



Measuring Corporate Social Responsibility for competitive success at a regional level



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ARTICLE INFO

Article history:

Received 22 November 2012

Received in revised form

23 February 2014

Accepted 24 February 2014

Available online 5 March 2014

JEL codes:

M1

M14

Keywords:

Corporate Social Responsibility

Measurement scale

Competitive success

Performance

Regional study

ABSTRACT

The relevance of Corporate Social Responsibility in the business world is enhanced by its linkage with other variables of strategic nature in the firm's activity. For this purpose, the objective of the paper is to define an overall scale to cover their different dimensions, social, economic, and environmental, by analyzing the cause–effect relations with performance and competitive success. This under researched topic has been studied in a sample of 67 medium and big firms within a specific regional context, a pioneer region in Europe which is starting to promote responsible business behaviour by the regional government. For that, structural equation methodology based on partial least squares path modelling has been applied. The results show the positive, direct and significant effect of social responsibility orientation of firms to competitive success and the mediating effect of performance. The established set of indicators that define Corporate Social Responsibility provides a simple and useful guidance for responsible actions implementation to upgrade regional competitive success.

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1. Introduction

In recent years, there has been growing insistence on the importance of Corporate Social Responsibility (CSR) for the economy overall, as well as for firms, institutions, and organizations individually, given the competitive advantages resulting from its actions (Weber, 2008; Junquera et al., 2012). The academic community has shown burgeoning interest in studying the development of socially responsible actions (Aguinis and Glavas, 2012), involving the pursuit of certain goals: environmental (a healthy and balanced environment), economic (harmonic development), and social (reduction of inequalities).

The Green Paper (EU, 2001: 4) indicated that CSR is “a concept whereby firms decide voluntarily to contribute to a better society and a cleaner environment,” adding that its implementation will be by integrating “social and environmental aspects into business operations and their interaction with stakeholders” (EU, 2001: 6). It

also points out that “being socially responsible means not only meeting its legal obligations which no doubt every firm has to satisfy, but going beyond this by investing more in human capital, in the environment, and in its relationships with stakeholders” (EU, 2001: 8). In this context, firms are encouraged to work actively for CSR because not only it is a business opportunity for them in today's world, but in many cases it is a reflection of the expectations of their customers, employees, society, and other stakeholders (Mark-Herbert and Von Schantz, 2007). Recently, the European Commission has put forward a simpler definition of CSR as “the responsibility of enterprises for their impacts on society” (EU, 2011: 7) and outlines what a business should do to meet that responsibility.

In this European framework, we share with Van der Heijden et al. (2010:1787) the conceptualization of the internal process of CSR “as an organizational sensemaking process that involves creating and sharing a unique meaning of CSR”. Given this importance, and to examine the extent to which business practice actually is a reflection of what is accepted in theory, a research project was designed for firms in a Regional Community in Spain to measure their orientation towards CSR with respect to their management's strategic variables. It is understood that without

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Table 1
Academic attempts to measure Corporate Social Responsibility.

Author/s	Contribution
Abbott and Monsen (1979)	Scale based on the content analysis of corporate annual reports of <i>Fortune</i> magazine firms
Aupperle et al. (1985)	Scale measuring individual managers' values and attitudes towards CSR on a four-dimensional model.
Ullman (1985)	Scale to examine the extent to which social disclosure appears in annual reports.
Singhapakdi et al. (1996)	Measuring managers' perceptions of the role of ethics and CSR in the effectiveness of their organizations.
Ruf et al. (1998)	Scale to evaluate the relative importance of the dimensions included in some reputation indices, validating the applicability of the scale and the indices.
Quazi and O'Brien (2000)	Scale with a two-dimensional model to measure attitudes to CSR and the results of implementing socially responsible actions.
Maignan and Ferrell (2000)	Exam of the economic, legal, ethical, and discretionary extent of stakeholder imposed responsibilities, considering only three agents (customers, employees, and public), limiting the usefulness of their study.
Veleva and Ellenbecker (2001)	Tool for promoting business sustainability – indicators of sustainable production.
Keeble et al. (2003)	Case studies to explore how the appropriate use of indicators can be a powerful tool to guide business sustainability.
Azapagic (2004)	Framework for sustainability indicators as a tool for performance assessment and improvements in some specific sectors.
Mahoney and Thorne (2005)	Scale defined on the basis of the averages of certain values.
Nordheim and Barrasso (2007)	Set of sustainable indicators for the aluminium industry.
Turker (2008)	Perceptions of employees, customers, and government, analysing the relationship of CSR to organizational commitment, and reflecting the business's responsibilities towards all its stakeholders.
Clarkson et al. (2008)	Content analysis index to evaluate the level of environmental disclosure in sustainability reporting.
Chee Tahir and Darton (2010)	Comprehensive set of sustainability indicators and metrics for the particular business operation.

Source: Own.

measurement instruments it is impossible to situate firms in the space of the various actions that comprise socially responsible behaviour. While various studies in the literature have defined measurement scales considering specific aspects or dimensions of CSR, one can find none that provides a satisfactory measure of the degree of a firm's orientation to CSR in its entire extent. Neither are there any scales that can explain the causal relationships of CSR with other important corporate strategic variables at a regional level. With this purpose we have considered necessary to define an overall scale to cover the different dimensions of CSR – social, economic, and environmental – at a specific regional level to deal with the variety of situations that a firm might have to address to gain a label of being socially responsible.

The paper is organized as follows. After this introduction, we address the importance of measuring business orientation to CSR, we present the method and describe the conceptual model presenting the questionnaire-based measurement scales used. Final sections present the assessment of validity and reliability of the measurement model describing and discussing the results, followed by the assessment of the structural model. The article concludes with reflections, a discussion of the limitations of the study, and comments on the future research lines that the work has opened up.

2. Some academic attempts to measure Corporate Social Responsibility

Carroll (2000) affirmed the possibility to measure corporate social performance given the importance of the issue for business

and society. But he observes that the development of valid and reliable measure would be no easy task.² Indeed, the measurement of CSR is still object of study in spite of its clear limitations. Nonetheless, many authors have ventured into this field of measurement in order to quantify and evaluate socially responsible actions and different methods have been considered.

2.1. Indicator-based methods

In the late 1970s and early 1980s, numerical indicators were suggested as a form of synthesis of the social information contained in company reports. Chee Tahir and Darton (2010:1598) say that indicators “act as a guide monitoring and directing progress towards sustainability”. This method assumes multi-dimensionality because the definition of a single indicator would be very restrictive (Keeble et al., 2003).

Aupperle et al. (1985) developed a scale to measure individual managers' values and attitudes towards CSR. It was based on the four-dimensional model described by Carroll (1979). It has been considered to be the first serious attempt to capture the multi-dimensional nature of CSR. Later, the scale due to Singhapakdi et al. (1996) measures managers' perceptions of the role of ethics and CSR in the effectiveness of their organizations and Quazi and O'Brien (2000) designed a scale with a two-dimensional model to measure attitudes to CSR and the results of implementing socially responsible actions.

In the industry sector, Veleva and Ellenbecker (2001) presented a tool for promoting business sustainability based on indicators of sustainable production. In the same line, Azapagic (2004) developed a framework for sustainability indicators as a tool for performance assessment and improvements in some sectors (metallic, construction and industrial minerals) and Nordheim and Barrasso (2007) developed a set of sustainable indicators for the aluminium industry. Recently, Chee Tahir and Darton (2010) have developed a comprehensive set of indicators to measure the degree of sustainability of particular business operations. And, in a very specific regional context, Acosta-Alba et al. (2012) have studied how to move dairy farmland towards sustainability by exploring new configurations of agricultural land use.

In less specific contexts, it is remarkable the work of Turker (2008) focused on the perceptions of employees, customers, and government, analyzing the relationship of CSR to organizational commitment, and reflecting the business's responsibilities towards all its stakeholders. The result was an original, valid, and reliable measure of CSR.

2.2. Alternative methods for measuring CSR

There are other alternative approaches to the question: content analysis of relevant documents, case studies, surveys, databases or indices. The pioneering work of Abbott and Monsen (1979) describes a scale to measure CSR based on the content analysis of corporate annual reports of *Fortune* magazine firms. Later, Ullman (1985) examined the extent of social disclosure from the analysis of annual reports and the work of Clarkson et al. (2008) develops a content analysis index to evaluate the level of environmental disclosure in sustainability reporting.

Complementary, Ruf et al. (1998) developed a scale to evaluate the relative importance of the dimensions included in some reputation indices, validating the applicability of the scale and the

² How to report CSR is a good example of that difficulty. At this respect, the Global Reporting Initiative (GRI, 2011) is an internationally recognized guide for CSR reporting.

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