CORPORATE SOCIAL RESPONSIBILITY AS ADVANTAGE FOR COMPANY

DRUŠTVENA ODGOVORNOST PODUZEĆA KAO PREDNOST ZA PODUZEĆE

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Abstract: *Purpose - This paper is aimed at researching the relationship and potential synergies between the Corporate Social Responsibility and competitive advantages. Design/methodology/approach - The development of global principles and standards is reflected at raising public expectations about Corporate Social Responsibility. Successful Slovenian companies are developing the Total Responsibility Management systems approaches for managing their responsibilities to stakeholders. Findings – Corporate Social Responsibility offers the link between sustainability and competitiveness, and that development can be promoted with transparency, good governance, concern for the environment and good relations with company's stakeholders. The synergies between Total Responsibility Management and responsible consumption lead companies to long-term competitive advantages.*

Key words: *corporate social responsibility, total responsibility management, competitiveness, responsible consumption, sustainability*

Sažetak: *Svrha ovog rada je proučavanje veze i moguće sinergije između društvene odgovornosti poduzeća i konkurentske prednosti. Zamisao/metodologija/pristup-Razvoj globalnih principa i standarda odražava se na povećano očekivanje javnosti vezano uz društvenu odgovornost poduzeća. Uspješna slovenska poduzeća razvijaju sustav potpune odgovornosti u poslovanju u ispunjavanju odgovornosti prema nositeljima interesa u poduzeću. Rezultati-Društvena odgovornost poduzeća ukazuje na vezu između održivosti i konkurentske sposobnosti,a taj se razvoj može jasno unaprijediti dobrim usmjeravanjem,brigom za okruženje i dobrim odnosima poduzeća s nositeljima interesa u njemu. Sinergija između odgovornog upravljanja i odgovorne potrošnje donosi dugoročne konkurentske prednosti poduzećima.*

Ključne riječi: *društvena odgovornost poduzeća,potpuna odgovornost u poslovanju,konkurentnost,odgovorna potrošnja,održivost*

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1. Introduction

The European Community has acknowledged the potential role that corporate responsibility might play in realising its goal of becoming - the most competitive knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion. The question is whether corporate responsible practices can play a significant role in driving - responsible competitiveness, characterised by a positive relationship between national and regional competitiveness and a nation's sustainable development performance. Business can compete effectively across the responsibility spectrum, spanning from investment in environmentally friendly technology and raising productivity by improving their employees' work-life balance, through to cutting corners on environment and labour standards and engaging in corrupt relationships with governments (Zadek, 2004). The relationship between international competitiveness and corporate responsibility is not a simple one. However, researches suggest that corporate responsibility can, under certain conditions, stimulate innovation, investment or trade, and so competitiveness.

2. Responsible competitiveness

To understand competitiveness, the starting point must be the sources of a nation's prosperity. A nation's standard of living is determined by the productivity of its economy, which is measured by the value of goods and services produced per unit of the nation's human, capital, and natural resources. Productivity depends both on the value of a nation's products and services, measured by the prices they can command in the open markets, and the efficiency with which they can be produced. The competitiveness, then, is measured by productivity (Cornelius & Porter, 2002).

The potential for - corporate responsibility clusters - has been identified as creating competitive advantage within one or several sectors arising through interactions between the business community, labour organisations and wider civil society, and the public sector focused on the enhancement of corporate responsibility. Corporate responsibility cluster appears in different shapes, sizes and types with different types of organisation leading their development.

The research has posited four broad types of clusters, each characterised by different dynamics, institutional relationships and forms of leadership (Zadek, 2004) Firstly, challenge clusters tend to be initiated by civil-society actors. They are characterised by antagonistic relationship between its participants forming at least the initial basis for the development of competitive advantage. Market-making clusters on the other hand are often led by one or more companies. They involve remoulding competitive conditions from the inside out, by innovating more sustainable products, services or business processes. Partnership clusters involve formal, multi-sectoral partnerships supporting competitive advantage. Finally, statutory clusters involve public polices focused on corporate responsibility standards and practices that support competitive advantage.

Corporate responsibility cluster draws on, and yet takes us beyond, Michael Porters's semial work on industrial clusters. Core to the difference is that clusters that form around corporate responsibility practices and outcomes are not only made up of business, but include Non Governmental Organisations, labour organisations and a range of different public bodies. Global value chains mean that clusters may in effect extend along international supply chains. The legitimacy effects, for example, depend to a large extent on the vibrancy of civil-society organisations in raising public attention and responsiveness. At any point in time this may be directed at individual companies or sectors.
International datasets revealed seven areas that had an empirical or theoretical link to economic performance. The components of the National Corporate Responsibility Index are (MacGillivray, 2004): corporate governance structures, ethical business practices, progressive policy formulation, building human capital, engagement with civil society, engagement with civil society, contributors to public finance, environmental management. Although far from perfect, hard data and opinion surveys are available for 51 countries accounting for most of the world's population and economic activity.
Our next step in considering the link between corporate responsibility and competitiveness was to explore the effects of creating a Responsible Competitiveness Index. We did this by building the National Corporate Responsibility Index into existing competitiveness indices as an additional and equally weighted component. The Responsible Competitiveness Index represents the first-ever attempt to quantify the relationship between corporate responsibility and a nation's findings of the Responsible Competitiveness Index show that (MacGillivray, 2004): At all levels of income, for the majority of countries the pattern between growth and responsible competitiveness holds up. But, as with the National Corporate Responsibility Index, there are still some misfits on both sides of the line. Twenty-three countries in the table could face a potentially more significant competitiveness loss from their - responsibility deficit – more than 2 per cent change form the existing measures. The cases of China, Japan, Korea and the USA, the responsibility deficit is well in excess of 5 per cent, suggesting that this could endanger economic growth in these countries, if one accepts the apparent link between income and responsibility. Some 16 European and developing countries, such as Denmark, Italy, could make competitiveness gains on the basis of their corporate responsibility performance, although at present countries with a significant responsibility surplus are few. Despite the finding of National Corporate Responsibility Index and the Responsible Competitiveness Index, there is still a long way to go, both in terms of research and policy, before responsible competitiveness can be used as a basis for understanding the potential correlation between competitiveness and corporate responsibility, and for creating policy frameworks, which ensure that such potential is realised.

3. Managing quality… managing responsibility

Ensuring that a company's own vision embeds the company's core values and its responsibilities to (and with) its stakeholders, as well as foundation values, helps a company achieve its strategic objectives. Articulating these values is an important element in developing a coherent and meaningful vision and strategy. To be effective, responsibility management requires commitment from top management, commitment that recognises the importance of managing responsibility to achieving the company's long-term objectives, building positive relationships with important stakeholders and generating positive returns. In all these elements, Total Responsibility Management resembles Total Quality Management in more than superficial ways. Total Responsibility Management core values/concepts includes: visionary and committed leadership, stakeholder-driven excellence and responsible practices, organisational and personal learning through dialogue and mutual engagement with relevant stakeholders, valuing employees, partners, other stakeholders, valuing employees, partners, other stakeholders, agility and responsiveness, focus on the future (short and long term), managing for responsibility and improvement, management by fact, transparency, accountability, public responsibility and citizenship, focus on positive results, impacts and value-adder for stakeholders with responsible ecological practices (Waddock, 2007). Therefore, to better understand the impact and value of social responsibility, we need to develop a new perspective of the organisation – one that better reflects the changing role of business and society. Mindful of the fact that you cannot build a Corporate Social Responsibility system without a strong foundation, the role of quality management and business excellence frameworks become obvious hooks to embed these values and behaviours (Hazlett, et al., 2007).

4. Responsible consumption

Problem - The main researches about Corporate Social Responsibility haven't included synergies between Total Responsibility Management and Responsible Consumption.
Hypothesis: Total Responsibility Management and Responsible Consumption are the elements of long-term competitive advantages and sustainable development.
Methodology – The managers of the companies with the highest value-added per employee, the most innovative Slovenian companies were asked to participate in the interview. The Corporate Social Responsibility and Total Responsibility Management are not enough for more sustainability. The consumers have to be involved and different stakeholders including government have to influence their behaviour by education to become Responsible Consumers. The questions are following this aim: 1) Is corporate responsibility included in your corporate culture and strategies? 2) What are your expectations? 3) What might drive changes in consumption patterns in Slovenia over next ten years? 4) What discourages our people from consuming more sustainably? 5) What actions can business take to deliver goods and services that encourage and enable people to consume more sustainably? 6) What can government do to encourage and enable more sustainable consumption?
Results – Corporate responsibility is included in the corporation strategies. Long-term competitive advantages are expected. Consumers alone cannot or will not change consumption patterns sufficiently: a) supply sustainable goods and services that

perform competitively - attractive as other options, quality option, innovation, labels and information; b) choice editing - shortcut to identifying products, retailer's values, broader brand image; c) build social pressure: must have, socially unacceptable, actions of campaign groups or competitors. Business can and does do a lot and, if it is to do more, it must be as part of mainstream business operations: a) create markets (businesses may need to create markets that do not yet exist, for products that people do not yet know they want, markets can be created through procurement, contracts can be used to drive sustainability); b) make a convincing business case; c) sell sustainability positively – not as a negative or to do good; d) move sustainability from Corporate Social Responsibility to the mainstream business culture. Government should lead by example, and support best practice: a) lead by example; b) use the full range of actions available – including regulation (regulation, taxation, government's procurement, banning the most unsustainable policies or practices, first mover advantage, work in partnership, sustainable consumption and production business task force); c) make a better case for sustainability (effective case, sustainable development related skills in government). Build a broader consensus: develop cross-party consensus, develop partnerships, and develop a new cross-society pact. The relationship and potential synergies between the Total Responsibility Management and Responsible Consumption lead companies to long-term competitiveness and sustainability.
Future research - Of particular concern to companies, as they focus more on doing good, is the persistent lack of a clear sense of the positive returns to their Corporate Social Responsible actions. This underscores the need for better measurement models of Corporate Social Responsibility that capture and estimate clearly the effects of a company's actions on its stakeholders, including its consumers.

5. Conclusion

The synergies between Total Responsibility Management and Responsible Consumption are assurance which leads companies to long-term competitive advantages.

6. References

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