, and the development of an equality plan. Moreover, some actions are being implemented to promote the active participation in KM, such as discussion forums.

• *Shareholders*

In relation to shareholders, Indra tries to protect their interest in corporate government decisions. Thus, Indra has promoted information transparency and the implementation of best practices of corporate government, which are included in the Olivencia Code, the Aldama Report and the Conthe Code[10].

Nowadays, the company is endeavouring to develop forms to try to improve the information that shareholders receive. Moreover, Indra is considering the possibility of entering in some sustainability indexes, which would reinforce its image as responsible company and would facilitate the obtaining of funds for the company.

• *Communities: Social Action Plan*

Indra's initiatives to improve its relationships with knowledge institutions and local communities are included in the social action plan. One of the more important actions in this Plan was the creation of a network of special employment and development centres in 2004. These are located in different places, sometimes far from big

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[10] These are reports on good corporate government practices in Spain. Indra has been awarded the prize for being the best company included in the IBEX 35 index in relation to practices in Corporate Government and information transparency (FEF and Recoletos prizes).

industrial areas but near to universities or training centres where the company trains and employs highly qualified personnel. In the next few years, Indra intends to increase the number of these centres.

In relation to knowledge institutions, actions are oriented towards diffusing knowledge and innovation. Thus, the social responsibility programs and its collaboration with nearly 40 universities and research centres stand out with the aim of jointly developing projects to share and diffuse knowledge.

Indra also includes – as a part of the Social Action Plan – stable working relationships with non-lucrative institutions, with the aim of creating shared value between the company and the community. As a result, Indra does not limit itself to donating funds or carrying out marketing activities but instead offers them equipment and expertise on a permanent basis. Moreover, Indra considers some of these entities as *knowledge partners*[11], because they are experts who contribute with external knowledge on highly diverse but relevant aspects for its strategy such as market tendencies, environmental themes, legal frameworks or the needs of the disabled. In doing so, relationships are generated which benefit the company because they allow Indra to gain access to key knowledge about the environment. Partners also benefit because they can count on knowledge and company resources to improve the living conditions of individuals so that they can be fully integrated into society. All current and future initiatives on social responsibility are included in the Management Plan.

In relation to the initiatives included in Table 2, which were extracted from Indra's Management Plan, two aspects stand out as being remarkable because they clearly show Indra's evolution in this matter. The first one refers to the establishment of objectives. Thus, in the two years period from 2005 to 2007, the objectives were sometimes unspecific, establishing declarations of intention (e.g., relationships improvements). Later on, however, they are addressed (*future initiatives*) in a much more specific way (surveys, agreements, environmental certifications, etc.).

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[11] Some of these partners are CEFAES, Integra and the Realiza Foundation (at Spain). The most recent agreement has been signed with the ONCE Foundation, Spain. It is based on the development of joint technological projects, with the aim of helping the full integration of disabled persons into society (Indra Annual Report, 2006).

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Table 2: Objectives, actions and future initiatives in Indra's Management Plan

Group	Objectives 2005 - 2008	Actions 2005 - 2008	Future initiatives
employees	Relationships framework improvement KM improvement Innovation in human resources management	Working environment survey KM initiatives: forums Diversity policy "Equilibra": working conciliation program Telework	Diversity: new recruitment Equality plan Conciliation KM initiatives New ways of working
Third Sector	Relationships framework (social action)	Signing of the "Inserta" agreement Social Action Policy	Indra Foundation Technologies for disabled persons Corporate volunteers
Environment	Integral Environmental policy	Integral Environmental policy Certification of two work centres	Environmental certification in all centres
Shareholders	Socially responsible investment	Communication study with shareholders	To appear in sustainability indexes
Customers	Relationships framework improvement	KM initiatives: commercial observatory	KM initiatives: extranets
Suppliers	Relationships framework improvement	Principles in the relationships framework with suppliers Survey of suppliers	Improvement of survey of suppliers
Knowledge Institutions	Formal framework of relationships	Coordination of relationships with universities	Intensification of relationships with universities
Local Communities	Impulse to collaborate in the Social Action Plan	Establishment of technological development centres (TDC)	TDC expansion
Corporate area	To promote Indra's role as a corporate citizen	*Global Compact* Signature Corporate responsibility committee Corporate evaluation system Documents of communication Check of CSR Report	Counsellor assigned to the CSR follow-up Behaviour Code updating Revision and correction of the risks map To normalise the CSR system in terms of the SG21 agreement To improve communication with stakeholders

Source: Authors (based on Indra 2006, 2007 and 2008 Annual and CSR Reports).

This shows that as soon as the stage of cultural dissemination of these initiatives has been overcome, Indra starts to integrate CSR into the strategic plans of the organisation in a practical manner. In this sense, the progress experienced by the corporate area is remarkable, in relation to certain issues: (1) To place CSR actions at the same level as the key strategic decisions (e.g., control at executive board level); (2) efforts to establish and validate some progress indicators (e.g., report monitoring, adoption of the SG21 system[12], etc.). All efforts are carried out with the aim of spreading the results among all stakeholders, defending progress in social and environmental matters from both an ethical and economic perspectives. The second issue corresponds to the importance given, in the two stages of the plan – and even more so in the latter – to KM initiatives, especially in relation to employees. This shows KM as a basis for innovation and social responsibility within the firm. Moreover, this implies that CSR and KM are complementary and strategic aspects, which jointly contribute to improving the competitive position of the company.

3.2. Implementation factors in Indra

A key aspect to consider in the integration of CSR into strategic decisions of the company is the way some organizational aspects should be coherent in order to make the implementation process for the firm easier. Thus in this section we highlight the role of the most important factors in this process: culture and leadership, HR practices and the role of the company's knowledge management that is directly related to culture and HR management.

• *Culture and leadership*

Indra's corporate culture is a key success factor owing to the importance it attaches to establishing the general framework of relationships between the company and its stakeholders, and its influence on other organisational aspects. In our opinion, the most important cultural aspects for the integration of ethics and CSR into strategy and innovation management are the following:

▪ *To create and disseminate a culture and a leadership that promotes knowledge creation and the innovation around ethical and social values of responsibility*

The corporate culture stimulates the consideration of ethics and CSR as two basic aspects of its strategy, but linked to its position as a company which is knowledge and innovation intensive. Other essential cultural aspects are its shared vision, the commitment to common projects (strategic alliances), work in teams, autonomy in decision making, tolerance of mistakes which are implicit in innovation, shared

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[12] SG21 is a standardised system of ethical management in Spain.

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learning and ethical values. In order to disseminate these principles and values certain initiatives stand out such as institutional declarations about the mission and the firm's values, the elaboration of ethical codes and formative actions on social responsibility themes.

- ▪ *To identify and promote knowledge for innovation in its relationship with all stakeholders*

Indra considers the creation of knowledge to be a key element of its strategy and a fundamental responsibility, in order to generate technologies and solutions which provide value to the stakeholders, especially customers, suppliers and communities in which this company operates. Also, established relationships with these stakeholders offer Indra knowledge about the market's evolution.

Due to this, the strengthening of the firm's participation in agreements and alliances with stakeholders and its ethical performance in these is very important. This allows Indra to learn "best practices", identify their needs and reinforce relationships with them.

The spreading of a culture which promotes trust, participation and support from an enthusiastic leadership is an aspect which explains a great part of the achievements in the ethics area. The case study shows that results obtained in the innovation, KM and CSR ambits strongly depend on the degree in which organisational members adopt the cultural values on which these processes rely.

- ▪ *To integrate CSR as a key aspect of the strategy.*

CSR is not held to be a philanthropic question alone by Indra – i.e. only related to external relationships and far from the core of vital decisions – but it focuses in the improvement of strategic and management aspects. Thus, the company, by maintaining of fluid communication with the stakeholders, acquires a relevant knowledge on their needs, which allows Indra to drive its innovative efforts in the correct (strategic) direction.

All of this implies that the implementation of ethical principles for the organisation as a whole is taken into consideration. To make this possible, these principles and values must be included in the strategic plans, to be disseminated and promoted, and to ensure that a follow-up of attained advances is carried out through some indicators which are included in the social responsibility or sustainability reports. On this point, Indra's initiative of developing the CSR Management Plan stands out. This allows Indra to disseminate the advances obtained in the CSR implementation to all the stakeholders.

- *HR practices*

Employees are essential to Indra's CSR and the development of innovations. This influence is produced in a positive sense –for example, when the firm's CSR fits in with their values– or in a negative sense –when employees do not work according to ethical criterions, or a climate of excessive pressure is created solely to achieve performance in terms of profitability or efficiency.

Moreover, employees actively participate in the CSR programs and assume ethical values as an essential part of their work only when they have a high level of motivation. This helps Indra to achieve its CSR objectives. Also, their active participation in the innovation process is indispensable, as they posses skills, abilities, creativity and tacit knowledge of high strategic value, all which they have to be willing to share and to apply to their work. Likewise, each employee must individually assume part of the responsibility for his/her learning and performance, although the organisation must facilitate his/her training and professional development.

Among the CSR practices which Indra develops in relation to employees in order to satisfy their objectives (as a stakeholder) and motivate them in their work are: (1) systems to promote learning and professional development; (2) fixed and variable incentives in relation to achieving results; (3) active participation in some of the company's decisions, relating to specialization and the way that decisions affect their objectives; (4) systems which promote fluid communication among employees and other stakeholders regarding the strategic objectives, activities and company results (the initiatives range from formal documents, e.g., strategic plans or conduct codes, to meetings which promote informal communication); (5) equal opportunity programs, non-discrimination and labour conciliation, based on mutual respect for the rights of the individuals and which allow the better qualified and more motivated employees to occupy the most suitable position in the firm.

A prominent initiative is the organisation of work in multidisciplinary teams, which facilitates knowledge exchange, even that of a tacit nature. When teams are self-managed or when they have a high level of autonomy to take decisions regarding objectives and processes to achieve them, they themselves become an important factor for motivation, because they reinforce participation, autonomy and consensus concerning objectives and methods. This allows employees to actively involve themselves in the creation, acquisition and transfer of knowledge in which innovation is based. Teams also contribute to the dissemination of cultural values of innovation, ethics and CSR, and in doing so meet with Indra's essential objectives. All this implies an improvement in the working environment and the reduction of conflicts – jointly with the cost that these imply.

4. Discussion and implications

In this paper, we have tried to highlight the way Indra is carrying out the integration of CSR into its corporate and competitive strategies, following a process which basically includes four main stages: CSR vision establishment, CSR problems diagnosis, CSR development plan and CSR communication. Although this is a specific process for Indra, we can categorise it in our general three stages model of *introduction-implementation-generalization*. In the introduction phase, Indra starts by considering some factors related to the strategic objectives, its ethical posture and the starting point regarding CSR in the firm (vision establishment and diagnosis). Once the CSR plan has been formulated and the communication plan designed, the implementation phase starts and factors such us culture, KM and HR practices come into play. From the case study, we can point out that the right management of all these aspects has been essential for this firm to take advantage of CSR in relation to its core strategic resource –*knowledge*, and its main activity – *technology development*.

In addition, this process is considered by Indra as an essential aspect leaving behind the consideration of the company as simply a financial profit seeker, and in doing so, Indra gets the consideration of a responsible company for suppliers, customers, employees, shareholders and in general, the society. Therefore, for this company, business activities have both social and managerial sense, making social responsibility compatible with the search of economic profits (Steiner and Steiner, 2000; Porter and Kramer, 2006).

It is important to remark that the integration of ethics and CSR for Indra is not a casual process with some dispersed initiatives but a more formalised, deliberate course of actions in which indicators and *ex-post* controls have had an important role in its implementation. As knowledge and innovation are the focus of Indra businesses, the link between corporate strategy and CSR has been centred in the leveraging of its knowledge base that is basically related to the employees' talent and the exploration of other stakeholders' needs, which allow the company to find out new opportunities in highly dynamic competitive environments.

Moreover, the consideration of Indra as a social responsible company reinforces its position in relation to external stakeholders such as suppliers, potential partners, clients, public administration and, in general, the society. From a resource-based perspective, reputation is an asset that it is built on a long-term basis, but the effort can be worth because it can be valuable and difficult to imitate by competitors (Barney, 1991; McWilliams et al., 2006). As we have seen in the evolution of the main figures of the company, financial performance has been growing and the managers still wait for positives figures in the next future.

As implications for managers of technology-intensive companies, we can highlight that although the advantages of CSR integration into corporate and business strategies

seem to be important, this integration will be only possible to achieve if there is a clear purpose by managers in order to place CSR at the heart of their businesses. In this sense, one of the main lessons that we can extract from the case study is that the establishment of a formal plan that follows an *introduction* (vision, diagnosis)-*implementation* (management plan*)-generalisation* (communication) methodology has been very useful for Indra in order to take advantage of this integration. Moreover, other aspects have to be considered in this process, such as actions that propel a culture in which knowledge management has to be linked to social values of responsibility; the promotion of trust, participation and support among employees for which an enthusiastic leadership is an essential factor; or the development of HR practices that promote a (ethical) positive sense for employees –for example, when the firm's CSR fits in with their values – or on the contrary, to avoid a (ethical) negative sense –for example, when employees do not work according to ethical criterions. Among these practices, Indra has used incentives, multidisciplinary teams or programs such as equal opportunity, non-discrimination and labour conciliation, all which has allowed the company the better qualified and more motivated employees to occupy the most suitable position in the firm in order to talent can be effectively exploited.

As the case study has shown**,** it should be pointed out that the most innovative firms which are managed by ethical leaders have an opportunity of ensuring that social responsibility and ethical principles are implemented in a coherent manner and, in doing so, contribute to the attainment of economic efficiency, confidence and culture identification. As a direct result of this, these aspects turn into knowledge and innovation propellants and thus, they form part of the basis of a firm's competitive advantage. In doing so, the company has been able to exploit ethically its knowledge base, for which the management of the stakeholders' needs and requirements has been (and will be) an essential issue.

Implications can be extended to other industries and sectors, even those for which innovation is not the main competitive (success) factor. In these industries, the integration of CSR into the company strategy is also possible to carry out, and advantages of this integration will also arise in terms of reputation, legitimacy and improvement of the competitive context (McWilliams et al., 2006). On the other hand, on a firm-level basis, firm's strategy will influence the decisions in the development of CSR actions. For instance, following the well-known Porter (1985) classification of the two basic ways for firms to compete, differentiation or cost leadership, the pursuit of a differentiation strategy creates more possibilities for socially responsible behavior, as Jones (1999) asserts. Hence, the differentiation approach is based on adding value rather on minimizing cost, and this opens up space for firms to purchase inputs on the basis of quality rather than price, nurture employees as a source of value-added rather than a expense, and contain environmental externalities as a basis for positive differentiation in the market to customers who value social responsibility (Jones, 1999: 169).

Certainly, the investments in CSR activities can imply short-term performance reduction, because managers typically have to incur in certain expenses to attend the necessities of stakeholders, but it will be on the long-term where the effects on long-term shareholders' returns will be shown, as some empirical studies have found (e.g. Ogden and Watson, 1999; García-Castro et al., 2008). And beyond the financial performance, many firm managers have ethical concerns and a deep commitment with communities in which the company develops its activities. In this sense, the case study shows a way in which CSR can be integrated into a firm's strategy through the use of a specific methodology based on formal plans and the attention to organizational factors such as culture and knowledge management.

5. Conclusions

The main contribution of this paper is the exploratory description of a technology-intensive case study where ethical principles and CSR are implemented in company's strategy. In turn, positive relationships with stakeholders seem to contribute to generation and sustainability of a competitive advantage for the company. This is achieved by means of the improvement of its competitive context, which highly depends on its (ethical) relationships with stakeholders. In this sense, this company, through the integration of CSR into its strategic activities is achieving high performance levels both in social (non-financial) and financial terms. Although it is difficult to directly link CSR actions to financial results, it seems that Indra's competitive context is allowing the attainment of strategic objectives by means of the development of new markets, sales growth in actual markets and the launching of new products and services. Hence, this paper demonstrates a best practice case study of the development and implementation of CSR plan.

Naturally, this study also has its limitations. First and utmost, the nature of the study is exploratory and descriptive. This means that causal-inferential relationships between CSR actions and firm performance are difficult to establish. Its main advantage is the depth of observation instead of width of generalization possibilities. Second, certain restrictions exist in relation to the study of these issues (ethical aspects, intangible resources) which are in essence difficult to measure. We also acknowledge the fact that we had an outsider view mainly reported through the lens of managers and secondary data. Third, the cross-sectional nature of the study makes it difficult to extract unequivocal conclusions on the effects of the CSR application on firm performance, while it is highly probable that effect of CSR on performance becomes evident with a time-lag.

Future research should react to these limitations in several ways. First, after building a conceptual set of factors and causal links between construct in consideration, a quantitative confirmatory analyses will be needed. Such studies in different context

(countries, sectors, etc.) will allow for more generalization in terms of results obtained. Second, beside top-down approach of data collection, future researchers would also need to investigate bottom-up perspective of the followers (in order to check for fit in managerial-employee or other stakeholder perspective). Third, longitudinal studies will contribute to the clarification of the time-lag issue related to CSR plan implementation (cause) and firm performance (consequence) effect.

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Integracija društveno odgovornog poslovanja u strategiju tehnološki intenzivnih poduzeća: poslovni slučaj

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Sažetak

U radu je predstavljena nova perspektiva koja integraciju etičkog i društveno odgovornog poslovanja u strategiju poduzeća smatra izvorom konkurentskih prednosti. Postavljeno je istraživačko pitanje koje nastoji utvrditi na koji način poduzeće može uspješno provesti integraciju društveno-odgovornog poslovanja u strateški menadžment i u tu svrhu predstavljen je model koji uključuje tri faze: uvod, implementaciju i generalizaciju društveno-odgovornog poslovanja. Na temelju eksplorativne analize slučaja procesa strateškog oblikovanja unutar tehnološko intenzivnog poduzeća u Španjolskoj (Indra), prikazan je eksplicitan plan integracije etičkih vrijednosti i inicijativa društveno odgovornog poslovanja u njegovu korporativnu i pripadajuće poslovne strategije. Iako je ovo poduzeće uspostavilo svoju metodologiju za provođenje i razvoj planova društveno-odgovornog poslovanja, ono se u biti uklapa u naš model integracije u tri faze. Općenito, provedene analize prikazuju pozitivan utjecaj razvoja i implementacije plana društveno odgovornog poslovanja na promatrano tehnološko intenzivno poduzeće. Posebice, čini se kako plan društveno odgovornog poslovanja, kroz bolje istraživanje i iskorištavanje znanja te kroz postojanje stabilnih odnosa s interesno-utjecajnim skupinama, omogućava poduzećima unaprjeđenje njihovog unutarnjeg i vanjskog (konkurentskog) okruženja. Kako bi se to potvrdilo, u budućnosti su potrebna opsežnija konfirmativna, ali i longitudinalna istraživanja utjecaja implementacije društveno odgovornog poslovanja na uspješnost poduzeća.

Ključne riječi: *društveno-odgovorno poslovanje, strategija, Indra, Španjolska*

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