



**CATÓLICA
LISBON**
BUSINESS & ECONOMICS

The business case for social innovation:
How can a firm foster innovation in the field
of Corporate Social Responsibility to gain a
competitive advantage?



O CAFÉ DA SUA VIDA 

Student: Madalena Fernandes (152115125)

Supervisor: Laure Leglise

Dissertation submitted in partial fulfillment of requirements for the
degree of MSc in Strategy and Entrepreneurship at Universidade
Católica Portuguesa

Abstract

Sustainability has long been an increased necessary variable to integrate in a firm's value proposition. Either by meeting customer needs or to address stakeholder's desires (Searcy, 2012), the topic of sustainability has been revealing to be, not only a way which firms can use to improve their image, but also as a healthier option to contest rivalry. Aligning the business with ethical values and sustainable actions has been demonstrating undeniable evidence that it can improve a firm's competitiveness by itself. (Porter and Kramer, 2002) The problem is if either the firm can implement it in an effective way or not; and if so, are the resources well allocated and being used in an efficient way?

This paper addresses the way firms can innovate on those sustainable actions and develop unique ethical resources to gain their competitive advantage. Delta Cafés, a Portuguese coffee producer and distributor, will be the root to analyze a successful case study on how a firm should compete with those resources; examples of this will be provided further ahead. Delta has long been a reference in Portugal in terms of CSR implementation, since it has always been a decisive factor in their business decisions. They continuously innovate in their social responsible actions alongside their products. This is done in order to help sustaining a competitive advantage and it becomes quite visible, since Delta has been the market leader for many years in a row.

Resumo

Ao longo dos anos o termo sustentabilidade tem vindo a ser uma variável crucial a integrar na *value proposition* de uma empresa. Quer seja através da satisfação das necessidades dos consumidores, quer dos interesses dos *stakeholders*, o tópico de sustentabilidade tem revelado ser, não apenas uma forma pela qual a empresa pode melhorar a sua imagem, mas também como uma opção mais saudável para fazer face aos concorrentes. Ao alinhar o negócio com os valores éticos e ações de sustentabilidade, é possível demonstrar provas irrefutáveis de que a competitividade de uma empresa pode melhorar por si só. O problema reside na capacidade da empresa conseguir implementar este alinhamento de uma forma eficaz; caso a resposta seja positiva, serão os recursos usados e alocados de forma eficaz?

Esta dissertação revela de que forma as empresas podem ganhar vantagem competitiva através da inovação em ações de sustentabilidade e recursos éticos distintos. Delta Cafés, uma empresa portuguesa produtora e distribuidora de café, servirá de base para analisar um caso de estudo de sucesso em como empresas devem competir utilizando estes mesmos recursos; exemplos disto serão detalhados mais à frente. Delta tem sido uma referência em Portugal em termos de implementação de responsabilidade social, uma vez que tem sido sempre um fator decisivo nas suas tomadas de decisão. Esta empresa também aposta na inovação contínua das suas ações de responsabilidade social através dos seus produtos. Isto é feito para ajudar a sustentar a sua vantagem competitiva, o que se tornou bastante visível, uma vez que a Delta tem sido líder de mercado por muitos anos seguidos.

Acknowledgements

Firstly, I would like to thank Rita Nabeiro, Filipa Belchior, Dionísia Gomes and Miguel Ribeirinho, Delta's employees for all the support and readiness of communication and answering the e-mail and every question. Very interesting topics were easily discussed due to their openness during the interviews. All the help and patience was deeply appreciated.

In regard to writing the thesis, the feat wouldn't have been so easily achieved if not for all the support, guidance and empowerment of the supervisor, Laure Leglise, whom has shown total availability to help on several unforeseen events and problems that occurred over the duration of this thesis.

Naturally, I would also like to thank my family, especially my parents and siblings for the support and encouragement over the duration of the thesis. My grandmother that has been a huge source of inspiration and power and my uncle João who has always shown interest and care for the topic and this thesis.

My friends from Catolica University that had to deal with my good and bad temper: Maria Canedo Correia, my partner during most of the hours that I have dedicated to the writing of the thesis; Marta Cardoso, who has always encouraged me and knew how to deliver the best words during the bad times; Leonor Quintas e Sousa, who always contributed to the good

times during the writing of the thesis; and Margarida Rosado Pereira that, despite the earlier conclusion of her thesis, always cared about mine and was able to be a source of inspiration.

Outside Catolica University, my best friends who have pushed me to finish the thesis: Maria Xavier, Isabel Afoito, Jessica Martins, Diana Oliveira and Raquel Pacheco. After the working hours, they never failed to provide me with fun moments to relax and find an equilibrium to gain strengths and face a new day of work. Mafalda Ló and Teresa Nogueira also gave me fun moments to diminish my stress and were always beside me for support.

Table of Contents

Abstract	1
Resumo	1
Acknowledgements	2
Table of Contents	4
List of Figures	5
List of Tables.....	5
List of Appendixes	5
1. Introduction.....	7
2. Literature Review	10
2.1 Corporate Social Responsibility.....	10
2.1.1 CSR theories.....	11
2.2 Organizational structures – different types of CSR integration	14
2.2.1 Motives to have corporate social responsibility	14
2.2.2 How to integrate a CSR strategy	15
2.3 Competitiveness and Innovation	17
2.4 CSR in value chain processes.....	20
3 Methodology	22
3.1 Methodological approach.....	22
3.2 Data gathering	22
4 Case Study.....	23
4.1 Delta Cafés – “Uma Marca de Rosto Humano”	23
4.2 Once upon a time in Campo Maior... ..	25
4.3 Corporate Social Responsibility.....	25
4.3.1 Strategy for CSR	26
4.3.2 Competitive Advantage inside Delta.....	28
4.4 Delta’s CSR Results.....	29
5 Findings.....	29
5.1 Organizational structure to better foster innovation in CSR processes	30
5.2 How to innovate in the value chain processes in order to create and capture added value?	31
6 Discussion	33

7	Conclusion.....	36
7.1	Main Conclusions.....	37
7.2	Limitations	38
7.3	Future Research.....	38
8	Appendixes.....	40
	Bibliography.....	44

List of Figures

Figure 1 – Comparing N-RBV and 3BL (measures) (Markley and Davis, 2007, p. 770)....	20
Figure 2 – Unresponsive, responsive and beyond-responsive strategic CR actions (Heikkurinen and Forsman-Hugg, 2011, p. 308).....	21
Figure 3 – Delta’s organization chart	24

List of Tables

Table 1 - Selected theoretical papers on CSR (McWilliams, Siegel and Wright, 2006, p.7)	13
Table 2 – Comparison of Three CSR Models (Geva, 2008, p.6)	16
Table 3 – Matching motivations for sustainability management with functional areas (Windolph, Harms and Schaltegger, 2014, p.276)	17
Table 5 – Delta’s Business’ Principle guide.....	28

List of Appendixes

Appendix 1 - 10 Principles of the UN Global Compact.....	40
Appendix 2 – List of the interviews	40
Appendix 3 – Different sources of information for the case study	41
Appendix 4 - Range of Delta’s “Take Home” products.....	41
Appendix 5 - Range of Delta’s “Horeca” products	42

Appendix 6 – Delta’s Chronology.....	42
Appendix 8 – “Prémios e Reconhecimentos” in Delta’s Sustainability Report of 2014.....	42
Appendix 7 – “Boas Práticas na Cadeia de Valor” in Delta’s Sustainability Report of 2014	43

1. Introduction

“Myriad organizations rank companies on the performance of their corporate social responsibility (CSR), and, despite sometimes questionable methodologies, these rankings attract considerable publicity. As a result, CSR has emerged as an inescapable priority for business leaders in every country.” (Porter and Kramer, 2006, p. 77)

To be sustainable and competitive, a firm should be aware of the possible threats and opportunities of the external environment and be able to combine resources and capabilities to address those same issues: either by avoiding threats or capture the opportunities (Porter, 2008; Kotabe and Murray, 2004). This master thesis tries to understand how a firm can foster innovation in the field of corporate social responsibility in such a way that will bring added value and increased competitiveness to the business and to the way a firm competes. In more specific terms, to address CSR innovations in the value chain processes and partnerships.

Several studies refer that, nowadays, one of the utmost difficult challenges that a firm can face, relates to the fact that there are increasingly external pressures to adopt more sustainable actions besides the profit part of the business as well as to foster new and better ways to implement those same actions. (Sprinkle and Maines, 2010; Calabrese, et al., 2013; Asif et al., 2010; Godfrey and Hatch, 2007; Heikkurinen and Forsman-Hugg, 2011; McWilliams, Siegel and Wright, 2006; Porter and Kramer, 2006; Garriga and Melé, 2004; C. Wickert et al., 2016). However, to Porter and Kramer (2006), it seems that it is not being done in a proper and efficient manner. The authors identify two main concerns that have yet to be addressed when it comes to CSR integration: the first being the relationship between firms and society, who still fight amongst themselves when they should cooperate to benefit from social activities together. Secondly, firms do not engage in social activities that are better aligned with their strategy whereas, they get involved in any kind of social activity to reduce external pressure: “Governments, activists, and the media have become adept at holding companies to account for the social consequences of their activities.” (Porter and Kramer, 2006, p. 77). They also stress that CSR must be seen beyond a cost or an obligation – “it can be a source of opportunity, innovation, and competitive advantage.” (Porter and Kramer, 2006, p. 80). CSR is here presented as “a source of tremendous social progress, as the

business applies its considerable resources, expertise, and insights to activities that benefit society.” (Porter and Kramer, 2006, p. 80)

The problem that is going to be explored in this thesis relates to how can firms foster innovation in the field of Corporate Social Responsibility to gain competitive advantage. As it will be discussed further ahead, the sustainable driver of the business, parallel to the core one, may also be a successful source of a competitive advantage when both are well aligned (Porter, 2008). Regarding rivalry, Porter and Kramer also stress the idea that transparency – one of the social dimensions of the business - can be seen as an important factor of competitive advantage and attractiveness with respect to the competitors: “open local markets to trade, break up or prevent the formation of cartels and monopolies, and reduce corruption” (Porter and Kramer, 2002, p. 10) Thus, a firm must be able to predict trends, foster innovation in its social processes as, at the same time, aligning both profit and non-profit part of the business as a way of being more competitive (Porter and Kramer, 2002). But how?

In an effort to better convey this question, two sub-research questions were developed. The concerns regard the organizational structure that a firm should have to better foster innovation in CSR. The second one relates to the way firms foster innovation within CSR processes, given a certain complexity of the value chain; it is important to understand how firms can improve CSR processes through CSR innovation.

There has been a lot of discussion in this CSR topic regarding key social versus financial performance indicators, appropriate measurement of CSR integration and implementation of social practices inside a firm. (Windsor, 2006; Husted and Salazar, 2006; C. Wickert et al., 2016; M. Asif et al., 2013; B. Fernandez – Feijoo et al., 2014; S. A. Yawar, S. Seuring, 2015; Weber, 2008) Since most of the outcomes of social activities are intangible in the sense that there are social impacts in stakeholders or community surrounded, it becomes increasingly difficult to measure and to assess if it is the best implementation or process (Hull and Rothenberg, 2008; Chen and Delmas, 2010; Sprinkle and Maines).

Moon (2007, p. 299) recognizes the increased importance of the CSR concept in business when he states that “CSR is now being added to a board level and senior management

responsibilities. Moreover, there is a steady increase in middle management level jobs designated as CSR and in some companies even small CSR teams.” Additionally, the author mentions another source of pressure - sustainable reports release - which have also contributed to the need of a sustainable department to exclusively deal with those issues (Moon, 2007).

One last difficult, yet extremely important issue for managers regarding CSR is the strategic alignment of the social activities with the business goals of the company (Porter and Kramer, 2006; Porter and Kramer, 2002; Weber, 2008). It is extremely relevant for a firm to be able to implement a good and appropriate social performance without bleaching on the financial side of the business which, apart from all, is what delivers wealth to a firm. “(...) managers are increasingly asking how companies can improve sustainability performance, and, more specifically, how they can identify, manage and measure the drivers of improved sustainability performance and the systems and structures that can be created to improve corporate social performance” (Epstein and Roy, 2001, p. 586)

To answer our research question, we studied the case of Delta Cafés, a well-known Portuguese coffee producer and distributor with headquarters in Campo Maior, Portugal. They have been in activity since 1961 and became leaders in the Portuguese market with the instantaneous coffee many years ago. Since the beginning, not only has Delta always had a strong social component in all their business units across the value chain, in order to improve sustainability, but they also founded their own NGO to further increase the number of projects with the community and other important stakeholders. To answer to the research and its sub research questions, two interviews were conducted with two employees of the aforementioned firm: the director of the NGO; and the second responsible for the social responsibility unit inside Delta. Moreover, there was an investigative trip made to the headquarters and to the NGO and thus, conclusions were also drawn from direct observation. One last resource were the two sustainability reports from 2009 and 2014, taken from the firm’s official website.

In the first chapter, a theoretical approach will be done to the topics of Corporate Social Responsibility and its theories, implementation and integration options. Innovation and sustainable value chains will also be theoretically analyzed, and lastly, the concept of

sustainable value chains will also be approached. Afterwards, there is the methodology section where the information collection process will be explained. Delta's history and structure will be detailed in chapter 4 and their CSR approach will be lastly introduced. Findings from the interviews and observation will be detailed. Then, the discussion section will provide a small comparison between findings and literature about the topic; afterwards, limitations and future research will also be part of this case study. Lastly, conclusions on either or not a firm can gain competitive advantage through sustainable innovation will be drawn.

2. Literature Review

A theoretical contextualization of the corporate social responsibility concept shall be done in the first section for a better understanding of the topics that will be discussed afterwards. In the first sub-section, theories of CSR will be described and compared. In the second sub-section, we will be talking about internal organizational structures that firms need to have to better integrate CSR processes. Within this topic, motives to engage in CSR activities will be described and commented as well as several different forms of how to integrate CSR strategies. In the second part, the concepts of innovation and competitiveness will be presented and investigated considering the distinctive processes along the value chain and its opportunities to improve. Finally, the role of innovation through social activities will be explored.

2.1 Corporate Social Responsibility

“CSR has developed as a concept from basic philanthropy by business leaders to a facet of modern business and management itself” (Moon, 2007, p. 298)

Corporate Social Responsibility is a concept that has hardly been argued by scholars in an attempt to come up with a unique and agreeable definition for the term. However, several discussions have proved that different theories can be drawn and distinct approaches can be made. The two foundation and distinct theories on CSR are the pyramid concept and the stakeholder theory by Carroll and Friedman, respectively. Friedman (1970) defends that the

firm should only be driven by profits in order to ultimately satisfy stakeholders' expectations. Carroll (1994) has designed the CSR pyramid in such a way in which it can be distinguished four different levels of CSR integration: economic, legal, ethical and philanthropic. Over the years, many other theories have emerged but a clear majority of them are based on those two. (Carroll, 1994)

In a much more economic perspective McWilliams and Siegel (2001, p. 1) defined CSR as “actions that appear to further some social good, beyond the interests of the firm and that which is required by law” whereas from a societal perception, Godfrey, Paul C., Hatch, (2007, p. 87) believe that “(...) corporations have obligations to society that extend beyond mere profit-making activities – scholars have struggled to achieve a clear paradigm, let alone a common language to guide the conversation.”. One last definition shows a simple and clear way to express Corporate Social Responsibility: “CSR is a form of self-regulation to contribute to social (including environmental) welfare”. (Moon, 2007, p. 298) All of these perspectives have in common one interesting perspective: they clearly view CSR as something that goes beyond the mere business activities of the firm.

Garriga and Melé take Carroll's perspective on CSR definition “an eclectic field with loose boundaries, multiple memberships, and differing training/ perspectives; broadly rather than focused, multidisciplinary; wide breadth; brings in a wider range of literature; and interdisciplinary.” (Carroll, 1994, p.14) With this definition, one can see that Corporate social responsibility is a field ranging a wide variety of concepts, synonyms, perspectives and areas of knowledge; much too broad to ever be explained in one simple definition.

2.1.1 CSR theories

Because CSR is so difficult to define, there are also several studies behind it. From a strategy perspective, managers are interested in understanding how CSR can be a source of competitive advantage. From a societal point of view, understanding how a firm can have a greater impact in the community where it operates can be a massive challenge with positive externalities. Economically, how can a firm contribute to the overall wealth of the business and society at the same time, by keeping a sustainable financial performance; and finally, from a business perspective, how can a firm manage different stakeholders' perspectives is

an extremely difficult and complex challenge, but at the same time, vital for the wealth of the business.

In a structure and precise manner, Garriga and Melé (2004) divided important Corporate social responsibility theories into four different scopes of analysis: instrumental, political, integrative and ethical. Within the instrumental group, the main driver is value creation, where social activities are performed to create wealth for the firm. Designed by Friedman (1970) the first notion of value creation appears in the theory of maximizing the shareholder value, which is the basic rule for a decision-making process within the firm.

The second group of theories is called “Political Theories” where firms adopt socially responsible practices through political lens. Firms must take advantage of their business power to perform social activities for the community, otherwise they might lose prestige towards other firms that will emerge and start social activities of their own (Davis, 1960,1967). Within this field of theories, Donaldson and Dunfee (1994, 1999) believe that there is an implicit obligation behind every company to develop social activities with the community, whereas Wood and Lodgson (2002) argue that a firm is part of the society, therefore, it must be involved with the community.

A third group of theories called “Integrative Theories” defend that social demands should be integrated in a firm’s strategy, because “business depends on society for its existence, continuity and growth” (Garriga and Melé, 2004, p. 52). The goal is to maintain a good reputation and legitimacy for the community. Here, firms must perform prioritization of social issues, identifying those that are relevant and impactful on their business (Wartick and Rude, 1986). “Stakeholder management” implies that the decision making on what social practices are better to integrate in the firm’s processes must come from a consensus of all the stakeholders (Freeman, 1978).

The last group offers an ethical approach about how companies should conduct CSR activities for the community due to their more human and less rational side, “Normative Stakeholder Theory”, developed by Freeman (1984), tells us that a firm needs to consider the expectations of all the stakeholders and not only stockholders.

Corporate social responsibility has several levels of integration with the “business” part of the business. It can be viewed as a philanthropic obligation (as the lowest level) whereas it can be part of the business model of the firm in each sector it operates, regardless of the business unit. This hierarchical approach was proposed by Carroll (1994) and maintaining to this day, that same framework is learnt in schools as an essential foundation framework for CSR studies. Several studies around Carroll’s pyramid have been taking place over the years and some additional features were added and some criticisms were made. Nalband and Kelabi (2014) argue that the pyramid can convey a certain order of CSR implementation, however, all those levels can be performed simultaneously (for instance, ethical and economic levels).

In the figure, one can observe a brief and good table with the main CSR theories, its short description and author.

Table I. Selected theoretical papers on CSR

<i>Author(s)</i>	<i>Nature of theoretical perspective(s)</i>	<i>Key argument/result</i>
Friedman (1970)	Agency theory	CSR is indicative of self-serving behaviour on the part of managers, and thus, reduces shareholder wealth
Freeman (1984)	Stakeholder theory	Managers should tailor their policies to satisfy numerous constituents, not just shareholders. These stakeholders include workers, customers, suppliers, and community organizations
Donaldson and Davis (1991)	Stewardship theory	There is a moral imperative for managers to 'do the right thing', without regard to how such decisions affect firm performance
Donaldson and Preston (1995)	Stakeholder theory	Stressed the moral and ethical dimensions of stakeholder theory, as well as the business case for engaging in CSR
Jones (1995)	Stakeholder theory	Firms involved in repeated transactions with stakeholders on the basis of trust and cooperation have an incentive to be honest and ethical, since such behaviour is beneficial to the firm
Hart (1995)	Resource-based view of the firm	For certain companies, environmental social responsibility can constitute a resource or capability that leads to a sustained competitive advantage
Jennings and Zandbergen (1995)	Institutional theory	Institutions play an important role in shaping the consensus within a firm regarding the establishment of an 'ecologically sustainable' organization
Baron (2001)	Theory of the firm	The use of CSR to attract socially responsible consumers is referred to as strategic CSR, in the sense that firms provide a public good in conjunction with their marketing/business strategy
Feddersen and Gilligan (2001)	Theory of the firm	Activists and NGOs can play an important role in reducing information asymmetry with respect to CSR on the part of consumers
McWilliams and Siegel (2001)	Theory of the firm	Presents a supply/demand perspective on CSR, which implies that the firm's ideal level of CSR can be determined by cost-benefit analysis
McWilliams et al. (2002)	Resource-based view of the firm	CSR strategies, when supported by political strategies, can be used to create sustainable competitive advantage
Waldman et al. (2004)	Theory of the firm/strategic leadership	Certain aspects of CEO leadership can affect the propensity of firms to engage in CSR. Companies run by intellectually stimulating CEOs do more strategic CSR than comparable firms

Table 1 – “Selected theoretical papers on CSR” (McWilliams, Siegel and Wright, 2006, p.7)

2.2 Organizational structures – different types of CSR integration

When a firm wants to develop some corporate social responsibility processes, there are internal changes that need to be considered. To integrate this societal concern inside a firm, there are fluctuations in the way business decisions are done, for instance, how employees will be involved or even, how CSR can be incorporated in the different business units. This section will be mainly to give the theoretical answer to the first sub-research question.

2.2.1 Motives to have corporate social responsibility

There are several reasons behind CSR implementation and integration as strategic, defensive, or altruistic (Lindgreen, Swaen, Maon, 2008). The firm can perform CSR activities to increase complexity to its strategy, being easier to differentiate from the competitors; or use it as a way to protect themselves from competitors or even because the firm has an internal culture that wants to tackle societal problems and help solving them.

Porter and Kramer (2006, p.81) argue that there are four main internal drivers for CSR implementation: “moral obligation, sustainability, license to operate, and reputation”. From an entirely different perspective, Windolph, Harms, and Schaltegger (2013, p. 272) identify three other internal triggers for CSR implementation: “legitimacy, market success, and internal improvement”. Either way, in all those drivers, there is a strong evidence that firm’s reputation is the crucial factor to engage in CSR activities.

One important driver that was not mentioned by the previous authors are the employees (Moon, 2007). Those are the ones that give to the firm its reputation, that will participate in the social activities that a company will organize and thirdly, if they don’t feel engaged, they will not be as productive as they should and the firm will, ultimately, lose profitability. Lastly, globalization is also an important driver because global productions became outsourced to under-developed countries and, consequently, the concerns about those exploitations have increased as well as its pressure to engage in social activities. (Moon, 2007; V. De Marchi et al., 2013)

In line with external motivations, there are outside pressures that will increase the firm's opportunity to adopt CSR activities: governments and community, consumers, investors and competitors (Windolph, Harms, and Schaltegger, 2013; P. Heikkurinen and S. Forsman-Hugg, 2011). More recently, Wickert, Scherer and Spence (2016, p. 1173) took an instrumental perspective on why firms engage in CSR practices, which is that firms "attempt to obtain financial benefits or enhance their competitiveness";

Fernandez-Feijoo, Romero and Ruiz (2014) conducted a study on firms' pressure for transparency from a total of 1,047 firms from GRI database, where firms that have the highest level of transparency are the ones that have close relations with their customers, large number of employees, high pressure from financial markets and companies whose activities are developed in an environmental sensitive industry. Additionally, the authors have identified the four most important types of stakeholders – customers, employees, environment and investors – that perform a considerable and positive pressure on firms to engage in sustainability reporting and thus, increased transparency. Nevertheless, when it comes to internal pressure, top management contributes the most to the implementation of social and environmental supply chain projects (Hoejmose and Adrien-Kirby, 2012)

2.2.2 How to integrate a CSR strategy

When it comes to strategically integrating CSR activities, firms should start by incorporating the CSR "mindset" in its value proposition to better achieve a strong competitive advantage through it (Porter and Kramer, 2006). Two measurable advantages are as "financial pay-offs and a strategic advance through differentiation from competitors". (Asif et al., 2011, p. 8) By implementing those actions in the core of the firm, it will be easily replicated to all the internal activities, partnerships and other important decision-making processes and, naturally, it would be part of the firm's culture and, consequently, be part of the firm's identity.

When it comes to strategically integrate CSR activities into a firm's organizational structure, Geva (2008) explores, in parallel with the pyramid model designed by Carroll, other two models with different scopes of CSR: the intersecting cycles and the concentric cycles. The comparison of those three similar theories is done in terms of theoretical assumptions, research and managerial implications. In this theory, three different approaches are explored, as it is shown in Table 3, in such a way that a firm can look at it and observe which structure

suits the best. For example, in terms of responsibilities, firms can have a hierarchy according with the pyramid; an intersection of shared responsibilities; or thirdly, having it in the central core of the firm. This theory then shows, how to construct an internal organizational structure for different scopes.

TABLE 1 Comparison of Three CSR Models

	CSR Pyramid	Intersecting Circles	Concentric Circles
General Description	Hierarchy of separate responsibilities	Nonhierarchical set of intersecting responsibilities	Integration of responsibilities; all sharing a central core
Theoretical Assumptions			
Nature of CSR	Normative restraints of responsiveness	Classification framework; no normative guidance	Incurred obligation to work for social betterment
Scope of Responsibilities	Narrow	split	Wide
Total CSR	Conjunction	Disjunction	Integration
Order of importance	Hierarchy; Economic responsibility first	No prima facie order	Inclusion system; economic circle at the core
Role of Philanthropy	"Icing on the cake"	Subsumed under economic/ ethical responsibilities	Integral part of CSR
Research Implications			
Operationalization	Constant-sum method	CSR portraits	Representative range of measures
CSR-CFP relationship	Positive	Positive, Negative, or Neutral	Nonlinear
Managerial Implications			
Justification for CSR	Ethics pays	Strategic considerations	Normative obligation

Table 2 – “Comparison of Three CSR Models” (Geva, 2008, p.6)

Another theory that can be applied when it comes to develop a good internal structure is one where each functional area should be responsible for one CSR topic that the firm wants to address. (Windolph, Harms, and Schaltegger, 2013) Thus, the responsibility over the decision-making process is spread across the firm and moreover, social issues would be better addressed, as we can see in the Table 4. One can observe that, for instance, internal department units as HR or finance/accounting could take care of internal issues regarding CSR performance. This way, different responsibilities are spread across different areas of the firm, making it easier to spread the culture. However, it can easier lead to missing communication or disagreements regarding the relevance of projects developed or even raise some problems due to the alignment between the strategy of the firm and CSR activities.

Motivation	Aspects addressed	Functional area
Legitimacy	Governmental regulation, private and self-regulation, media and society (values, resources)	PR/communications
Market success	Market for products and services, labor market, capital market	Marketing, R&D
Internal improvement	Process improvements, resource use, eco-efficiency and socio-efficiency	Purchasing, logistics/distribution, production, HR, finance/accounting

Table 1. Matching motivations for sustainability management with functional areas

Table 3 – *Matching motivations for sustainability management with functional areas* (Windolph, Harms and Schaltegger, 2014, p.276)

More than the level of CSR integration, firms that dedicate considerable resources and capabilities implementing good practices should be concerned about impact and more than that, a meaningful impact (Asif et al., 2011).

Firms need to prioritize which societal problems they want to tackle, by type of social issue: generic – those that are value for society but are not align with the firm’s strategy; value chain impact – affected in a significant level by the firm’s operations; and social dimension of competitive context – part of the external environment that affects directly the competitiveness of the firm (Porter and Kramer, 2006). Afterwards, managers must analyze if the chosen social activities are aligned with the business core and if a meaningful impact will be delivered by performing those. Once the stakeholders are aligned and their expectations are managed, the process of decision-making regarding what CSR practices to implement, can take place. Lastly, integration and monitoring processes will have to be managed continuously. (Porter and Kramer, 2006)

Impact measurement is extremely important because it reveals in which level of CSR integration and implementation the firm is. Moreover, it is also relevant for the firm to keep monitoring the CSR impact to be able to give that information not only to all the interested parts, government and competitors but also internally. This way, it is easier for the firm to assess which projects are being successfully implemented, the others that may need the scope, or even others that will need to be dropped. (Asif et al., 2011).

2.3 Competitiveness and Innovation

After an organizational structure is outlined, a firm needs to decide where CSR is integrated in terms of competitiveness. This means that, to decide which problems to tackle, a firm must see two things: if it competitiveness is not affected by the reallocation of internal resources,

as employees also work in a volunteering way, for instance; and secondly, if the firm wants to use CSR to compete against the rivals. If so, innovation needs to be taking into consideration as it helps the differentiation process.

One important basic need for a firm's good level of competitiveness is its ability to keep up with new innovations in the industry. Aligned with this idea, there is a concept inside Corporate social responsibility field called *strategic philanthropy*, defined by Porter and Kramer (2002) and presented in a Harvard Business Review article: "True strategic giving, by contrast, addresses important social and economic goals simultaneously, targeting areas of competitive context where the company and society both benefit because the firm brings unique assets and expertise." (Porter and Kramer, 2002, p. 6). This definition reflects the idea that all social activities that a firm develops should be aligned with its core business for it to be strategic since the resources to perform those activities are already present inside the firm.

Another important issue regarding competitiveness through CSR is that social activities must be linked to a non-governmental organization for a more gainful way of performing social activities (Porter and Kramer, 2002). Friedman was right regarding the goals of a firm: to be profitable, and for this, a firm must leverage its resources in order not to lose any profitability. When a partnership is done between a firm and a NGO, resources and capabilities are combined and an equilibrium is reached amongst one another, creating kind of a win-win situation. This way, NGO can contribute with its network of contacts, experience and projects already structured and a firm has the know-how, people and money to give. (Porter and Kramer, 2002)

Corporate Social Performance and Corporate Financial Performance are two linked concepts, often discussed by several authors to understand if that relationship is either positive, negative or neutral. (McWilliams and Siegel, 2000; Husted and Salazar, 2006; Helming, Spraul and Ingenhoff; 2016; McWilliams, Siegel and Wright, 2006; Weber, 2008; Yawar, Seuring, 2015; Salzmann, Lonescu-Somers and Steger, 2005) Despite the uncertainty regarding the impact of one another, Hull and Rothenberg (2008) assumed, for their study, that CSP and CSR are positively correlated. Another factor affecting this study is that innovation is argued not to be the only source of competitive advantage, being the other important factor, the differentiation of the industry where the firm is placed. The authors also

mention that, for firms that are innovative, the gap of financial performance reached by improving CSR is not that big; however, for firms that are less innovative and are not differentiating themselves, CSR is an alternative and good way to boost financial performance.

Resource-based view is a strategic theory by which firms sustain competitive advantage through its unique resources that are rare, inimitable and hard to substitute by competitors (Heikkurinen and Forsman-Hugg, 2011). This definition will hardly be applied to tangible assets since they are easier to imitate than the intangible ones. For this reason, the authors argue that CSR is a valuable intangible resource that firms can use to sustain competitive advantage. This opinion is also shared by Hull and Rothenberg (2008, p. 787) who concluded the study mentioned above with the certainty that “If sustainable competitive advantage rests on having not one but several intertwined core competencies, two might be innovation and CSP”.

An alternative method that firms can look at CSR is innovation in the non-profit side of the business. According to Porter and Kramer (2002, p. 14), the best way of creating value when it comes to CSR is by “developing new means to address social problems and putting them into widespread practice”. Innovation in Corporate social responsibility must not be limited to internal processes, codes of conduct, employees and culture. Porter and Kramer (2002) explain that complementarily, new best practices should be extended to outside firm’s boundaries, dissipated through value chain’s partners in terms of knowledge transfer or new training systems in under-developed countries.

Firms that combine the theories of resource-based view of the firm and triple bottom line, and that are focused on increase the sustainability of the supply chain, thus “should have stronger ratings on scales of sustainability measures, customer and employee satisfaction, corporate social responsibility and profitability measures” as benefits which will also lead to an increased sustainable competitive advantage. (Markley and Davis, 2007, p. 769) Environmental and social strategies are considered by the authors as “valuable and non-substitutable, while also being tacit (inferred), socially complex or rare” (Markley and Davis, 2007, p. 769) and thus, provide to the firm a sustainable competitive advantage while, at the same time, deliver higher sustainability levels to the firm.

Figure 1.
Comparing N-RBV and
3BL (measures)

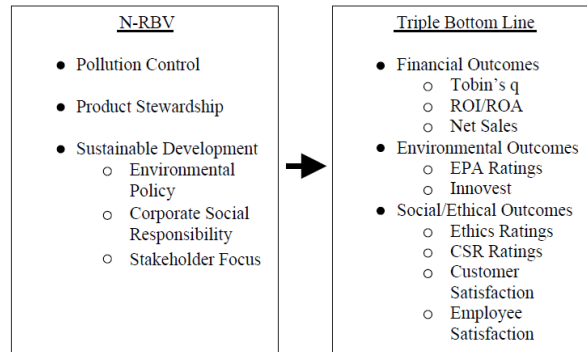


Figure 1 – “Comparing N-RBV and 3BL (measures)” (Markley and Davis, 2007, p. 770)

2.4 CSR in value chain processes

“Many opportunities to pioneer innovations to benefit both society and a company’s own competitiveness can arise in the product offering and the value chain”. (Porter and Kramer, 2006, p. 88)

To answer to the second sub-research question, this section presents some theories on how firms should develop innovation through CSR implementation and integration along the different value chain processes.

Firms have been assisting to an increase in the complexity of the value chain, mainly due to globalization, phenomena that pressured firms to distribute their operations across borders. (V. De Marchi et al., 2013; C.-F. Hsueh, 2014; Heikkurinen, Forsman-Hugg, 2011) Due to that increased complexity, firms must extend their internal CSR integration to its partners abroad (V. De Marchi et al., 2013; C.-F. Hsueh, 2014). Nevertheless, to successfully implement CSR along the value chain, incentives must exist, ensuring that partners also benefit from those social activities being one of these same incentives. Moreover, firms must know how to certify that the suppliers comply with a code of conduct and, that in fact, they act in a responsible way. (C.-F. Hsueh, 2014)

For Heikkurinen and Forsman-Hugg (2011, p. 309), a value chain can only be classified as responsible if it excels “in environmental, sociocultural and economic responsibility” relatively to the competitors. Additionally, a sustainable value chain is the one that implements certain measures in such a way that will help reducing environmental impact, be

more eco-efficient, or contribute to waste reduction (Markley and Davis, 2007). Measures like “employee satisfaction, customer satisfaction” (Markley and Davis, 2007, p. 764) or comparing with other government ratings or competitor’s corporate social responsibility are good examples of sustainable measurement tools to address the level of sustainability of the firm and its value chain. (Markley and Davis, 2007)

Heikkurinen and Forsman-Hugg (2011, p. 307) refer “beyond-responsiveness” as the actions that a firm undertakes to reach higher levels of proactiveness. In terms of responsiveness levels, there are other two classifications: “responsive” and “unresponsive” CSR. The authors have designed a conceptual framework where for each level of responsiveness associated with a levels of stakeholder communication - passive, reactive, proactive, entrepreneurial, creative – a type of competitive advantage is achieved or tried to be achieve, as we can see in the figure 2.

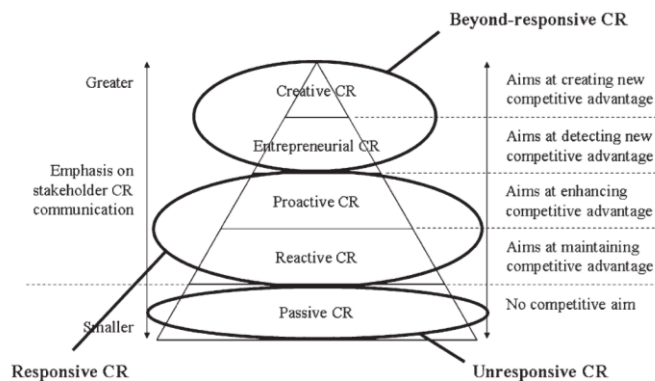


Figure 2. Unresponsive, responsive and beyond-responsive strategic CR actions (developed from Heikkurinen 2010). 225 x 128 mm (96 x 96 DPI)

Figure 2 – “Unresponsive, responsive and beyond-responsive strategic CR actions” (Heikkurinen and Forsman-Hugg, 2011, p. 308)

Hoejmose and Adrien-Kirby (2012) developed a framework on how firms should implement what they call SERP – Socially and environmentally responsible procurement”. In a brief article, they explain how firms should implement new and more sustainable actions along the value chain. The main measure identified by the authors is the implementation of a code of conduct not only internally but also with the partners of the value chain. For such measure to be succeeded, the authors suggest that “firms should screen suppliers against their social and environmental requirements” (Hoejmose and Adrien-Kirby, 2010, p. 240)

3 Methodology

In this section, the choices for the methodology used will be cleared and then, a description of the approach that was followed to get the results for the problem statement will also be provided here.

3.1 Methodological approach

Firstly, a qualitative research has been chosen to better aggregate some routes already discovered and add new ones. In this type of research methodology, the main advantage is that it will guide to the discovery of patterns already existing and so it can be used as a foundation for new theories (R. A. Brettis et al., 2015)

A case study was conducted, as it allows a more real and truthful way of getting to the results. This means that, as a firm gives answers to a real problem, one can better investigate and find a real solution for the problem statement. This method will also allow the investigator to diminish his influence in the investigation and in the analysis of the results, which is always a key requirement for a better investigation. (Pettigrew, 1990) In this case, understanding the role of CSR innovation, particularly in the value chain to gain competitive advantage.

Delta Cafés is a Portuguese firm, market leader in the segment of coffee, and the firm that was chosen to conduct the case study. Not only for the two facts mentioned above, but also for the way Delta sees and implements CSR constituted the perfect firm to investigate. In the community that surrounds the headquarters, Delta is a great firm to work in, with several projects to improve welfare in the community. Moreover, Delta has its own NGO that works with the local children, providing them with, tools focused on entrepreneurship and on how to think differently. Additionally, all the partners Delta has along the value chain share the same concern about CSR, thus both develop ways to improve their sustainability through water waste reduction, or more ecological packaging and many other forms of CSR implementation.

3.2 Data gathering

Two interviews were conducted to appropriately answer the research questions, as it can be seen in appendix 2, together with the date of the interview and information about the position

they hold inside Delta. The first interview was done with the person responsible for the internal NGO of Delta called “Coração Delta”. It took place in Campo Maior, where the headquarters are based. The second interview was conducted through skype call with Miguel Ribeirinho, the Business Development Manager at Delta Cafés, also part of the sustainability committee (an internal committee dedicated to innovation and social responsibility).

Apart from this primary data collection – the one collected by the investigator - Delta’s website and sustainability report from 2014 were also sources of important information. Delta’s official Youtube channel and was also useful to construct a more detailed section of Delta’s history. More details regarding the different sources of information can be seen in appendix 3 where the different types of information gathering are listed.

The concrete process of data analysis started first, with the write of the case study, so the transcription of the context was done and to identify any interconnection of events in the time. (Pettigrew, 1990) To better understand the internal structure of the organization and see innovations in CSR activities, coding process was performed in all data available. Table 8 gives one example of coding that was done with one of the interviews.

First order concepts	Examples of quotations	Interviewee
Internal structure of CSR integration	<i>“Integration of the different business units to keep the commitment and having an integrated system”</i>	Miguel Ribeirinho

Table 5 – Examples of citations being coded

4 Case Study

4.1 Delta Cafés – “Uma Marca de Rosto Humano”

Since the 70’s, Delta Cafés has been one of the biggest Portuguese brands, recognized outside Portugal, either in selling the final product – coffee - or buying and producing raw materials.

The founder, Manuel Rui Azinhais Nabeiro, was born in Campo Maior, a small village in the country side close to Badajoz, Spain. Due to his entrepreneurial characteristic and with only 30kg of coffee, Manuel Rui Nabeiro decided to invest in the coffee production and distribution sectors in Portugal.

Since the beginning, Deltas’ slogan is “One Client, One Friend” which is also the positioning of closeness that Delta has always had with the clients they were able to attract. With a philosophy of “A Brand with a Human Face”, the internal culture of the company reflects the relationship with the client as well as a culture of proximity where employees like to work in and establish good relationships with their peers.

Delta is now called Nabeirogest S.G.P.S., S.A. with activities in seven different markets: real estate, industry, services, Delta cafes SGPS, SA, hotel business, agriculture, distribution. (See Figure 3) Diversification of the business has been the strategy developed by the company to innovate over the years. Nevertheless, the coffee production and distribution continues to be the two biggest business activities of the company.

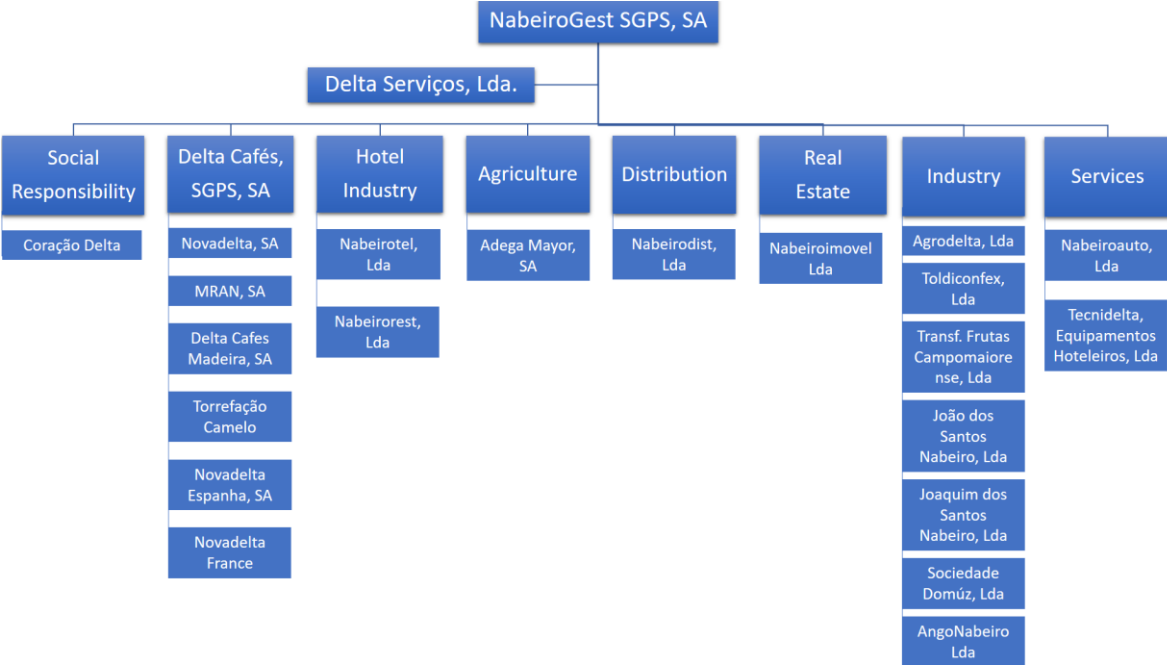


Figure 3 – Delta’s organization chart

Nowadays, Delta has more than 340 million euros on sales, which correspond to more than 22,600 tons of coffee sold worldwide, and per day, 100 tons of coffee is roasted to serve

customer's needs. The firm has more than 3000 employees and 47,000 direct clients in Portugal and Spain, where it supplies with 900 cars and 30 trucks. Additionally, Delta is present in 40 countries, in which 8 are with direct operations. In Portugal, for the fifteenth consecutive time, Delta was selected with loyal brand distinction, and for the fourth time, the choice of the consumer, and has been market leader since 1994. In terms of production, 27,000 tons of coffee beans are bought and, per year, more than 45,000 of coffee bags are sold worldwide.¹

One of the basic pillars behind Delta's business is the idea of sustainable innovation achieved by valuing the domestic market of coffee, exploring other markets outside Portugal and finally, achieve social and environmental sustainability in all those steps as well as respect for peers and optimization of internal processes along the value chain.

4.2 Once upon a time in Campo Maior...

In 1961 Manuel Rui Azinhais Nabeiro creates the brand Delta Cafés, which could grow quickly and in 1970, the coffee produced in the small village of Campo Maior was already being exported globally. After this, the business was already taking big steps towards its brand consolidation and in 1984, there was an immense internal structure which resulted in the separation between commercial and industrial Delta called "Manuel Rui Azinhais Nabeiro Lda." and Novadelta S.A." respectively. After this massive transformation, Delta has been growing over the years, consolidating the business in Portugal and across the five continents. In the appendix 4 there is a detailed chronology of Delta's evolution.

There are two types of coffee produced in the world: Arabica and Robusta. Delta has two channels through which the distribution is made: instant coffee where the final consumer does his own coffee, and Horeca. For each of these, there is a myriad of possibilities in terms of variety of products for each type of consumer. (See appendixes 2 and 3)

4.3 Corporate Social Responsibility

Delta's corporate social responsibility relies on four major subjects that are relevant for the business: programs with the community, coffee certification, relationship between personal

¹ <http://www.deltacafes.pt/pt/empresa/historia/delta-em-numeros>

and professional life and improvement in professional performance, and environment². Regarding stakeholders, the two biggest concerns are human resources management and products and services innovation and quality.

4.3.1 Strategy for CSR

The mission of Delta is to give response to client’s demands, by always keeping a sustainable way of doing business, meaning, to be able to do business without compromising future generations.³ One of the values of the firm is to look at business in a human way, respecting one another inside and outside the firm both within employees and across the value chain. Delta establishes commercial partnerships following a set of norms entitled “Business’ Principles Guide” (see Table 4) by which a producer establishes a contract if complies with Delta’s ethical practices.

Delta’s Business’ Principles	Brief Description
Sustainable Development	Long term responsible investments that do not compromise the future generations’ ability to do business and to comply with client’s expectations.
Normative Integrity and Transparency	Share the 10 Principles established by the United Nations Global Compact (see appendix 1), mainly regarding the transparency, solidarity, and integrity with shareholders, expecting the same from Delta’s partners.

² In Delta’s Sustainability Report, 2014

³ In Delta’s Sustainability Report, 2014

	All the financial information can be read in their annual reports and there is an external company conducting audits, annually.
“One Client, One Friend”	Investment in long-term relationships with clients/ consumers to create value for the business. Development of products and services with high quality, but always with an economic, social and environmental equilibrium
Communication	Transparency and quality on the information provided, always with a message of “Responsible Consumption”
Responsible Innovation, Excellence and Leadership	Business model of entrepreneurship and constant innovation in order to provide the best products/services to consumers/clients. Partnerships with suppliers, universities and NGOs in order to better perform and deliver higher competitiveness in the value chain
Quality, Health and Security	Great investment in the employees, considered to be the most valued asset: work conditions, career development, rewarding and encouraging new ideas and a good balance between professional and personal life
Sustainability in the Origins	Promotion of partnerships that support environmental protection and gives training

	to producers to increase sustainability in their harvests
Environmental Responsibility	Investments in eco-innovation in order to reduce environmental impacts

Table 4 – Delta’s Business’ Principle guide

Delta Cafés identifies as main stakeholders the investors, clients/ consumers, employees, community, government, NGO and other institutions and suppliers.

From the strategic management tool, the resource-based view of a firm, one has seen that CSR can be used as a rare, inimitable and non-substitutable resource for firms to sustain their competitive advantage which, in this case is applied in a creative and entrepreneurial way leading to the conclusion that Delta follows a level of beyond-responsiveness CSR integration. (Heikkurinen and Forsman-Hugg, 2011) As one of the advantages pointed out by the authors, is the ability to achieve “above-normal economic performance”.

Since the main business of Delta is related with coffee, the environmental dimension is the one that receives the most attention from the company. The most important focuses of the projects are mainly the reduction of the carbon emissions as well as hydric footprint, water waste reduction and increased inverse logistics processes.

4.3.2 Competitive Advantage inside Delta

Miguel Ribeirinho, also clarified that the vision on competitive advantage of Delta mainly relies on the “capacity of a firm to innovate and anticipate external changes in the market” (Miguel Ribeirinho). More than anticipate, Delta has been able to capture and integrate those in their strategy, which is what has given them the competitive advantage in relation with the competitors. An example of this was the introduction of the capsule coffee, a business model that was mainly done by Nespresso, in order to face the competition and to solidify its position in a ever-changing marketplace. Another belief Miguel stressed regarding competitiveness, were the determinant factors to achieve competitive advantage; it depends

“on the structure of the firm, on the place where the business activities are developed and the time frame opportunity” (Miguel Ribeirinho).

Employee motivation was considered by Miguel as another crucial dimension of a sustainable competitive advantage and this implies not so much extrinsically methods, monetary, for instance. More than that, intrinsic methods are appointed as more effective such as the participation of the employees in volunteering activities, recognition of the work developed, empower the feeling of belonging and guarantee that employees feel proud of working there and enjoy it. Miguel also mentioned that Delta strongly believes that, in the long run, if the firm cannot ensure those types of incentives, employees will eventually lose profitability.

4.4 Delta’s CSR Results

Delta has received several awards, over the years in terms of brand, social activities and personality as Rui Nabeiro, the founder of Delta Cafés. Socially, the is considered one of the top five for excellence in the workplace; the Center of Coffee Science received a prize for best social activity initiative; and the local magazine “Revista Mais Alentejo” gave prizes for the best firm to Delta Cafés, best innovation with the Center of Coffee Science and more excellent firm for João Manuel Nabeiro (son of Rui Nabeiro). All this information can be seen in appendix 7.

Overall, the two biggest projects are the one with elderly people, in a national scale, called “Tempo para Dar”; and the entrepreneurship manual that had an accreditation from OECD.

5 Findings

After a detailed description on Delta’s history and activities, this chapter will be dedicated to finding an appropriate answer to the problem statement of how firms can foster innovation in the field of corporate social responsibility to gain competitive advantage; furthermore, the sub-research questions of how should a firm be internally structured to better foster innovation and how that innovation can be fostered along the value chain. Not only will the results be fully described but also a critical point of view will be added in due time.

This section will adequately give a detailed response to the aforementioned questions. Additionally, examples will be given on how Delta is doing innovation to gain, the very sought-after, competitive advantage. It will be shown that it is possible to foster innovation in CSR processes along the value chain with examples of how Delta is pursuing it. Furthermore, a view of the internal organizational structure of Delta will be provided to show a successful CSR integration. The two sub- research questions will be answered, supported by the qualitative research and by theoretical papers.

All the information inserted in this section arises from two interviews and from Delta's sustainability reports.

5.1 Organizational structure to better foster innovation in CSR processes

Inside Delta, there is a sustainability committee constituted by “key people” (Miguel Ribeirinho) which are employees from each functional area – “in order to better promote multidisciplinary to the team” (Miguel Ribeirinho) - that are managed by Ivan Nabeiro, grandson of the founder and the head of that sustainability committee. Ivan is also part of the administration board, and for this reason, he establishes the connection with the board of directors to get the approvals for the new projects and ideas emerging from those meetings; as well as to present the sustainability reports, also designed and developed by this team. Different areas are integrated and represented by a person, which does not necessarily mean that he or she is the head of the department: Human Resources, Marketing, Communication and Innovation. Because they believe the firm must all be aligned in terms of CSR objectives and axis of action, the different business sectors are also represented: Delta, DeltaQ and Adeg Mayor.

Before deciding which projects will be implemented, the sustainability committee gathers together to evaluate the project's viability as well as which goals will be achieved and what are the possible outcomes that might result from it. For projects that have concluded already, if the goals were not achieved, an evaluation of what went wrong is conducted and, if necessary, improvements will be done. However, if it cannot be improved in any way, the

committee takes the lessons learned out of it in order to circumvent recurring mistakes as not to repeat them in a future project.

In Delta, new projects arise from suggestions or ideas that can be given and proposed by anyone. The firm has an internal web portal where employees can access and give their proposals, explaining the scope and the purpose of the idea and how it should be conveyed. Additionally, “Delta participates in several networking events which are also a source of innovative ideas” (Miguel Ribeirinho). Benchmarking is the third important origin for new incoming projects.

In the interview, it was explained that “Delta believes that the vision of the CEO for the firm determines how competitive advantage must be captured” (Miguel Ribeirinho); it is from his decision-making process that all the things are implemented or rejected. Thus, inside Delta, “each sustainability action that is approved and integrated in their business, depend uniquely on the CEO” (Miguel Ribeirinho).

5.2 How to innovate in the value chain processes in order to create and capture added value?⁴

There are three drivers that shape the way social responsibility is done inside Delta: social, economic and environmental. In Campo Maior, where the headquarters is based, the local community can take advantage of several social projects implemented by Delta, namely the NGO that has several activities for children after school. Economically, every business decision regarding product, procurement and distribution, or relationships with partners takes into consideration sustainable metrics. Regarding the environment, for instance, the type of cars used in the distribution process or the relative importance given by a distributor to environmental issues, constitute two important factors to which Delta pays close attention and bases the decision of either a partnership is established or not. More information about different activities performed along their value chain can be found in appendix 8.

Miguel truly believes that “sustainable added value can only be achieved through value creation” (Miguel Ribeirinho). This regards customers, shareholders and partners to whom

⁴ All the information regarding sustainable actions in the value chain was taken from the sustainability report of 2014

they need to create the right incentives to create value and keep sustainable. As it was said previously, anticipating client's needs and changes in the market represents, as Miguel puts it, "a proactive innovation". This way, a firm guarantees its continuous adaptation to the different situations, market scenarios and new ways of improvement. For instance, nowadays, the main agents of change in consumer's perceptions about a product, are the ones connected in the social media like *youtubers*, *bloggers* and *vloggers*. Delta has been paying attention to these changes and considers extremely important to adapt to them so, consider social media as a new and effective way of communication, is viewed as a necessary and important innovation to do.

Inside Delta, there is neither a periodicity on the project's measurement nor a formal assessment protocol to conduct it. Overall, the measurement of a project is done after its conclusion, in the sustainability committee meetings, to address if either it met the goals that were defined in the beginning or not; this evaluation is done by qualitative and quantitative tools developed internally. Nevertheless, a periodic monitorization should be conducted so the firm can keep closer attention if the project is worth continuing or not.

The sustainability along the value chain starts with the origin of the process: the production. In this initial stage Delta tries to increase the diversity of the coffee origins so that species' biodiversity is not affected, thus producing sixty different types of coffee. In Angola, there have been several initiatives with local producers to training them so they can be more efficient. These activities have positive externalities as the producers can be more sustainable, more efficient and consequently increase their potential to make more money. Other positive impacts are the increased local economic growth, competitiveness in under developed countries and life conditions for the local producers.

In the coffee transportation phase, from the local producers until Lisbon, the product is brought by boat and then by train to Campo Maior to reduce CO2 emissions. This creates indirect employment but conversely pollutes the environment.

For the transformation step, the process was designed to optimize the resources consumption. Delta Cafés has an integrated management system that has into account the quality of the product, food safety, environment, social responsibility and employees' safety and health.

Additionally, there is a process developed for waste treatment. In this phase, the local community and employees are the focus of the social responsibility. Positive impacts can be the increase of the overall community conditions, development of the local business, and shared value creation. Conversely, water and energy consumption and waste creation can be pointed out as main negative impacts.

In the last stage of the process, the commercialization, Delta Cafés has a broad network of distribution, having different channels for the purpose. Its diversified range of products allows different types of commercialization and there is optimization of all the distribution routes. Additionally, the company has the Customer Relationship Management (CMR) to deal with the customer service process. The crucial stakeholders for Delta are the clients, employees and the government.

Considered part of the value chain, the presence in the local community of Campo Maior has several initiatives. Delta Cafés supports local projects; created and developed the Coração Delta Association to take care of the children after school and training them with entrepreneurship skills as well as for children with special needs incorporated in special projects; the development of the Entrepreneurship Manual to teach those skills; the creation of the training center Comendador Rui Nabeiro to train the employees; and the Center of Coffee Science to diffuse the coffee culture and attract people to that community.

6 Discussion

Garriga, Melé (2004) defined a set of CSR theories divided into four big groups: instrumental, political, integrative and ethical. Delta is incorporated into the ethical one, where firms' main purpose is to use the business as an efficient way to do the right thing to “achieve a good society”. Inside this category, Delta gets really close to the “sustainable development” theory, where firms engage in CSR activities to contribute to a better and more sustainable “human development”, taking into consideration the definition of sustainability given by World Commission on Environment and Development (United Nations): “meet the needs of the present without compromising the ability to future generation to meet their own

needs". Not only this include the environmental dimension, but also the economical and societal ones.

Given the Carroll's pyramid (1994), Delta integrates the philanthropic dimension, where firms are guided by the will to engage in volunteering activities that "are not mandated, not required by law, and not generally expected of business in an ethical sense." (Carroll, 2016) Firms in this category are driven by the desired to do what is right for society through several formats of corporate giving – "gifts of monetary resources, product and service donations, volunteerism by employees and management, community development and any other discretionary contribution to the community or stakeholder groups that make up the community." (Carroll, 2016)

In terms of CSR integration, Porter and Kramer (2006) defined the term of strategic CSR and the ways this can improve a firm's performance by getting closer to the social issues it wants to tackle. More than performing social activities, strategic CSR concerns incorporating a social culture inside the heart of the firm: "Strategic CSR moves beyond good corporate citizenship and mitigating harmful value chain impacts to mount a small number of initiatives whose social and business benefits are large and distinctive". (Porter and Kramer, 2006, p. 88) Additionally, strategic CSR can be used to efficiently leverage resources to better address the issues as at the same time, reduces unnecessary costs due to a poor management of resource allocation. Delta has two axis of business they believe that drives their competitive advantage: social dimension and innovation in business processes and products. By integrating this first dimension in the value proposition, the firm is able to gain advantages for both society and firm's competitiveness. (Porter and Kramer, 2006) Delta differentiates from the competitors by its social dimension in the way they do business and by the vast portfolio of projects they deliver to the community.

Asif et al. (2011) argues that an efficient CSR integration must be done through a top-down and a bottom-up approach, simultaneously. The first includes decision such as defining which CSR responsibilities are going to be implemented or which communication strategy will be used while dealing with stakeholder's expectations. In the case of Delta, this is done by the committee and approved by the board of directors. The authors also mention as bottom-up approach, the relationship between the firm and the community and the way the social issues

– quality of life, public safety, local education, community reinvestment (Asif et al., 2011) - are addressed. Delta implements both methods of CSR implementation, either in the decision-making process coming from the board of directors and the bottom-up when relating with the local community of Campo Maior.

Deriving from the integration theory that the deployment of CSR responsibility must be divided by functional areas according with its internal purpose (Windolph, Harms, and Schaltegger, 2013), one can conclude that Delta has not following this type of structure. Instead, the firm chose to have several firm-wide guidelines of what CSR represents for them and ensure that all the business units comply with those from the most broad and strategic decisions to the most basic and daily ones. Coherence and centralized power inside the organization are achieved with this structure.

Porter and Kramer (2002) saw that the relationship between a firm and a NGO is a win-win situation due to its shared resources among both. Delta built its own NGO which is even more advantageous because the transfer of knowledge and resources is more easily shared. Nevertheless, partnering with an external source is always a good source of different ideas and perspectives.

Hull and Rothenberg (2008) assumed a positive correlation between firm's financial and social performances and it is also true for Delta. They know the firm needs to have wealth to be able to perform social activities but they also acknowledge that their business success comes partly from the several social projects they perform that brings legitimacy and empowers brand recognition among consumers and business partners. To build this valuable source of competitive advantage, the firm engages correctly within the resource-based view of the firm in the sense that Delta has been building a great social structure that is inimitable, rare and hard to copy by the competitors (Heikkurinen and Forsman-Hugg, 2011), such as its NGO, their culture and the way dedicated employees engage in social projects of the firm.

For a value chain to be considered sustainable, it must be extremely good at three responsibility dimensions – social, environmental and economical. (Heikkurinen and Forsman-Hugg, 2011) Delta has been able to deliver good economic results and establish good partnerships with distributors and coffee suppliers around the world. At the same time,

either nationally and across borders, Delta has been able to develop projects that concerns the local community and enhance the performance of local farmers.

In the origin coffee countries, as mentioned before, Delta has also developed projects to educate local communities and give back to those locals. By integrating this with the Triple Bottom Line (Markley and Davis, 2007), Delta has been able to develop unique sources of competitive advantage through integration of sustainable actions along their business operations. Regarding the improvement of sustainability along the value chain, Hoejmosé and Adrien-Kirby (2012) also mention the need to create codes of conduct not only internally, but also with the partners of the value chain.

To classify the level of Delta's CSR, the "unresponsive, responsive and beyond-responsiveness" theory (Heikkurinen and Forsman-Hugg, 2011) is studied. One of the important business pillars of Delta is precisely the innovation and one clear source of competitive advantage is their structure's flexibility of being able to capture new ideas emerging in the market and implement them. This works either in a business level but it is strongly followed also in the social dimension as well. This way, their CSR strategy can be defined as "Proactive". However, because Delta has its own innovation unit, developing new ideas and searching for innovative projects either in the business and social dimensions, one can conclude that it can be placed above "proactive" to a "creative" level. Sustaining this position, is the relationship with the stakeholders which is well developed and structure. Concluding, Delta can be classified as "beyond-responsiveness".

7 Conclusion

This master thesis conveyed a case study on Delta Cafés, to answer a problem statement of: "How can firms foster sustainable competitive advantage through innovations in CSR implemented processes?". To better tackle this problem, other three sub research questions were addressed: "How can a firm achieve competitive advantage?"; "How can a firm innovate in CSR processes?"; and lastly "How can a firm achieve sustainable competitive advantage?".

Theoretical background was provided to sustain some distinct CSR definitions (Carroll, 1994; Friedman, 1970; Moon, 2007); Some interesting models on CSR integration and innovation were also provided (Geva, 2008; Moon, 2007; Windolph, Harms, and Schaltegger, 2013); and lastly, because Delta has its business founded in coffee production and distribution, some sustainable concepts and theories applied to value chains were also discussed (Heikkurinen and Forsman-Hugg, 2011).

7.1 Main Conclusions

With the case study and the review of the literature shedding some light on the problem statement of how firms should foster innovation in the field of CSR to gain competitive advantage, an answer to this same problem can be attained. Regarding the first part of the problem, firms must pursue competitive advantage through differentiation from the competitors, either by the price, availability or any other factor that will be distinct. Then, to achieve sustainable competitive advantage, the resource-based theory explains that a firm must compete with unique resources. Additionally, for a firm to maintain a sustainable competitive advantage it must also compete through CSR, since it is viewed as a unique resource, acknowledging the fact that competitors will not imitate, much less compete against it.

To give an answer to the second part of the problem statement, CSR innovation can be done by continuously addressing new ways of tackling different societal problems. However, one must always keep in mind that there must be an alignment between the problem the firm is trying to solve and the nature of the business. For instance, since the main business activity concerns coffee production and distribution, Delta has been continuously developing new projects related with the environment.

The surrounding community can be seen as another suitable example since Delta is grounded in a considered small village where people play a crucial role for the firm. For this exact reason, Delta also considers the development of CSR projects for the community as an extremely important way to engage them.

Lastly, all the projects must be continuously monitored and measured so the firm can keep track of what is being achieved with a positive and viable outcome, and what is being done

poorly. In the case of Delta, there is no periodicity when it comes to evaluating the projects and this is something that should deserve a closer attention.

Delta is considered a successful case study, since it continuously invests in new projects, not only for the community, but also alongside partners from the different steps of the value chain. By taking environmental actions along the value chain, Delta can capture benefits that go beyond environmental performance. Hoejmose and Adrien-Kirby (2012, p. 239) identify some of those advantages: “opportunities for reducing costs and create strategic and competitive advantages”.

Delta is also able to capture competitive advantage through sustainable innovations but also through the constant demand to link sustainable actions to the its business decisions. Thus, the brand Delta is easily associated with social responsibility and therefore may very well be a differentiation point for the consumers.

7.2 Limitations

One important caveat to this case study is that only two interviews were conducted which is a small number to collect information. Nevertheless, the content of the both were extremely relevant for the results and provided much more information that the expected. Despite this first limitation, the information gathered on the website and sustainability reports were extremely relevant for the findings section.

Another barrier was the difficulty to reach an employee from the innovation unit and who would had been able to provide with relevant information to add to this case study. This business unit has masses work so few time is left to concede an interview.

7.3 Future Research

In addition to this topic, some future research could be done, considering the impact on a firm’s performance. Specifically, how a firm’s financial performance is streamlined with the presence of more sustainable measures in the value chain and, consequently, is their competitive position is also improved by it.

Another interesting topic can be the extension to global and more complex value chains or if, in the opposite way, small and medium firms are able to implement such measures and barriers to it.

One third idea could be, when the bargaining power of the firm is small, can they still force their value chain partners to implement such measures? Since it is proven that competitive advantage is affected when sustainable measures are implemented, one research could be to understand if, a firm with little power lacks on capturing that value added by not be able to partner with someone that is not so concerned about it.

8 Appendixes

Appendix 1 - 10 Principles of the UN Global Compact

Human Rights	1: Businesses should support and respect the protection of internationally proclaimed human rights
	2: Make sure that they are not complicit in human rights abuses
Labour	3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
	4: The elimination of all forms of forced and compulsory labour
	5: The effective abolition of child labour
	6: The elimination of discrimination in respect of employment and occupation
Environment	7: Businesses should support a precautionary approach to environmental challenges
	8: Undertake initiatives to promote greater environmental responsibility
	9: Encourage the development and diffusion of environmentally friendly technologies
Anti-Corruption	10: Businesses should work against corruption in all its forms, including extortion and bribery

Appendix 2 – List of the interviews

Date	Name	Position inside Delta
08.03.2017	Dionísia Gomes	Head of Delta's NGO "Coração Delta"
19.04.2017	Miguel Ribeirinho	Business Development Manager

Appendix 4 – Different sources of information for the case study

Type of source	Language	Date of the evidence	Brief description
Official website	Portuguese	Regular basis	Information about Delta's history, products, value chain and awards
Official youtube channel	Portuguese	Regular basis	Information of Delta's history over the years told by the CEO
Sustainability reports from 2011 and 2014	Portuguese	06.03.2017	Information about numbers, milestones and vision for the future

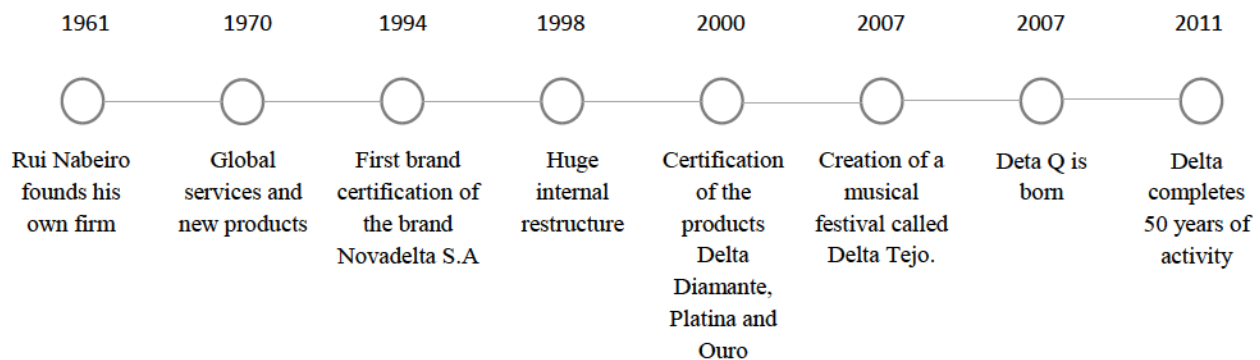
Appendix 3 - Range of Delta's "Take Home" products

Chávena		Fair Trade	
Portugal		Platinum	
Decaf		Solúveis	
Origens		Superior	
Expresso Bar		Gran Aroma	
Organic		Classic	

Appendix 5 - Range of Delta's "Horeca" products



Appendix 6 – Delta's Chronology



Appendix 7 – “Prémios e Reconhecimentos” in Delta's Sustainability Report of 2014

1.7 PRÉMIOS E RECONHECIMENTO



Appendix 8 – “Boas Práticas na Cadeia de Valor” in Delta’s Sustainability Report of 2014



9 Bibliography

Abbarneo, G. J. M. "Huckstering in the Classroom: Limits to Corporate Social Responsibility." *Journal of Business Ethics* 32, no. 2 (July 1, 2001): 179–89.

Asif, Muhammad, Cory Searcy, Ambika Zutshi, and Olaf A. M. Fisscher. "An Integrated Management Systems Approach to Corporate Social Responsibility." *Journal of Cleaner Production*, Sustainability management beyond corporate boundaries, 56 (October 1, 2013): 7–17.

Bettis Richard A., Alfonso Gambardella, Constance Helfat, and Will Mitchell. "Qualitative Empirical Research in Strategic Management" *Strategic Management Journal* 36 (September 18, 2014): 637-39

Branco, Manuel Castelo, and Lúcia Lima Rodrigues. "Corporate Social Responsibility and Resource-Based Perspectives." *Journal of Business Ethics* 69, no. 2 (December 1, 2006): 111–32. doi:10.1007/s10551-006-9071-z.

Brown, Halina Szejnwald, Martin de Jong, and David L. Levy. "Building Institutions Based on Information Disclosure: Lessons from GRI's Sustainability Reporting." *Journal of Cleaner Production* 17, no. 6 (April 2009): 571–80.

Calabrese, Armando, Roberta Costa, Tamara Menichini, Francesco Rosati, and Gaetano Sanfelice. "Turning Corporate Social Responsibility-Driven Opportunities in Competitive Advantages: A Two-Dimensional Model." *Knowledge and Process Management* 20, no. 1 (January 1, 2013): 50–58.

Carroll, Archie B. "Carroll's Pyramid of CSR: Taking Another Look." *International Journal of Corporate Social Responsibility* 1, no. 1 (July 5, 2016): 3.

Clarkson, Max E. "A Stakeholder Framework for Analyzing and Evaluating Corporate Social Performance." *Academy of Management Review* 20, no. 1 (January 1, 1995): 92–117.

Epstein, Marc J., and Marie-Josée Roy. "Sustainability in Action: Identifying and Measuring the Key Performance Drivers." *Long Range Planning* 34, no. 5 (October 2001): 585–604.

Fernandez-Feijoo, Belen, Silvia Romero, and Silvia Ruiz. "Effect of Stakeholders' Pressure on Transparency of Sustainability Reports within the GRI Framework." *Journal of Business Ethics* 122, no. 1 (June 1, 2014): 53–63.

Fischer, Josie. "Social Responsibility and Ethics: Clarifying the Concepts." *Journal of Business Ethics* 52, no. 4 (July 1, 2004): 381–90.

Fonseca, Alberto, Mary Louise McAllister, and Patricia Fitzpatrick. "Sustainability Reporting among Mining Corporations: A Constructive Critique of the GRI Approach." *Journal of Cleaner Production*, Special Volume: The sustainability agenda of the minerals and energy supply and demand network: an integrative analysis of ecological, ethical, economic, and technological dimensions, 84 (December 1, 2014): 70–83.

Garriga, Elisabet, and Domènec Melé. "Corporate Social Responsibility Theories: Mapping the Territory." *Journal of Business Ethics* 53, no. 1–2 (August 1, 2004): 51–71..

Geva, Aviva. "Three Models of Corporate Social Responsibility: Interrelationships between Theory, Research, and Practice." *Business and Society Review* 113, no. 1 (2008): 1–41.

Godfrey, Paul C., and Nile W. Hatch. "Researching Corporate Social Responsibility: An Agenda for the 21st Century." *Journal of Business Ethics* 70, no. 1 (January 1, 2007): 87–98.

Helmig, Bernd, Katharina Spraul, and Diana Ingenhoff. "Under Positive Pressure: How Stakeholder Pressure Affects Corporate Social Responsibility Implementation." *Business & Society* 55, no. 2 (February 1, 2016): 151–87.

<http://expresso.sapo.pt/sociedade/2016-02-19-Rui-Nabeiro.-Nasci-numa-terra-pobre-por-isso-sou-socialista>

Hull, Clyde Eirikur, and Sandra Rothenberg. "Firm Performance: The Interactions of Corporate Social Performance with Innovation and Industry Differentiation." *Strategic Management Journal* 29, no. 7 (July 1, 2008): 781–89.

Hult, G. Tomas M., David J. Ketchen, and Mathias Arrfelt. "Strategic Supply Chain Management: Improving Performance through a Culture of Competitiveness and Knowledge Development." *Strategic Management Journal* 28, no. 10 (October 1, 2007): 1035–52.

Husted, Bryan W., and José De Jesus Salazar. "Taking Friedman Seriously: Maximizing Profits and Social Performance*." *Journal of Management Studies* 43, no. 1 (January 1, 2006): 75–91.

Jeurissen, Ronald. "John Elkington, Cannibals With Forks: The Triple Bottom Line of 21st Century Business." *Journal of Business Ethics* 23, no. 2 (January 1, 2000): 229–31.

Levitt, Theodore. "The Dangers of Social Responsibility." *Harvard Business Review* 36, no. 5 (October 9, 1958): 41–50.

Lindgreen, Adam, Valérie Swaen, and François Maon. "Introduction: Corporate Social Responsibility Implementation." *Journal of Business Ethics* 85, no. 2 (April 1, 2009): 251–56.

Lin-Hi, Nick, and Karsten Müller. "The CSR Bottom Line: Preventing Corporate Social Irresponsibility." *Journal of Business Research*, Strategic Thinking in Marketing Strategic Management in Latin America Corporate Social Responsibility and Irresponsibility Managing Global Innovation and Knowledge, 66, no. 10 (October 2013): 1928–36.

Maon, François, Adam Lindgreen, and Valérie Swaen. "Designing and Implementing Corporate Social Responsibility: An Integrative Framework Grounded in Theory and Practice." *Journal of Business Ethics* 87, no. 1 (April 1, 2009): 71–89.

McWilliams, Abigail, and Donald Siegel. "Corporate Social Responsibility: A Theory of the Firm Perspective." *Academy of Management Review* 26, no. 1 (January 1, 2001): 117–27.

McWilliams, Abigail, Donald S. Siegel, and Patrick M. Wright. "Corporate Social Responsibility: Strategic Implications*." *Journal of Management Studies* 43, no. 1 (January 1, 2006): 1–18.

Moon, Jeremy. "The Contribution of Corporate Social Responsibility to Sustainable Development." *Sustainable Development* 15, no. 5 (2007): 296–306.

Nalband, Nisar Ahamad, and S. A. Kelabi. "Redesigning Carroll's CSR Pyramid Model." *Journal of Advanced Management Science* 2, no. 3 (2014). <http://www.joams.com/uploadfile/2014/0217/20140217024434433.pdf>.

Nidumolu, Ram, Coimbatore K. Prahalad, and Madhavan R. Rangaswami. "Why Sustainability Is Now the Key Driver of Innovation." *Harvard Business Review* 87, no. 9 (2009): 56–64.

Öberseder, Magdalena, Bodo B. Schlegelmilch, and Patrick E. Murphy. "CSR Practices and Consumer Perceptions." *Journal of Business Research*, Strategic Thinking in Marketing Strategic Management in Latin America Corporate Social Responsibility and Irresponsibility Managing Global Innovation and Knowledge, 66, no. 10 (October 2013): 1839–51.

Porter, Michael E., and Mark R. Kramer. "The Competitive Advantage of Corporate Philanthropy." *Harvard Business Review* 80, no. 12 (2002): 56–68.

Rexhepi, Gadaf, Selma Kurtishi, and Gjilnaipe Bexheti. "Corporate Social Responsibility (CSR) and Innovation—The Drivers of Business Growth?" *Procedia - Social and Behavioral Sciences*, The Second International Conference on Leadership, Technology and Innovation Management (2012), 75 (April 3, 2013): 532–41.

Salzmann, Oliver, Aileen Ionescu-somers, and Ulrich Steger. "The Business Case for Corporate Sustainability: Literature Review and Research Options." *European Management Journal* 23, no. 1 (February 2005): 27–36.

Seitanidi, Maria May, and Andrew Crane. "Implementing CSR Through Partnerships: Understanding the Selection, Design and Institutionalisation of Nonprofit-Business Partnerships." *Journal of Business Ethics* 85, no. 2 (April 1, 2009): 413–29.

Sprinkle, Geoffrey B., and Laureen A. Maines. "The Benefits and Costs of Corporate Social Responsibility." *Business Horizons* 53, no. 5 (September 2010): 445–53.

Turker, Duygu. "Measuring Corporate Social Responsibility: A Scale Development Study." *Journal of Business Ethics* 85, no. 4 (April 1, 2009): 411–27.

Wickert, Christopher, Andreas Georg Scherer, and Laura J. Spence. "Walking and Talking Corporate Social Responsibility: Implications of Firm Size and Organizational Cost." *Journal of Management Studies* 53, no. 7 (November 1, 2016): 1169–96.

Windolph, Sarah Elena, Dorli Harms, and Stefan Schaltegger. "Motivations for Corporate Sustainability Management: Contrasting Survey Results and Implementation." *Corporate Social Responsibility and Environmental Management* 21, no. 5 (September 1, 2014): 272–85.

Windsor, Duane. "Corporate Social Responsibility: Three Key Approaches." *Journal of Management Studies* 43, no. 1 (January 1, 2006): 93–114.

Yawar, Sadaat Ali, and Stefan Seuring. "Management of Social Issues in Supply Chains: A Literature Review Exploring Social Issues, Actions and Performance Outcomes." *Journal of Business Ethics*, June 16, 2015, 1–23.