

An Ontologically Innovative Design of CSR Strategies: Enabling Value Added Institutional Collaborations

Abstract

This paper introduces an ontological design of a Corporate Social Responsibility (CSR) framework. Enterprise ontology contributes to CSR conceptualization enabling institutional collaborations and arbitrage. In a post financial crisis era where corporate budgets are limited there is an increasing interest from organisational stakeholders to focus on the practical aspect of managerial applications of CSR. The specific objectives of this paper are: firstly, to design a framework entailing long term Critical Success Factors (CSFs) necessary for a sustainable CSR design, secondly, to identify Key Performance Indicators (KPIs) necessary for the implementation of a CSR strategy, and finally, to realise internal and external socio-economic and political forces of the indicated stakeholders that shape the CSR policies and collaborations.

Keywords

Business Strategy; CSR; Ontology; Value Added Collaborations

1. Introduction

The impact of CSR has become a prominent issue for many corporations in this post financial crisis era. There is a growing trend for the corporate world to recognise the role of social responsibility and business ethics in their business strategies in order to provide a leading and innovative scope to their competitive advantage^{1,2}. According to Crane et al.³ CSR forms a critical strategic parameter, including specific characteristics which are common to most of its definitions and studies. These characteristics assume that CSR: i) is focused on both micro and macro corporate organizational level for product or service innovation and development; ii) is strategically oriented to multiple domestic and international stakeholders focusing on

collaborating activities; iii) needs to ethically align diverse social (environmental) economic (abbreviated as socio-economic) responsibilities in sustainable managerial decision making; iv) must be embedded to add value to corporate strategy and v) is beyond philanthropy, focusing on corporate strategic aim and objectives. CSR has gained momentum primarily among Multinational Corporations (MNCs).

MNCs use the CSR values as a competitive advantage^{4,5,6,7} for their strategies. Contemporary research is focused to MNCs due to their formal processes and activities, financial budgeting and compliance with corporate governance practices among the interrelating stakeholders⁸. Thus, the conceptualization of an ethically sustainable and value added CSR is presented to stimulate its major stakeholders towards the formation of a novel and holistic MNC strategic design. This novel strategic design reveals its potential, firstly by creating social and economic value for the MNCs at environmental level, and secondly by improving the managerial and employee morale, green economic sustainability and customer and local community relations. So, the question is: Could CSR become a critical parameter to a MNC strategic business framework, enabling dynamic institutional collaborations? Could MNCs capture a successful CSR value added strategy without a robust conceptual design to address fierce market competition?

This paper introduces an ontological institutional design providing fertile ground for innovative and successful CSR related collaborations. Empowered by enterprise ontology⁹ it eliminates trivial CSR practices, arising from the lack of strategies or strategic generalities. It catalytically unfolds the strategic competitive advantage and the added value of the CSR. It aims to reveal a CSR model that dynamically integrates with the primary business CSFs adding value to all collaborating stakeholders. The use of ontology enables Institutional Arbitrage (IA) by crossing national and socio-cultural boundaries, allowing MNCs to use knowledge from network partners in foreign countries¹⁰. Thus, it could lead MNCs to deliver

innovative products and services to the market. It unfolds the CSR qualities, unifying them cohesively at all organisational levels leading to a holistic perspective of diverse corporate strategies. Finally, in an era of post financial crisis such dynamic social and economic designs address further the needs of the local communities, government stakeholders and business partners¹¹.

2. The background of the problem

A systematic empirical review over the last three decades of social responsible activities and performance, provides evidence of critical links between CSR and specific value added strategies. On the one hand, there is no conclusive evidence indicating how CSR is forming a critical parameter for corporate strategic performance, in a financially measurable way. As a result it remains in doubt whether MNCs are succeeding in their strategic endeavours because they are socially responsible or whether MNCs which are socially responsible are achieving in their strategic endeavours.

On the other hand, empirical research on CSR reveals significant relationship between Corporate Social Performance (CSP) and Corporate Financial Performance (CFP) in corporate strategies¹². Thus, the argument towards the translation of any socially reliable project concept, including CSR, into a reliable and financially profitable project remains a strong requirement for its economic viability¹³. Moreover, the existing literature base currently lacks evidence on how CSR could be conceptualized at both corporate micro and macro level. This paper aims to eliminate this conceptual gap and thereby, create value for MNCs.

At macro level, CSR is reinforcing the complementary concepts of Sustainable Development (SD) and Stakeholder Relationship Management (SRM) into social and environmental sensitive managerial processes and policies. MNCs strive to conceptualize

how SD-SRM perspective affects CFP and in what way it relates to the value added strategy of the corporation. Evidence shows a positive correlation between CSP and CFP indicating that CSR practices influence the strength of CSP and CFP¹⁴. It also reveals that CSP has a positive impact on CFP and that there is a strong link between CSP and corporate financing both in UK and USA¹⁵. Current evidence excludes philanthropic activities and environmental programs from this link between CSP and CFP as they show limited, if any, effect on the CFP indicating a rather subjective CSR concept which primarily influences market indicators and image promotion¹⁶. Since CSR, including SD-SRM, is still a broad and theoretical concept, MNCs at macro level aim to bridge the gap between CSR and CSP-CFP link. As a result, this novel theoretical network aims to calibrate and align the CSP-CFP link by embedding successfully and profitably CSR into their corporate strategies.

At micro level, systematic empirical evidence reveals that MNCs are seeking for a holistic value added strategy in an effort to achieve product or service innovations. Such innovations could be considered new, not only to the firm but also to the market, based on institutional arrangements between different companies or even countries, referred to as IA¹⁷. According to Clausen¹⁸ IA assists to the conceptualization and discovery of new products and services from MNCs among their subsidiaries in different countries or with other MNCs. Contemporary research reveals that a successful outcome from IA is the innovation cooperation in which firms combine new and old knowledge, resources, capabilities and learning experiences from external stakeholders¹⁹. That way they could minimize the risk of their new business strategies. A transparent strategic framework for a CSR leads to content specific IA and clustering, aiding thus to the enhancement of the MNC's competitive advantage²⁰. IA links the CSR macro level with the CSR micro level seeking for collaborative strategies strengthening the competitive advantage, based on a framework of institutional rules among the collaborating stakeholders. At this level, empirical evidence unfolds value

added activities which are considered critical to a successful CSR strategy, identified as CSFs. These factors primarily include:

- Reputation Management (RM): RM is the practice of attempting to shape public perception of an institution by influencing information about the legal entity²¹. Reputation management research although it does not provide measurable evidence for CFP is a vital parameter in a corporate valuation²²;
- Customer Relationship Management (CRM): CRM refers to the management of corporate interactions with existing or potential customers. It is considered as another value added activity of CSR which increases customer satisfaction, especially when it is related to product or service innovation²³. A product innovation is a new significantly improved product or service introduced to the market²⁴;
- Innovation Management (IM): Research shows strong links among IM, CSP and CFP²⁵. IM includes two forms of collaboration namely domestic and foreign innovation. Innovation collaboration means active participation in value added activities relating to joint Research and Development (R&D) and other innovative projects with collaborating domestic or foreign organizations²⁶.

Concluding, empirical findings underline the importance of a conceptual MNC framework relating CSR strategies to other directly related value added strategies and activities, at macro and micro organizational level. The underlying idea of the problem background indicates the need of CSFs necessary for frameworking measurable performance, linking CSR to CSP. These CSFs change the business as usual way of practicing CSR to a responsible corporate governance code of conduct based on KPIs. Such indicators prevent trivial managerial activities focusing on forming collaboration frameworks both domestically and globally. Such MNC strategy frameworks enhance IA by minimizing financial and socio-cultural restrictions and maximizing CSR performance among diverse socio-economic

stakeholders. Thus, they enhance the role of SD of a successful CSR strategic design. The inclusion of CSFs and KPIs to a MNC strategy provides a dynamic and adaptable design to globally diverse collaborating stakeholders²⁷. The ontological design of this paper is valuable for both academics and business consultants of the CSR discourse, as it aids CSR growth and development facilitating IA.

3. The role of enterprise ontology

The role of enterprise ontology is critical in the production of a successful and sustainable CSR design. It is evident that the lack of CSP deriving from the absence of CSFs and KPIs embedded to MNC strategic design conceptualization, creates conceptual gaps relating into MNC strategic aim and objectives, jeopardizing the SD of CSR. Thus, current CSR related activities fail to address its promising potential relation with IA. Contemporary ontology, although it preserves its original roots where an “on” according to the Greek philosopher Aristotle is something that exists, it also has a very practical role. It assists in developing a common understanding of a business design among stakeholders with diverse socio-economic and scientific backgrounds. As a result, a CSR ontological design provides an innovative approach to strategic decision making. It focuses on the socio-economic essence of the collaborating stakeholders by providing fundamental links between CSR oriented organisations and conceptually subjective information measures. As outlined in the background of the problem, the main objective of this ontological design is to reveal: i) a transparent design for MNCs; ii) a flexible and ethical socio-economic design for IA and iii) an essential, objectively conceptualized strategic design empowering CSR related clustering.

Enterprise ontology and its related methodology²⁸, engages a holistic strategic business approach for MNCs due to formal and explicit specification of an objective conceptualization. This novel ontological design conceptualizes at micro and macro organizational level a CSR strategy among diverse stakeholders with a transparent and

objective framework. The framework's design is interoperable and expandable with a formal structure and activity based on specified sets of rules. Enterprise ontology and its functionalistic nature dichotomizes between the CSR imbalances of collaborating MNCs defining them as subjective or objective. From a constructivist's approach, adopted in this study, a novel scheme of a strategic CSR design should focus on the design interpretation among the participating stakeholders (e.g. customers, suppliers, competitors collaborating institutions etc.). It should eliminate ambiguous understanding entailed in the concept of CSR, enabling its SD-SRM concept²⁹. Ambiguous, overlapping and subjective interpretations are also responsible for the conceptual gap between SD and CSR. Thus, CSR should extend from the "do no harm" to "create and protect" strategic aim/concept, designated by performance indicators relating to CSFs beyond required set of rules and regulations. Such a conceptual extension will eliminate CSR failures, deriving from the lack of measurable value added increase in corporate strategy and its related managerial activities³⁰. For such schemes to capture business oriented semantic gaps, they should link the CSR strategy to a holistic MNC organizational design with a formal, explicit and common understanding conceptualization. Enterprise ontology provides a potentially successful apprehension of a socio-economic CSR consensus among diverse collaborating stakeholders. It also enables value added activities strengthening MNCs competitive advantage.

4. The Novel Ontological Design

Bunge's semiotic triangle³¹ (see Figure 1) and ontological parallelogram³² (see Figure 2) deliver a White Box (WB)³³ ontological conceptualisation of the CSR concept.

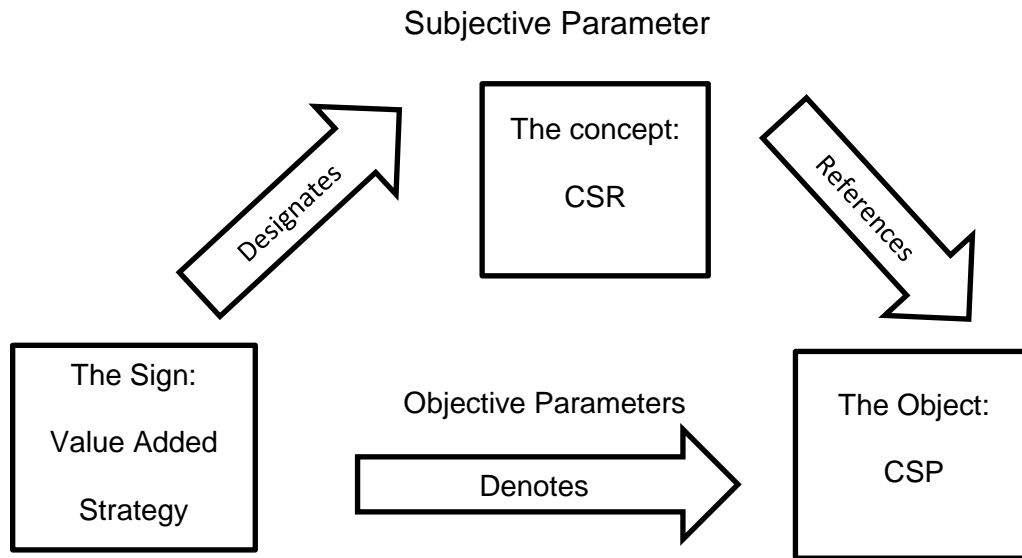


Figure 1: Semiotic Triangle: The Meaning of a Value Added Strategy

A sign is an object that is used as a representation of something else. Signs are structures denoting general, mostly subjective, individual things. Thing is a thought or a vision/mission of an object that a subject may have in his or her mind. According to the background of the problem, the broad concept of CSR is conceptualized subjectively unless it is designated objectively by the sign of a specified structure: Value added strategy. The sign is also denoted from an object which is an identifiable and measurable individual thing: CSP. The identifiable CSP thing consists of properties (e.g. measurable KPIs). An object is by definition something of an objective structure. Thus, CSP is an object which is populated from an objective structure prohibiting conceptual generalities, as it is referenced by its concept (e.g. selected CSFs for a corporate value added strategy).

Based on the triptych of the semiotic triangle, the subjectively conceived CSR is now designated from the sign of a MNC's value added strategy. A value added strategy consists of value added activities which are denoted from a unique CSP object, differentiating each MNC

according to its objectively conceived CSFs. As a result, the semiotic triangle catalytically enhances the competitive advantage of each corporation (e.g. MNCs), under a specified set of rules, defining a selected type of CSR (e.g. SD-CSR).

The ontological parallelogram (see Figure 2) complements the semiotic triangle. It instantiates an individual type of CSR called SD-CSR. A type is a subjective thing that operates as a prescription of a form. The form of an object is defined by the collection of its properties (e.g. objects: KPIs) called a class. Thus, the type of SD-CSR extends to a CFP class of KPIs. These KPIs supporting CFP could populate CSP which is consisted of selected CSFs. Therefore, the object of CSP could conform to the SD-CSR type. It could also simultaneously conform to other embedded types, if selected, which are going to instantiate the concept of CSR.

As a result, the ontological parallelogram explains how a value added strategy sign could be successfully communicated and documented to global organizational stakeholders, regardless of their socio-economic background. Based on enterprise ontology³⁴ the ontological parallelogram is fully supported at each organizational level from the organizational theorem.

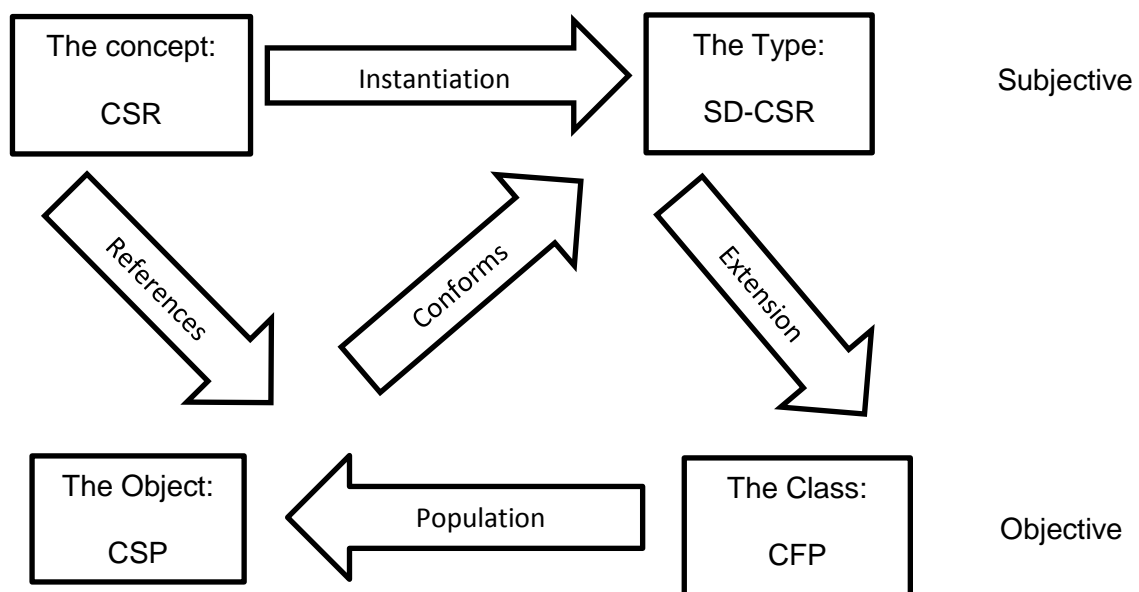


Figure 2: The CSR Ontological Parallelogram

The organizational theorem provides an innovative design of a CSR strategy which is synthesized from a MNC micro and macro environment (see Figure 3). The micro environment is supported from a **datalogical** level (e.g. documentation of a set of rules or other related paper work) which is the organisational foundation supporting the **infological** level. At **infological** level, documentation which is received and analyzed, is based on the documented set of rules to provide evidence for decision making at top organisational level. The **datalogical** and **infological** level form the corporate micro environment level. They both consist of secondary activities supporting the primary value added activities developed at top level. These two levels (**datalogical** and **infological** level) of the micro environment support the corporate level which is called **business organisational (B-organisation)** or **ontological** level. This level interrelates micro with macro organisational level. This **B-organisation** level that this paper focuses on conceptualizes and formulates CSR related business strategies. The CSR micro level relates to CSP and their CSFs. These CSFs could underline the management of innovation, risk and customer relations analyzed at the background of the problem. All organisational levels are managed from different type of stakeholders. At micro level these stakeholders (e.g. administrative, IT personnel) are not forming any decisions. Managerial decision making is originated from the interaction of micro and macro level stakeholders, at **B-organisation** level. The **CSR concept** should be **formed** at **B-organisational** level among **performa** stakeholders (e.g. managers, domestic or foreign entities, collaborating corporations etc.). Finally, all **CSP** documentation at the **datalogical** level should be **formed** from measurable **KPIs** (see Figure 3). Objective oriented **information** disclosure at **infological** level, as well as **reporting** and **documentation** at the **datalogical** level, **forms** a transparent set of rules governing an opaque **CSR** design for all business stakeholders at the **ontological** level. Such transparent governance could clearly conceptualize the **CSR** concept which could be objectively referenced by **CSP** and supported by the **CSFs**. **CSP** object is populated by

CFP and its related KPIs. Thus, it justifies how the SD-CSR type of CSR contributes to a value added strategy based on the micro and macro organisational level, as indicated in Figure 3.

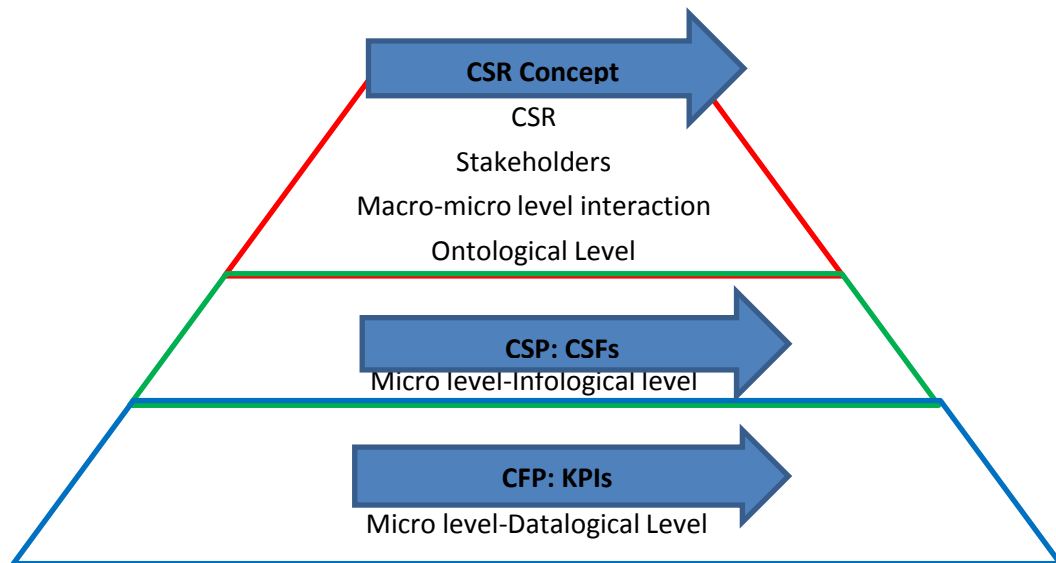


Figure 3: The Organizational Levels of a MNC Relating to CSR

Paradigmatically, the ontological approach for a CSR concept could be designated by an informed value added strategy. It should be referenced by selected CSFs (e.g. risk, innovation and customer relations management) of a CSP, which will be objectively populated by measurable CFP and its KPIs (e.g. corporate stock value, return on investment etc.). So, it could provide a global framework for a SD-CSR type of projects. Figure 4 reveals this holistic notion of a value added strategy based on the innovative design of a CSR strategy:

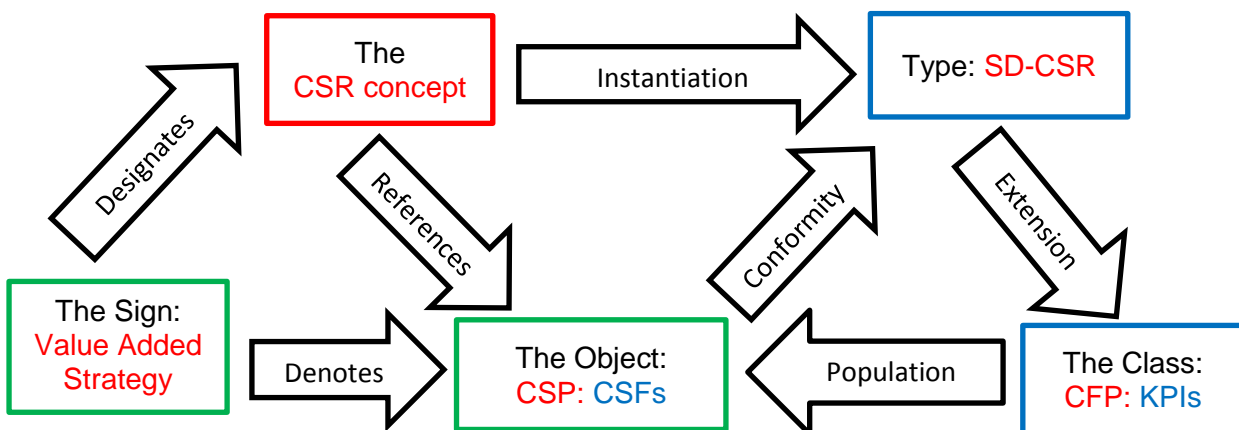


Figure 4: The Innovative Design of a CSR Strategy

Therefore, this paper methodologically provides a novel, transparent and globally sustainable conceptual CSR design. It addresses the broad and diverse empirical evidence on CSR strategies, enabling IA among diverse socio-cultural and economic stakeholders.

5. Conclusions and research outlook

According to enterprise ontology, the findings of this paper reveal that CSR could become a critical parameter to a MNC strategic business framework, enabling value added collaborations. It could also address fierce market competition with the proposed innovative conceptual design in order to successfully capture MNCs' CSR strategy. Its essential and concise design empowers ethically information-driven decision making by socio-economic and diverse stakeholders. Thus, it leads to an innovative global view of an international set of rules and guidelines governing successful CSR strategies.

The findings of this study address a plethora of general and non-critical, broad arguments with respect to the design of CSR³⁵. It catalytically enables a multiple embedded value added strategic design to overcome problematic financial viability arising from trivial CSR activities (e.g. tactical environmental and philanthropic activities) and lack of IA relating to socio-economic practices and policies³⁶. Enterprise ontology's organisational theorem, semiotic triangle and the ontological parallelogram objectively support the concept of a CSR strategy, improving heterogeneous managerial CSFs at all organisational levels.

In an era of a post financial crisis, this innovative design of CSR ontologically provides financial efficiency (e.g. CFP) supported from measurable KPIs. From the one hand, the organisational theorem supports primary and secondary activities for diverse stakeholders' roles. It also spans their managerial control that homogenizes diverse socio-economic barriers^{37, 38}. From the other hand, the ontological parallelogram designates successful CSR strategies based on a transparent design that conceptualizes value added strategies. These types of strategies align MNC's competitive advantage. They conform to a

SD-CSR type of CSR strategy which is objectively denoted from CSFs and populated from KPIs.

As a result, the findings of this study reveal a consistent design providing fertile ground for future research on CSR models in terms of methodology and successful conceptualization and design. The design's globally oriented collaboration strategy, empowered by its ontological composition eliminates trivial results, arising from literature generalities³⁹. The ontological concept design catalytically manages the risk and innovation distribution by justifying financial performance through measurable KPIs (e.g. CFP) that occur among stakeholders at individual level⁴⁰. It also epistemologically unfolds the added value of IA⁴¹. A successfully designed CSR could attract domestic and international stakeholders as it conceives innovative and technological activities due to its semantic objectivity. It critically improves the socio-economic infrastructure and delivers a mutually inclusive and holistic collaborations. In addition, it contributes to the engineering of successful CSR theory by demonstrating how its holistic conceptualization is hierarchically disseminating among collaborating stakeholders. A successfully designed CSR strategy could also address problematic issues regarding informational democracy for equal access to decision making between global stakeholders, qualifying for highly impactful global collaborations.

Finally, future research could employ this novel design as a tool to reveal how firms successfully engage CSR values to innovative products and services. Another example of future research is the discovery of the necessary conditions under which firms are more or less likely to focus on IA based on this innovative design of a CSR strategy. This study could also motivate a further systematic examination of ontologically empowered value added managerial decisions that could reveal the sustainability and growth of the proposed CSR design.

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