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Implementation of corporate social responsibility in the process of strategic management

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Abstract. In the article modern approaches to the definition of the place of corporate social responsibility in the system of strategic management of an enterprise are analyzed. The conclusion about the priority role of the integrated approach to formation of business strategy as a tool of realization of the interests of stakeholders is drawn.

Key words: corporate social responsibility, integrated approach, strategic management, strategy, stakeholders.

ACTUALITY OF THE TOPIC AND PROBLEM STATEMENT

In October 2011 an updated strategy of the European Commission in CSR was adopted. In comparison with the variant of the year 2006 the updated strategy is more mature, which is caused primarily, by the complexity of the process of implementation of CSR in business strategy in Europe. In general, despite the positive statistics, the European Commission notes that: most of the companies in Europe have not still integrated social and ecological issues in their activity; some of the European companies are accused of non-compliance of human rights and labor standards; only 15 of the 27 member countries of European Union have national policies on CSR. This stipulates the actuality of the research of the question concerning integration of CSR in the strategy of a company, a determinative step of which is identifying the existing tendencies and concepts, considering the above mentioned terms in their interrelations and interdependence. Thus, a problematics of CSR was interpreted by a theory of strategic management at all stages of the evolution of this theory: "preanalitical" where a dominant concept is planning, "the formation of a new scientific discipline" - positioning, "developed on the own basis" – a resource concept, and "formation of a dynamic theory of strategic management' - a concept of dynamic capabilities.

ANALYSIS OF THE RESULTS OF THE PREVIOUS RESEARCH

Thus, in the first concepts of strategic management concerning the school of planning, a question of corporate social responsibility was discussed, this study had an implicit character. Thus, an American researcher I. Ansoff made a point of the importance of studying the problem of interaction between business and society; he connected these problems with the increasing importance of psychological and socio-political changes. These changes till the middle 1980's had to become "the defining aspects of strategic problems, internal and external in relation to the company". [1, 36].

D. Schendel and C. Hoffer, answering the question of what a firm should do, connected this need with an effective interaction between business and society, accessible and positive study and underlined that "a strategy of a company should integrate the company with a broad environment being beyond the control of this firm ... for the realization of the aggregate role which business should play in the everyday life of the society» [2, 12].

E. Freeman proposed to personalize public expectations, resulting in the change of defining the strategy of a firm. From E. Freeman’s point of view, this strategy has to do with "values, social problems and also expectations of stakeholders" [3, 88]. In its turn, a corporate strategy, which provides a higher level of analysis, should be focused on identifying the existing opportunities for business development. The concept of

Freeman can be considered as the basis of the modern approach to defining the strategy based on social positioning of a company. Accordingly, the **purpose** of this article is a generalization and systematization of modern views on the process of implementation of CSR in the system of strategic management of an enterprise.

PRESENTATION OF THE BASIC MATERIAL

As E. Freeman himself underlined, if his predecessors connected a strategy of a firm with a research question: what a firm should do, then his interpretation of it he connected with the question: what the firm is [3]. E. Freeman proposed an algorithm of formation of a firm's strategy as the process of planning, based on the sequential analysis of stakeholders, relevant values and social problems.

Using this algorithm as a basis, E. Freeman in 1984 developed a classification of a firm's strategies:

- Strategy, realized in the interests of a narrow group of stakeholders (maximization of the benefit of one interested party or their small group);
- a strategy implemented in the interests of all shareholders (maximization of a benefit of shareholders, maximization of the benefit of "financial stakeholders");
- a utilitarian strategy (maximization of the benefit of all stakeholders, maximization of the average level of welfare of all stakeholders maximization of the benefits of the society)
- a Rawls's strategy (actions directed to improving the level of welfare of the poorest stakeholder);
- a strategy of social harmony (actions directed to supporting or creating a social harmony, actions directed to support of the consent in the society) [3].

A new, extended definition of the strategy of a company, which reveals "how a firm that is committed to its legitimacy and achieving confidence in the future development creates an additional value for its stakeholders was proposed by M. Meznar, J. Chrisman and A. Carroll in the article "Social responsibility and strategic management: classifications of the strategy of a company" [4] (Figure 1).

According to the authors, the main question is how a firm strategy corresponds to its competence and also expectations of stakeholders. Thus, they related their classification to the more modern concepts of strategic management - positioning and resource, although the key question for these concepts of achieving competitive advantages was not emphasized by them.

In the articles of M. Porter and M. Kramer investments of corporations in social responsibility are considered as a part of their business strategy, aimed at strengthening the competitive positions. A satisfaction of broad social expectations is interpreted also as a source of value for all system of stakeholders, and as an independent source of a value for shareholders. According to M. Porter and M. Kramer, firms should use the basic ideas of a corporate strategy for choosing those types of philanthropic activities that provide a benefit both for the society and the firm, but this interpretation did not have a complete nature, because it covered only the area of philanthropic responsibility, which remained a local area of a business activity of a company.

Foundation of a more complex approach to the analysis of corporate social activities within the framework of the resource concept was laid by the American scientists L. Burke and J. Logsdon in the article "How a corporate social responsibility is paid off." According to these authors, "corporate social responsibility is strategic when it brings significant benefits to the company associated with its business, especially by supporting the basic business activities and thus makes a contribution to the effectiveness of the realization of the company's mission" [5].

Considering that CSR of most companies is not strategic, the authors identified five measurements of the strategic CSR that are the most critical for the creation of an identifiable, measurable economic benefit, which a firm tends to get as a main objective:

			Stakeholders			
			Only «economic»	«Economic» and «social»		Only «social»
				Narrow	Broad	
Benefits	Only economic		Classic	-	-	-
	Combined	Economic + social cost's saving	-	defensive (narrow)	defensive (broad)	-
		Economic + increasing collective benefits	-	offensive (narrow)	offensive (broad)	-
		Economic + social cost's saving + social cost's saving	-	Adaptive (narrow)	Adaptive (broad)	-
	Only social		-	-	-	Unprofitable

Fig. 1. Classification of strategies of a company of M. Meznar, J. Chrisman and A. Carroll [4, p. 333]

- priority: quality of conformance of the mission and objective of a company;
- specificity: the ability of a firm to internationalization of the benefits from corporate social activity;
- proactivity: the extent in which the planned programs warn social tendencies and crisis developments;
- voluntariness: the degree of voluntariness of the made decisions and sophistication of appropriate internal company's standards;
- visibility: recognition of the activity of a firm and its evaluation by internal and external stakeholders.

In 2007, an article of B. Husted and D. Allen, was published, which actualized the positions put out by L. Burke and J. Logsdon. The original model was "more clearly translated into the language of the resource concept", and a strategic CSR has been defined as "an ability of a firm to harmonious formation of the portfolio of their resources and assets (priority); outdistancing competitors in the acquisition of strategically important resources (proactivity), getting reputational benefits by informing consumers about the behavior of a firm (visibility); assigning additionally created value by a firm (specificity) "[6]. Extrapolated measurements of L. Burke and J. Logsdon on traditional CSR, a traditional strategy and a strategic CSR, the authors demonstrated visually that three of the five measurements and the appropriate abilities are irrelevant to the traditional CSR (Table 1).

On the basis of the empirical analysis of a group of Spanish companies, the authors concluded that it is quite enough to focus on the development of only one strategic ability, giving in this case a preference to "visibility" for getting an additional value by a firm and thus removing competitive advantages. Thus, the authors have not only demonstrated the limitation of the traditional CSR, but also underlined the breadth of opportunities of a company in obtaining relevant competitive advantages. However, it is clear that authors meant exactly moral principles (CSR-1) by the traditional CSR, whereas a strategic CSR interpreted in terms of the resource concept corresponds to the expanded system of corporate social activity.

Researches J. Post, L. Preston and S. Sachs, during the implementation of a large-scale project "Rethinking of the Corporation" (years 1995-2000) firstly suggested an idea that a concept of stakeholders completes and integrates the concepts of strategic management: positioning and resource. A linkage of management of a system of stakeholders with generating an organizational wealth understood as the resulting index of the corporation's activity, which includes all its assets, competencies and abilities, arising during the interaction of stakeholders comes forward as an origination point of the proposed argumentation. The authors propose a new definition of a corporation as an organization that "mobilizes resources for productive use in order to create wealth and other benefits for numerous stakeholders" [7].

Table 1. Comparison of a traditional CSR, a traditional strategy and a strategic CSR [6, p. 598]

Strategic «measurement»	Interpretations of CSR and strategy		
	Traditional CSR	Traditional strategy	Strategic CSR
Visibility	Irrelevant: CSR as an independent value, though it is profitable in the long term perspective	causes consumer awareness of the product and brand	causes consumer's and other stakeholders' awareness of the product with a value, added by CSR
Specificity	Irrelevant: CSR as an independent value, though it is profitable in the long term perspective	Manages relationships with customers, suppliers and competitors in the sphere of awarding added value by a firm	Manages relationships with all stakeholders in the sphere of awarding added value by a firm
Voluntariness	stipulates participation in social activities that go beyond legal requirements and economic interests of a company	stipulates innovations of a company, based on its learning capacity	stipulates a participation in social actions, that go beyond legal requirements
Priority	Irrelevant: CSR is connected with needs of the society, and not with a mission of a company	stipulates a creation of a value by productive innovations	stipulates a creation of a value by productive innovations, connected with social problems
Proactivity	stipulates a perspective analysis of changes in social problems	causes advantages of a first mover	Intends a prospective analysis of changes in social problems that cause market opportunities

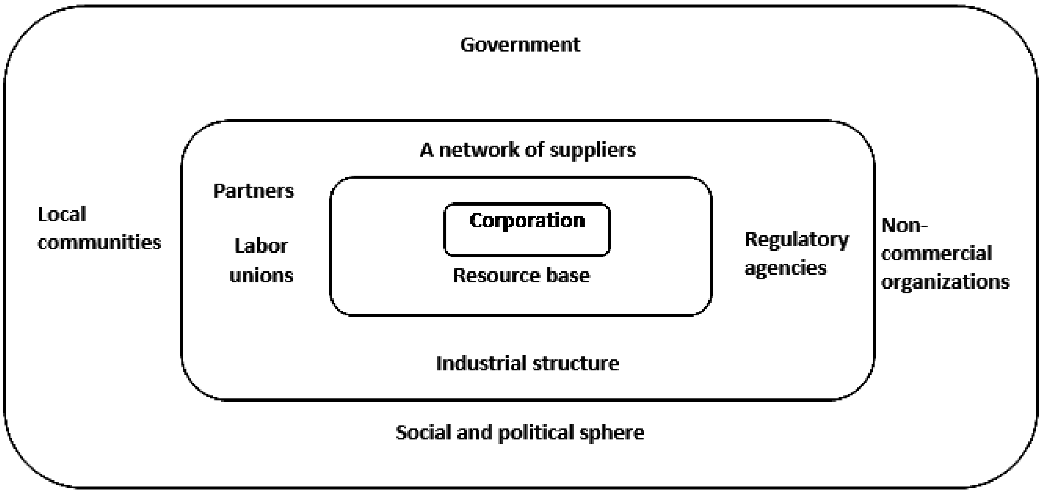

Fig 2. Re-thinking a corporation from a point of view of stakeholders' concept [7]

Table 2. Comparison of concepts of strategic management: industrial, resource, stakeholders' and strategic management of stakeholders [9]

Criterion	Industrial concept	Resource concept	Concept of stakeholders (according to J. Post, L. Preston, S. Sachs)	Strategic management of stakeholders
Unit of analysis	Industry sector	Company	a network of stakeholders of the company	a network of stakeholders of the company
main sources of competitive advantages	- relevant strength of suppliers and consumers - confederacy	tangible fixed assets and intangible fixed assets	relationship assets	- tangible and intangible fixed assets, including relationship assets - relevant strength of suppliers and consumers - confederacy
Relevant stakeholders	-suppliers -consumers -competitors - regulatory agencies	-workers - investors - partners	industrial, resource, social and political stakeholders	all stakeholders

Stakeholders can be divided into groups corresponding to "resource base", "industrial structure" and also "social and political sphere" (Figure 1.7). Accordingly, stakeholders are able, firstly, to influence the competitive positions of the company in the branch, and secondly, to make a contribution to its unique resources and capabilities, and thirdly, to act as social and political subjects that determine the legitimacy of the company in the society [8]. At the result a model is composed that not only meets two classical concepts of strategic management, but also completes them.

In this case a development and supporting of appropriate relationship assets becomes a key competence of management, the main means of achieving long-term competitive advantages.

The concept of "strategic management of stakeholders' , formulated during the 5th annual Colloquium of the European Academy of Business in Society (ABIS) in 2006 became the continuation of the approach of J. Post, L. Preston and S. Sachs. According to the authors of the article, strategic management of stakeholders turns into a full-fledged concept of strategic management. (Table 2).

D. Grayson and A. Hodges developed a model of integration of principles of CSR in a corporate strategy as a basis for generating corporate social opportunities, and namely "commercially profitable business lines that allow to support ecological and social sustainability", and the authors identified innovations in products and services, creating new business models and servicing new markets as the three directions of these possibilities' implementation [10].

The Finnish scientists P. Dobers, and M. Halme, formulated a clearer viewpoint, who proposed a new typology of corporate social activity that includes "philanthropy", "CS-integration" and "CS-innovation." An in-depth analysis of the pragmatic "business argument" in defense of corporate social responsibility strengthened a connection between the concept of CSR and the theory of strategic management. The logic of pragmatic analysis has not only turned researchers to the original broad interpretation of CSR as a multilevel responsibility of a corporation to the society as a whole, represented by a system of stakeholders, but also allowed to interpret CSR as a modern approach to strategic management.

CONCLUSIONS

Thus, a problematics of CSR is reflected in all the main concepts of strategic management. It is necessary to mention that by the terminological variety modern strategic interpretations of CSR, firstly, reflect the same paradigmatic logic "principles - processes - results", and secondly, are linked not to any activity which is of additional discrete nature but to key business processes of a company. An approach, according to which an enterprise's strategy is already not an instrument of profit maximization of shareholders, but a tool for achieving the common good, that is a tool of the implementation of interests of all stakeholders – a priority one in today's economics - makes increasing the level of social orientation of enterprises.

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