



Creating value through CSR across company functions and NGO collaborations A Scandinavian cross-industry case study



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ABSTRACT

A growing number of researchers and practitioners stress the potentials of creating value through Corporate Social Responsibility (CSR) and collaborations with non-governmental organizations (NGOs). However, little attention has been paid as to how value and value creation is defined in the context of CSR and NGO collaborations and integrated across key functional areas within the company. This research gap is explored empirically through a cross-industry case study of five companies' application and approaches to CSR and NGO collaborations to facilitate value creation. The findings reveal different scenarios of how companies approach CSR and NGO collaborations in their value propositions and in value creation through collaborative activities across core business functions. The findings reveal that the type of value creation originate from the way the business-NGO collaborations are applied across the companies' collaborative activities in communication, HRM and sustainable innovation/R & D.

1. Introduction

The existing Corporate Social Responsibility (CSR) literature emphasizes that in order to improve value creation, there is a need for companies to apply a more holistic approach through the integration of various functional areas into the CSR interface of responsible management (Aagaard, 2016; Leigh & Waddock, 2006; Van Tulder & van der Zwart, 2006). Additionally, an increasing number of companies nowadays collaborate with non-governmental organizations (NGOs) in the context of CSR in order to facilitate value creation (Leigh & Waddock, 2006; Van Burren & Patterson, 2012; Yaziji, 2014).

For more than three decades, there has been an increasing interest in various aspects of value creation through CSR, which has led to substantial growth in CSR business case research examining the correlation between social and financial performance. Nevertheless, the findings are ambiguous in most meta-studies. Without referring to all studies comprehensively, we outline the findings from some of the most significant seminal works. Margolis and Walsh (2001) found a positive correlation in half of the studies, and a negative or no correlation in the remaining ones. Similarly, Weber (2008) found mixed results. Reviewing meta-studies together with case studies, qualitative and quantitative empirical research, Weber (2008) finally concluded positive effects of CSR in: 1) Image and reputation; 2) Employee motivation,

retention, and recruitment; 3) Cost savings; 4) Sales and market share; and 5) Risk reduction. Carroll and Shabana (2010) found a positive correlation in the majority of the studies, but a negative or no correlation in the remaining ones. In the most comprehensive research on this matter, Margolis, Elfenbein, and Walsh (2012) recently found a small positive correlation in a meta-study consisting of 251 studies. In addition, more researchers have recently stressed value creation potentials in product innovation and inclusive business model innovation (Boons & L & deke-Freund, 2013; Doss & Kauefer, 2014; Prahalad, 2012; Boons & L & deke-Freund, 2013; Doss & Kauefer, 2014; Prahalad, 2012; Boons and Lüdeke-Freund, 2013; Boons & L & deke-Freund, 2013; Doss & Kauefer, 2014; Prahalad, 2012). Inclusive business model innovation is defined as: "Business [that] include the poor into a company's supply chains as employees, producers and business owners or develop affordable goods and services needed by the poor. Here, human and business development goes hand in hand (UNDP, 2010)."

Finally, more researchers stress value creation potentials for businesses collaborating with NGOs in the context of CSR, e.g., increased reputation, third part endorsement, code of conducts, sustainable innovation, and access to NGO tacit knowledge and networks (Argenti, 2004; Holmes & Moir, 2007; Van Burren & Patterson, 2012; Yaziji, 2004). However, according to Hess and Warren (2008), there is a risk that companies might adopt to NGO standards in a symbolic way in

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regards to PR, which is why they argue that there is a need for further research exploring how internal core company functions influence these adopted CSR initiatives to become more relational, meaningful, and valuable. In this study, we follow up on these discussions and requests for further research exploring how value is created through the integration of key functional areas in CSR and NGO collaborations.

In the literature, there has also been several attempts to develop stage models in the context of CSR and value creation (e.g., Dunphy, Griffiths, & Benn, 2007; Van Marrewijk & Werre, 2003). Regardless of the differences, these stage models typically range from stages characterized by low interest and engagement in CSR towards profit-oriented stages with focus on business case potentials, and finally stages with attention towards ethics, holism, and systemic transformation at societal level. However, during the last decade, more researchers have criticized the underlying logic behind the CSR business case. For instance, Nijhof and Jeurissen (2010:620) strongly criticize the CSR business case logic for being “characterized by the assumption that any CSR effort should be legitimized by instrumental arguments towards increasing corporate profits.” Doing good is not always synonymous with doing well, although there may be some kind of correlation. Thus, ethically founded CSR activities aimed at needed societal transformation, e.g., related to NGO causes, may sometimes be profitable and sometimes not (Nijhof & Jeurissen, 2010). From this point of view, the ultimate basis for any business journey towards CSR and NGO collaborations should therefore be ethical reflections rather than opportunistic cherry-picking from what makes most sense economically (Moratis, 2014; Nijhof & Jeurissen, 2010).

In a holistic perspective, CSR is all about serving the world without harming the economic health of the company (Nijhof & Jeurissen, 2010). Moratis (2014) and Visser (2010) take the CSR business case critique even further by arguing that macro-level attention in terms of systemic changes is most needed, since the shape of Earth is only getting worse, despite increased CSR investments. From this point of view, there is a need to reframe meso-level-oriented CSR business case logic meaning that CSR has to be embedded organizationally, not only in marketing and communication, but also in R & D moving businesses towards sustainable business model thinking, e.g., as in inclusive business model innovation (Moratis, 2014). Another critique related to the CSR business case logic is loss of intrinsic motivation at micro-level among the employees (Moratis, 2014; Visser, 2010). The prerequisite of transforming business logic towards holistic CSR is therefore to anchor CSR within core business functions and to combine more levels of attention, including economic and ethical reflections as well as attention towards individual employee values and interests (Moratis, 2014; Nijhof & Jeurissen, 2010; Visser, 2010).

These discussions in literature of the CSR business case potentials and of how holistically-oriented CSR should be addressed by businesses in order to ‘save the world’ imply that the ontological foundation of the concept is quite ambiguous. Thus, studying CSR in companies is generally challenged by the various concepts that have emerged covering various aspects of sustainability (Gjølberg, 2009), e.g., corporate sustainability (CS), corporate responsibility (CR), and Corporate Social Responsibility (CSR). These concepts are often used interchangeably both in theory and practice (Van Marrewijk, 2003). Several other definitions (Commission of the European Communities, 2001; Hopkins, 1998; Khoury, Rostami, & Turnbull, 1999; Van Marrewijk, 2003) exist that elaborate on different aspects of the CSR concept.

However, Van Marrewijk and Werre (2003) state that there is not one CSR definition that fits all, because organizations develop their own perceptions and levels of ambition and attention supporting individual institutional contexts and challenges. Van Marrewijk (2003) states: “Along with changing circumstances, individuals and organizations tend to adapt their perception of reality. Related to these realities, they develop value systems as coping mechanisms to match the challenges that emanate from current life conditions.” Following this argument leads to the understanding that CSR is tightly linked to underlying

individual organizational value perceptions. A prerequisite examining value creation in the context of CSR is therefore to clarify how businesses understand themselves and their role in the world, and how they define their core ambitions and attentions. In recent literature, these individual perceptions related to CSR are seen as part of business value propositions defining their attention and priorities towards environmental and social issues (Chou, 2015). Yet, studies examining these individual business perceptions in value propositions related to CSR and NGO collaborations are rather absent in literature.

Consequently, there is a need to address these questions to understand fully how and to what extent businesses conceptualize CSR and NGO collaborations holistically in their value propositions and value creation. In the current study, we contribute to literature by exploring business value propositions in the context of CSR and NGO collaborations as well as how these value propositions are interrelated with value creation in core business functions. The research question of this study is therefore: *How is CSR perceived in business value proposition, and how is value created in the context of CSR across different company functions in collaborations with NGOs.*

2. The concept of value and value creation in CSR and NGO collaborations

The concept of value stands out to be one of the most discussed and complex concepts in literature on strategic management, CSR, and partnerships. Examples in this discussion are seen in Bowman and Ambrosini (2000), Makadok (2001), and Makadok and Coff (2002), where the concept of value from a classic economic perspective is defined as value derived from value-in-use and value-in-exchange. Value-in-use refers to customers’/end-users’ subjective perception of the value of a product or service, whereas value-in-exchange refers to the transformation of value in use into monetary achievement of the company (Bowman & Ambrosini, 2000; Makadok, 2001). In this classic economic perspective, the company and its shareholders are able to capture a certain amount of exchange value determined by the competitive position and bargaining power of the customers (Bowman & Ambrosini, 2000; Makadok & Coff, 2002). Thus, value capture refers to economic value gains and is tightly related to value measures and financial performance in the CSR business case logic.

In the historical past, companies mainly focused on how to maximize profits in a shareholder perspective without any considerations of environmental, social or ethical issues (Van Marrewijk, 2003). In an elaborated multi-level perspective developed by Lepak et al. (2007), the classic company-centric understanding of value-in-use and value-in-exchange is extended into a holistic approach, including individual, organizational, and societal levels. This means that the concept of value-in-use is extended from customer perceptions as target users into a broader context, where target users and subjective judgements are found among more actors on all levels, i.e., individual, organizational, and societal levels. Actors and entities at all levels may benefit from the transformation of value-in-use into value-in-exchange, which means that value beyond pure economic gains may be captured on more levels as well (Lepak, Smith, & Taylor, 2007). Furthermore, in the context of CSR and NGO collaboration, more scholars reframe the value construct, meaning that the one-dimensional shareholder logic of profit maximization is extended to more stakeholders and levels of attention (Pedersen, Gwozdz, & Hvass, 2016; Schaltegger et al., 2016; Upward & Jones, 2016).

In the literature on strategic implementation of CSR, Porter and Kramer (2011) define value as shared value on more levels. In the context of non-profit business partnerships, Austin and Seitanidi (2012) build further on the work of Bowman and Ambrosini (2000) and Lepak et al. (2007) in developing a framework of how value can be assessed in a holistic way on micro-, meso-, and macro-level. In this study, we approach the concept of value from a holistic perspective similar to Austin and Seitanidi (2012), Lepak et al. (2007), Pedersen et al. (2016),

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