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## **Competitive advantages to business based on Corporate Social Responsibility** Przewagi konkurencyjne biznesu oparte na Społecznej Odpowiedzialności Biznesu

**Streszczenie:** W artykule zostały przedstawione tradycyjne modele budowania przewagi konkurencyjnej: model pięciu sił, model bazujący na wykorzystaniu zasobów i model sieciowy, jako instrumenty pomocne w tworzeniu modelu budowania przewagi konkurencyjnej opartej na społecznej odpowiedzialności biznesu. Ten ostatni pociąga za sobą zmiany w strukturze organizacji, zmiany celów organizacji i sposobów ich realizacji, jak również zmianę kultury organizacyjnej. W efekcie firma jest przygotowana do spełniania rozsądnych oczekiwań interesariuszy oraz potrafi koordynować i integrować złożone relacje i cele. Jednakże model CSR powinien być zindywidualizowany i uwzględniać zarówno specyfikę danej firmy, jak i specyfikę jej otoczenia.

**Abstract:** The article presents traditional models of building competitive advantage in business: the model of five forces, the model of resource based approach and the model of network approach, as tools helpful in creating a model of socially responsible business competitive advantages formation. It involves changes in a company's structure, changing company's objectives and the ways they are obtained and creating a new corporate culture. The outcome is a company prepared to answer reasonable expectations of stakeholders and being able to coordinate and integrate complex relationships and aims. However, the CSR model should be customised for each company, taking into consideration its specific features as well as the features of its surrounding.

*Modern companies, which aim to save all universally accepted ethical standards of social behaviour, can expect a positive attitude and support in modern society. Moreover, helping to solve burning social and ecological problems they get competitive advantages and ensure their successful work in the future. The company's attitude towards CSR is reflected in its mission, vision, value-system and the whole culture of the organization.*

*At the present stage of social development consumers are getting greater power to influence business organizations. As modern informative technologies are broadening and the number of their users is increasing, the population has got greater possibilities to compare products and services, to choose them, as well as sellers and ways of selling. Consumers are mostly*

*intolerant of the goods or companies which are indifferent to social and ecological problems. On the contrary, the companies, which worry about them, are supported by consumers. Getting CSR advantages enterprisers tend to consolidate, support, strengthen, defend, renovate and change them. For this purpose a new system of communication with objective markets is created or modified. The traditional complex of support is not effective although it is supplemented with unconventional instruments in order to form a set of CSR competitive advantages. CSR reports have become the main tools of communication in the field of social responsibility for recent decades.*

## **Introduction**

Recently in EU countries and the USA more attention to corporate social responsibility discussions comes not only from scientists but also from companies executive managers, political leaders, government representatives, leaders of trade unions and non governmental organizations. We can gather this from the increase of published articles related to this topic and also by observing state institutions taking various actions to initiate and promote initiatives of corporate social responsibility.

To describe CSR properly the involvement of several social sciences (sociology, economics, ethics, management and others) is necessary. However, although interest in business responsibility is growing CSR researches are still seminal. To make matters worse study points are not clear, and research methods and quantitative evaluation indicators are emhyrical

Despite the increasing number of scientific works on CSR the research of the role of corporate social responsibility is at its starting-point in modern society, especially in Lithuania. The expedience of social programmes and their positive effect on the sustainable development of society are discussed very little in scientific literature.

*The aim of the article* is to identify the CSR aspects which serve as the main instruments of competitive advantages formation and indicate the ways and means for consolidation of competitive advantages of socially responsible business.

*Methods of research* - systematic and critical analysis, generalization and synthesis methods.

## **Corporate social responsibility (CSR) conception**

Officially business social responsibility theory was explicated in the 20th century. However, the question of social function of business was already pending in English classical political economy. A. Smith and D. Ricardo in their papers formulated the principles of social responsibility for business operating on the free market and can be called pioneers in modern corporate social responsibility theory models.

First of all (and the most important) English classical economists clearly separated business companies goals which were identified as maximizing profits.

It was clearly understandable because the principle of social responsibility was only realizable in this way. That meant that society expected from business providing customers with products and services made with the lowest expenditures.

Although the term „corporate social responsibility” (CSR) has been widely used in nonfiction and publicistics, its meaning differs in various contexts.

Scientific literature presents many definitions of corporate social responsibility (CSR). It can be treated as a normative polymorphous concept of business, the meaning of which depends on different relations and perspectives and changes being influenced by the tendencies of social development [Silberhorn and Warren, 2007]. Other authors argue that the essence of social responsibility is made of dialectical connection between business and society [Knez-Riedel and others, 2006], that it is business practice apprehended in a broad sense, which doesn't aim for the maximum profit only, but also for social improvement [Vives and Peinado-Vara, 2003]. Berthout finds that corporate social responsibility, like the term “sustainable development” means different things to different people [Berthout, 2005]. Very often CSR conception is not even given. That is why to study the content of this concept and to measure it is quite complicated. One of the most quotable CSR researcher's S. Sethi noticed: „Devoid of internal structure and content, it has come to mean all things to all people” [Sethi, 1975, p. 58].

For the World Bank CSR is “the commitment of businesses to contribute to sustainable economic development-working with employees, their families, local community and society at large to improve the quality of life in the ways that are good for business and development” [World Bank, 2004].

Leading scholars in the “business in society” field periodically indicate the lack of consensus regarding terminology. To describe business and society relationship compatibility various terms are used: „corporate social responsibility”, „corporate performance”, „corporate citizenship”, „corporate social responsiveness”, „corporate social relationships”, „corporate community involvement”, „corporate social obligations” etc. Attempting to identify the content of the above mentioned categories it appears that the authors quite often are trying to describe the same or very close phenomenon. Researchers have noted that for instance „corporate citizenship” has been considered as synonyms to „corporate social performance” [Jacobs and Kleiner, 1995]. “Corporate citizenship” is commonly employed by business practitioners and the notion of „social performance” speaks more of outcomes than of actual corporate activities and processes. D. Wood defines corporate social performance as: „A business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programmes, and observable outcomes as they relate to the firm's societal relationships” [Wood, 1991, p. 693].

In this paper the most common form of „corporate social responsibility” will be used, the term which the Commission of the European Communities describes: „Corporate social responsibility (CSR) is a concept whereby

companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. It is about enterprises deciding to go beyond minimum legal requirements and obligations stemming from collective agreements in order to address societal needs" [Implementing the Partnership... 2006].

Most scientific works emphasize the voluntary principle of CSR. However some researchers focusing on the greater importance of social programmes maintain that they become a factor of the company's durability and fail to be called voluntary in the full sense of the word [Zadek, 2004; Nijhof and de Bruijn, 2008]. Although the idea of the treatment of the XXI century CSR as a consciously realized and inevitable case of necessity is based on very different arguments, most of its exponents agree that according to the final conclusion the programmes of corporate social responsibility are "the key for increase of companies' competitive ability" [Vives and Peinado-Vara, 2004]. However, in order to convert CSR potential abilities into real competitive advantages, it is important to find out what are the possible ways to do that.

### **Formation of competitive advantages of socially responsible business**

While assessing the role of CSR in the processes of competitive advantages formation on the academic ground, the following traditional models of competitive abilities analysis can be used.

Porter's model of five forces is the one, which is discussed very often and has been quoted for three recent decades. According to this model the company's competitive position in the market is determined by five factors: 1) appearance of new rivals; 2) the threat of homogeneous goods; 3) customers' bargaining might; 4) suppliers' bargaining might; 5) the intensity of competition in the branch [Porter, 1980]. The model is constructed with reference to the supposition that the companies have the same resources, so the competitive might of the company depends on its capability of forecasting and reaction to possible changes in the market.

The exponents of Resource Based Approach deny this supposition and emphasize the idea that the companies' internal recourses can be absolutely different and are the secret of the general potential of competitive advantages [Barney, 1991]. While investing in improvement of internal recourses (human capital, knowledge, information, competence, capabilities), the company gets special advantages which are hard to replace, they are unique and can be durable. Using unique recourses special competitive advantages is formed not only on the stage of production (operation), but includes the whole chain of the creation of the value for consumers: internal and external logistics, marketing, the system of distribution and additional services.

In the XXI century business organizations work surrounded by information and knowledge. Traditional hierarchic structures are inevitably transformed into multi-stage organizations of networks which clearly demon-

strate their advantages and viability in the modern economy. Achrol and Kotler suggest the following definition of network organization: "It is a connective formation of single-purpose subjects of economy (independent companies or separate organizations) made on the basis of commitments and capabilities, which works without hierarchic control although it is founded and strengthened due to horizontal relations without the tangle of interests as a system of generally accepted values, which determines the roles of the participants and their responsibility" [Achrol, Kotler, 1999].

The exponents of the third, so called Network Approach state that a unique system in the chain of value creation can be formed due to specific relations between its members while making strategic alliances, confederate companies, pacts of partnership and other associations and combinations. Each of the above mentioned model of analysis of companies' competitive abilities has its advantages and disadvantages. Without making detailed research it is possible to remark that every model can be useful to investigate the competitive advantages in connection with CSR as each of them emphasizes different aspects of the origins and importance of advantages.

- 1) The model of Five Forces stimulates the following: assessing and conforming to a rapidly changing microenvironment and macroenvironment of the company. The fluctuation of the dimension of the social responsibility in society makes companies identify the alternations, revise the company's aims and ways of their realization and integrate them into the chain of the value for consumers creation and proposal.
- 2) While researching CSR the model of Recourses Approach is also useful. According to it the external imperative of social responsibility can be identified with the competitive ability of the company's internal recourses. First of all it is responsible to its employees. The company's successful work mostly depends on their employees' satisfaction and labour productivity. The competence of the employees becomes an important and especially valuable source of the competitive advantage. The exponents of the theory of learning organization point that the development of human recourses becomes the basic factor realizing the company's strategy tasks [Saru, 2007] and helps to avoid stagnation [Blackman and Lee-Kelley, 2006]. Among other vital issues in the content of studies the problems of business social responsibility inevitably appear. The solution of these problems influences the company's infrastructure, aims, instrumentality and the final results of the work.

The conception of human recourses development includes not only employees' qualification, their participating while making decisions, working conditions, satisfaction with work tasks. Modern organizations invest a great part of the budget into social programmes for their staff in order to attract and retain employees. Taking an additional responsibility companies aim to ensure the loyalty of this especially important internal recourse.

The whole human capital also includes the scale of employees' values, commitment and dedication to the company and its aims. Corporate social responsibility towards employees stimulates employees' responsibility to

their company and at the same time expands the set of necessary and vital competitive advantages. Employees' moral and ethical qualities, their system of values have become especially important elements of human capital. Profitable partnership is possible only if it is based on the priority of collaborative aims, responsibility, honesty and obligation.

What place does social responsibility take in the hierarchy of values of modern business institutions? What is its connection with the human capital's provision of value?

Objective external and internal factors influence the company's system of values. Researchers pay attention to the fact that as soon as the concept of social values has been transformed in the society the structure of business values also changes [Wenstop and Myrmel, 2006].

The leaders of most companies are personally motivated to behave so that the actions of the organization would be useful not only for themselves but for a wider circle of stakeholders. However, the leader's position is not sufficient in order to transform the declaration of social responsibility into real competitive advantages of the company. The main problem is that CSR programmes often tend to be just programmes but do not become the part of the values, which are the most important for the people working for the company.

The system of the company's values and the system of working for the company individuals' values are not identical. Nevertheless, it is obvious that at certain points the company's and its employees' attitudes towards values must agree or at least should be similar. Without such harmony the increase of the company's competitive ability and its development are impossible. If openly declared company's values are incomprehensible or unacceptable for most of the employees and, as a result do not become the reasons for their actions, it means that they remain only declarations.

The above mentioned contradiction can be eliminated while forming a new culture of the company's behaviour on the ground of the modern theory of business ethic and practical experience. Unfortunately, empirical researches have proven that even in developed countries, companies have a positive attitude towards CSR programmes, declare their necessity but only some of them aim to make social responsibility an integral part of the company's values [Hassan, 2007].

It is important to accent that all employees should be involved in the process of social responsibility realization and the values declared by the organization should be clear and acceptable for them. This can be done with the help of transparency. It is obvious that transparency is paramount if CSR is to become an organizational norm. Indeed, without transparency it is impossible to endorse the behaviour of any specific organization. Transparency includes:

- an explicit set of beliefs shared by everyone in the company;
- organizational leaders who set the right example by their sincerity and dedication to the cause;
- objectives based on shared values;

- benchmarks established so that progress can be measured.

The company's values must be adequate to the attitudes towards values which dominate in the society. Only then corporate social responsibility doesn't object to the aims of external stakeholders and becomes an important instrument in business competition.

3) The third model of Nets or Relations Approach removes the issue of formation of competitive ability using CSR instrumentality into the sphere of internal and external relations. A great number of internal and external participants are involved in discussions on social programmes, evaluation of priorities, realization, control, assessment of results. The contacts based on the above mentioned points can be formalized by contracts, protocols of united work, work schemes, codes of behaviour, publicly announced reports and other documents. However, it is necessary to accent that formal and informal pacts are united by the most important element – perception of the collective benefit.

Business organizations mostly get the urge to changes in the field of social responsibility from the environment. In order to avoid a negative impact on the environment or envisage in it new potentials the companies' leaders and specialists initiate the reorganization of the processes and systems "building in" them elements of social responsibility. At this stage CSR programmes are created and the ways and sources for their realization are planned. Such reorganization requires the correction of the company's strategy. Unfortunately, not all strategists, in spite of their belonging to the business elite, percept the importance of CSR and treat it as a source of competitive advantages. The inquiry made from the enterprises participating in the Davos economic forum in Switzerland in 2004 showed that only 24% of them think that CSR should be an integral part of the company's work and identity [Corporate social responsibility... 2004].

Meeting requirements of consumers is considered to be the centre-line of business, oriented towards the market. The complex of marketing, which is made for this purpose, has to be founded on the principles of social responsibility. Meeting requirements of consumers, as well as the interests of other groups and members of the society must be considered, and it is necessary to find out about these interests during interactions with stakeholders. The tension between business and society is obviously unprofitable for both sides, so its prevention and elimination are strategically very important.

Only the companies, which aim to save all universally accepted ethical standards of social behaviour can expect a positive attitude and support in modern society. Moreover, while helping to solve vital social and ecological problems they get competitive advantages and ensure their successful work in future.

Finally, the company's attitude towards CSR is reflected in its mission, vision, value-system and the whole culture of the organization. To use CSR potential the companies shouldn't be motivated to aim at the lowest short-term costs in order to get the largest short-term profit [Berhout, 2005].

The organization, whose social activity agrees with universally accepted standards, strives to confine them in the whole chain of the value creation and if such endeavours in the objective market are not thought to be the deception of public relation but are a real part of the company's long-term policy, the company gets very important additional competitive advantages which are directly connected with their social orientation.

### **CSR competitive advantages discerning**

Undoubtedly, while forming competitive advantages business organizations aim not only to get them, i.e. to create greater value for its objective market than other organizations, but also to hold it which is quite difficult to do in the fast changing surrounding. It is necessary to give the definition of the competitive advantages achieved on the ground of CSR.

The permanent process of coordination and integration of complex relations and complex aims, reaction to the reasonable expectations of stakeholders is supposed to be the angular element of CSR initiatives [Freeman and McVea, 2001]. It is the process of continuous learning, when the organization learns to solve increasing problems throughout the interactions with a broadening contingent of stakeholders.

However, the connections of various stakeholders with a company are different. Their abilities of influence and importance for the company's decisions are not identical either. This point was accented by Porter and Kramer [2006]. That is why in the process of studying it is purposefully to mark the prior stakeholders, which are at risks one way or another because they invest the capital (human or monetary) or some other value into the company. Stockholders, investors, consumers, employees, suppliers, local authorities, who regulate the company's work by law and ensure necessary infrastructure can be subsumed to them. The prior stakeholders have the determinate influence on the company. If at least one of these stakeholders is dissatisfied or gives up (partly or completely) cooperating in the company's work system it can be very harmful for the company's work or even disrupt its development [Clarkson, 1995].

A company cannot range all the social initiatives without exception because their recourses are limited. The same social work has a special importance for different organizations in different markets. The company itself should find what kind of CSR activity is prior for it or is useful for competitive ability increase, what benefit it can bring and how it could be realized.

Different stakeholders (both internal and external) appreciate companies' social work throughout the points of their interests, which are quite different or sometimes controversial. Their influence on the companies' work is also different. That is why in the context of environment assessment the leaders of companies must:

- identify the demands and aims of various stakeholders;



- assess their influence on the ways of the company's strategic aims realization and accent the prior partners in the sphere of its social programmes;
- start the interactions with the representatives of the prior stakeholders and look for the possibilities of interests coordination;
- integrate the balanced demands of the prior stakeholders into the system of the company's aims and their realization;
- calculate the amount of sponsorship for social programmes and plan its sources;
- create a system of interactions with stakeholders.

Every business organization first of all orients towards its objective markets. It aims to create such complex of marketing which would agree with the markets' expectations. Only such type of the company's social activity which is expected by the object markets' consumers turns into competitive advantages. Every corporation declaring its CSR competitive advantages in objective markets makes efforts to accent them comparing its work with its rivals' activity. Consumption has already lost its utilitarian function in developed countries. In the XXI century consumers fail to be delighted if the products satisfy only their needs. While buying goods people often want to express their attitude towards values and relevant social problems, to show what things in their life are important and what are unimportant [Senge and Carsted, 2003]. Buying goods consumers want to be identified with the enterprisers, which demonstrate the similar concept of values, and to feel like partners sharing ideas in the common team. Buying or ignoring the products of certain companies, residents using non-verbal communication vote "for" or "against" certain attitudes towards business values. So the increasing or decreasing level of certain products consumption (for instance, products made of elephant bones or crocodile skin) can become a particular index of the level of social trust [Holbrook, 2005].

At the present stage of social development consumers are getting greater power to influence business organizations. As modern informative technologies are broadening and the number of their users is increasing the population has got greater possibilities to compare products and services, to choose them as well as sellers and ways of selling. Consumers are mostly intolerant of the goods or companies, which are indifferent to social and ecological problems. The companies which worry about them, are supported by consumers [Shaw, Newholm and Dickinson, 2006]. The newest empirical researches show that quite large groups of consumers are ready to pay a little higher price for these goods, which are produced sticking to strict environmental and non-discriminatory working conditions. During the recent decades the changing culture of consumption is related with sustainable business development, including ecology, social law and future perspectives. New habits of consumption are being made. Many more people do not think of satisfying their needs only but consider the impacts of consumption in a wide context. Such ethical impulses connected with consumers' behaviour and preferences objectively stimulate corporate social responsibility.

### **Consolidation of competitive advantages of socially responsible business**

There is no reason to think that enterprises demonstrate only passive reaction to the dynamic of the social parameters of consumers' demands. Having envisaged the competitive efficiency of social demands they logically step forth – make efforts to consolidate achieved advantages: support, strengthen, expand, defend, renovate and transform. In order to realize that, it is necessary to create a new system of communication with objective markets or modify the present one, and to inform consumers and other stakeholders what environmental and social conditions took place when the offered products were being produced and what values are important for the company. Ways of interactions in the sphere of CSR can be quite different: the traditional marketing mix is appended with unconventional forms: CSR reports, consumer guides and others.

#### ***The traditional complex of marketing support appended with unconventional forms***

Under the influence of CSR the term “social marketing” appeared in marketing dictionaries. It is defined as “the marketing including social dimension or the marketing having non-economic criterion” [Handerman and Arnold, 1999], in which long-term social interests are framed. If the company's practice of social marketing aims at direct profit for itself, it becomes cause related marketing [Ward and Lewandowska, 2008].

Efficiency of traditional instrumentality of support complex, which aims at giving information about CSR, seems to be questionable. It seems to be risky for a company to publicize its social responsibility in the Mass Media for one simple reason that it is quite difficult (or even impossible) “to dress” social responsibility in an argumentative and trustworthy commercial. Common commercials announcing that the company leads an ethical course of actions, does not pollute the environment, respects people's rights, condemns corruption and other low-informative statements can be treated by consumers as a boast and evoke rejection. The accomplished researches have shown that publicity raises credibility and becomes more efficient only when it informs consumers about concrete qualities of certain products or about socially responsible actions of the company [Berens, 2004].

Recently more and more companies have been publishing and sending by post (or distributing in shopping malls) leaflets or magazines targeting their clients. They contain information about innovations, discounts, loyalty programmes. Sometimes a point of information about the company's programme of CSR is also given. However, such types of publications are not efficient in the field of CSR. Mostly the issues of social responsibility are not emphasized and are drowned in the general flow of information about brands.

Packaging is an important way of giving information. It can also serve the purposes of CSR. However, efficiency of such information is really shown only when it doesn't discord with universally accepted attitudes towards values, clear preferences of consumers, and when it (as in the case of publicity) is concrete enough. For example, the underline announcing that the product does not contain Freon, which destroys the atmosphere of the Earth, has a positive influence on its selling if the price and quality of rival brands are similar.

As traditional ways of marketing interactions in the sphere of CSR are not efficient, the efforts to find the other ones are made. They are the complementary ways of communication with objective audience, which would not look so aggressive and evoke more trust. These innovative forms of communication include: initiating conferences and seminars on environmental and social issues and participating in them, publishing and distributing brochures about CSR events, organization and sponsorship of public actions, and so on.

The rapid spread of informative technologies makes good conditions for communication with present and potential consumers in a virtual space. There are plenty of discussions and assessments connected with companies' social and environmental activity, which can be found in the consumers' responses columns on the companies' websites or in forums. Surely, companies endeavour to direct their discussions towards prosperous attitudes and influence formation of positive image of its work as much as possible.

It is noted that if the information about CSR spread virtually is real and it appears during a long period of time, the increased trust of consumers influences positively not only the company's image but also selling performance [Klein and Dawar, 2004].

Companies can involve some stakeholders into their communicative channels and their partnership can be beneficial for both sides. Such benefit in the sphere of CSR is obvious while developing the partnership's relations with non governmental organizations. The support of non governmental organizations influences positively the company's prestige, besides they function as independent experts. On the other hand, large companies can provide financial, informative and other support for the projects of non governmental organizations.

Internal contact audience, i.e. the company's employees, can also spread positive information about CSR. If people working for the organization understand and support its CSR initiatives they become its particular outside ambassadors. If they know the content and details of the social and environmental programmes being realized by the company, they can comment on them to their friends and explain the purpose of getting benefit. The information given in this way is very valuable because such sources of information evoke higher trust of the surrounding.

The traditional support complex, despite being appended with unconventional instrumentality because of the above mentioned defects, is still

used very little while making and supporting the contacts with an objective audiences in order to form the set of CSR competitive advantages. Publicly announced CSR reports have become the main instrumentality of interactions in the sphere of social responsibility for recent decades.

### ***Corporate social responsibility reporting***

The companies, which reacted to the increasing number of environmental movements at the end of the last century, in the 90-ies started publishing the reports, which announced their work in the sphere of environmental problems. Later on such reports were broadened and enriched with other important social and non-monetary indexes. In 2006 in Amsterdam, GRI conference "Reporting Sustainability" Margot Wallstrom- the Vice President of the European Commission responsible for Institutional Relations and Communication Strategy declared: "If we really are serious about furthering the values of sustainable development, and excel through CSR, then we need to measure our performance and success - reporting is key. Reporting is key as a tool for consumers, for investors, for transparency and accountability" [Wallstrom, 2006].

Business organizations striving to demonstrate their worries about sustainable development of society and their efforts while aiming at such sustainability seek to present them in various reports. The number of companies publicly announcing CSR (or sustainable development) reports has increased from 26 companies in 1992 to 22235 companies in 2007 [<http://www.corporateregister.com>]. Financial Times maintains that 333 companies of the 500 largest world companies openly publish such reports [<http://www.ft.com/reports/ft5002007>]. Social and ethical accounting models have proliferated on national and international levels. The reports, based on the methodic recommendations of Global Reporting Initiative (GRI) are especially spread on the international level. The general aim of GRI is to help companies to inform society about positive and negative effects of their work, elevate the comparability and credibility of sustainability reporting practices worldwide.

For this purpose Sustainability Reporting Guidelines were created (in 2000) and improved (in 2002). Nowadays GRI includes about 30 thousand business professional confederations and the net of representatives of other institutions, which help to arrange CSR reports. Precise, credible, comparable, easily controlled CSR (sustainable development) reports are supposed to equal the companies' financial accounts. It is aimed to combine two general principles, clarity and validity, in CSR reports. With reference to these principles a set of rules are made, which would help to ensure the most concrete and credible publicly declared information. To declare the company's environmental, social and economic work GRI recommends to present well-organized, illustrated by concrete indexes information about the company, its administration structure, policy, leaders' activity, processes of manufacturing,

and products. It is suggested showing how the previous undertakings have been applied, and what contacts with stakeholders take place.

Many companies use AA1000 (Account Ability's) standards, which are based on John Elkington's model of triple bottom line. AA1000 framework was created by the Institute of Social and Ethical Accountability in 1999. Framework provides guidance to users on how to establish a systematic stakeholder engagement process that generates the indicators, targets and reporting system needed to ensure greater transparency, effective responsiveness to stakeholders and improved overall organizational performance. AA1000 focuses entirely on the processes of reporting and auditing without specifying any reporting indicators. AA1000 offers a methodological framework to link new demands for accountability and transparency by stakeholders and link these through consultation and measurement in order to build a new understanding of sustainability in an organization's performance. The framework has been developed according to the Global Reporting Initiative and integrates perfectly.

The triple-bottom line approach to CSR reporting refers to the use of economic, environmental and social factors in the assessment of a company's performance. In reporting and auditing the economic assessment is well addressed and, increasingly, so is the environmental one. However, the social aspect has been almost completely ignored until now.

The Good Corporation standard developed by the Institute of Business Ethics covers fairness to employees, suppliers, customers, equity and loan creditors, contribution to community and protection of the environment. The framework provides that the company's performance should be assessed by an independent verifier.

Social Accountability 8000 (SA8000) standard is popular all over the world. It is a management system that can be implemented in each country and business sector. It was developed in 1998 by CEOAA (subsequently SAI) with the aim of monitoring and certifying working conditions in organizations following nine prescribed areas. The standard is based on the conventions of the International Organization of Standards (ISO). SA8000 uses the conventions of ISO as its point of reference to provide necessary definitions and to develop a management and control system, which can be certified by independent bodies. Social Accountability International provides a crediting system for companies and NGOs to check and certify companies.

It is necessary to accent that the practice of CSR reporting in particular countries is quite different. The GRI and the International Finance Corporation (IFC), with the assistance of the General European University and the CSR network, have conducted a project on introducing corporate sustainability reporting in corporations in Croatia, the Czech Republic, Hungary, Poland, Serbia, Turkey and the UK. The authors of the project made the conclusion that political, social and economic conditions in the host countries are significantly affecting the prospects of sustainability reporting in participating companies. It is more difficult to initiate reporting in an eco-

nomically and politically unstable environment with significant legacies of "shadow" or informal economies thriving under former authoritarian regimes.

Most of the participating companies have initiated reporting in response to international rather than local factors. In all participating companies Western stakeholders (owners, customers or investors) played critical roles, providing both the encouragement and resources for initiating reporting. A common barrier to reporting in the region was the issue of confidentiality. There have been significant fears that the information from sustainability reports can be used by competitors, authorities, NGOs or even organized crime to the detriment of the reporting company [Cherp, 2003].

In order to assess companies' responsibility in the sphere of environment ISO 14001 system is used. This is an international standard, voluntarily developed in 1996 in order to encourage and make more efficient the system of environmental management. Streaming to achieve this standard results in certification, given by an independent body, companies demonstrate the effort to minimize the negative environmental impact of production processes, products and services. However, ISO 14001 system fails to measure corporate social responsibility fully because it does not show the company's social practice.

Analysts emphasize that CSR reports are different, refer to different standards and indexes [Gobbels and Jonker, 2003; Pedrini, 2007]. The process of reporting and decision making appears to depend on the country of origin, corporate size and corporate culture [Adams, 2002]. That is why the critics of social responsibility and sustainable development assess reporting quite skeptically. They maintain that CSR reports lack systematization, complete and credible information is not always given, some indicators are difficult to compare and check, there are plenty of declarative statements. For all these reasons CSR reports can evoke distrust, sometimes they are treated as a special tool of companies' public relations and are thought to fail to display the real situation in the company and consequences connected with its work.

Such attitude of distrust towards CSR reports minimizes its efficiency while communicating with objective audiences and using the reports as a way to form competitive advantages. Nevertheless, during the first decade of the XXI century not only has the quality of prepared CSR reports been improved, but the community's trust in their information has gradually increased. The newest reports demonstrate more transparency, and are addressed to a wider circle of stakeholders and actually aim to involve them in discussions in order to consider the company's internal and external problems.

It is difficult to predict what the prospects of CSR reports in the next 5-10 years will be. According to modern tendencies of business practice in the sphere of social responsibility, it is possible to forecast that the importance of CSR (as well as reporting) tends to increase. At present CSR gradually becomes a component of business practice and one of the most important arguments while making decisions. CSR is likely to have the

strongest influence on the most important business functions: administration and management, the company's strategy, investment and the policy in the sphere of innovations, controlling risks, and staff management. The imperative of long-term sustainable development will stimulate companies to work on improving CSR reporting, the process of arrangement and ways of presentation. The reports themselves are to be more valid, credible, integrated into financial accounts of the companies and their practical activity. More and more companies' staff of different levels and external stakeholders will be involved in the process of preparing reports. Most companies nowadays present sustainable development reports in an electronic format as well as in papers. The role of modern technologies in the process of considering and distributing CSR reports will become more important. It is possible to state that there are prosperous prospects for CSR reports to become one of the most important tools of companies' competitive abilities formation.

### ***Consumer guides***

To help consumer choice thousands of consumer guides offer product information including prices, specifications, features, reviews, results of testing and comparisons. Nowadays, Consumer Reports, newsletters, websites and radio and television programmes serves the public. Research on buying behaviour suggests that buying guides published by consumer organizations or other public and private entities perform an important role in the overall buying process. In some guides and magazines product recommendations are made based on environmental, social, fair trade or ethical considerations. All of them offer a variety of printed and online materials. They usually inform in detail about the producer's environmental reporting, sustainable farming, forced and child labour record, its code of conduct, irresponsible marketing, genetic engineering etc.

The social responsibility (and irresponsibility) of firms is listed and analysed in numerous sustainability indexes and NGO rankings. Many consumer organizations are members of Consumers International (CI), a private international coalition representing 234 public and private consumer organizations in 113 countries and promoting the consumers right to have the facts needed to make an informed choice worldwide. Consumer organizations encourage high standards of corporate responsibility and support sustainable consumption and production practices.

Some experimental studies have investigated the influence of CSR information provided through a consumer guide type of format on consumers' attitudes and preferences. A comparison of the effectiveness of CSR information ostensibly provided through a customer association and CSR information provided through a company website found that attitudes towards the company and its products as well as purchase intentions were significantly higher when the consumer organization was the source [Swaen and Vanhamme, 2005].

## Conclusions

While assessing the role of CSR in the processes of competitive advantages formation on the academic ground, the following traditional models of competitive abilities analysis can be used: the model of five forces, the model of resource based approach and the model of network approach. With reference to them it is possible to make the model of socially responsible business competitive advantages formation. According to it, considering the factors of influence of social responsibility, certain changes in the company's infrastructure take place, also the company's aims and their ways of realization are revised, the new company's culture is formed and long-ranging results of work are assessed. A fundamental factor of socially responsible business competitive advantages formation is reacting to reasonable expectations of stakeholders and permanent process of coordination and integration of complex contacts and complex aims. The same business social practice is a matter of special importance for different organizations in different markets. The company itself must assess what CSR activity is prior for it, whether this activity is beneficial for the purpose of strengthening its competitive ability, what kind of benefit it will bring and what ways to get it are possible. Only such company's social work can become a competitive advantage, which is expected by consumers of objective markets. Every corporation declaring their competitive advantages in objective markets endeavours to accent them. At the present stage of social development consumers often boycott the goods or companies, which are indifferent to social and ecological problems and socially responsible companies are supported. During the recent decades a volatile consumption culture is connected with sustainable business development including environmental protection, and social law. New consumption habits are being created. Many more people do not think of satisfying their needs only but consider the impact of consumption in a wide context. Such ethical impulses connected with consumers' behaviour and preferences objectively stimulate corporate social responsibility.

Having appreciated competitive efficiency of social demand, modern companies make efforts to support, strengthen, expand, defend, and renovate the achieved advantages or, in case their efficiency decreases, to transform into new ones. In order to realize that a new system of communication with objective markets is created or the present one is modified. It helps to inform consumers and other stakeholders what environmental and social conditions took place when the offered products were being produced and what values are important for the company. A traditional support complex, despite being appended with unconventional instrumentality, is not efficient to form a set of CSR competitive advantages. Publicly announced CSR reports have become the main instrumentality of interactions in the sphere of social responsibility for recent decades. CSR reporting is expected to become one of the most important tools for a company's competitive advantages formation.



As the processes of globalization diffuse rapidly new challenges in the sphere of CSR competitive advantages formation appear. Business interaction with stakeholders has been becoming quite complicated and requires new knowledge, different skills and additional resources.

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