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Strategic Corporate Social Responsibility Management for Competitive Advantage

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ABSTRACT

Corporate social responsibility strategy and competitive advantage are important issues for the contemporary discussion on corporations in society when taking into account social and environmental impacts. Empirically, we can see that social responsibility strategies are associated with competitive advantages, such as attracting valuable employees as well as enhancing the company image and reputation. This paper presents a theoretical review that demonstrates the association between social strategy and competitive advantage through the formulation of social strategies that influence and are influenced by opportunities, resources, skills, corporation merits, industry structure and stakeholders. Based on the literature and a case study of Carrefour, a model is proposed for competitive advantages stemming from the formulation of social strategies, which are explained based on their elements and adaptation to societal expectations. This article seeks to enrich the discussion on the strategic management of social responsibility and contribute to the literature on Corporate Social Responsibility as well as Strategy and Competitive Advantage.

Key words: corporate social strategy; strategic management; competitive advantage; corporate social responsibility.

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INTRODUCTION

The perspectives of studies on Corporate Social Responsibility [CSR] are quite diverse and include the study of volunteer work (Almeida, Lins, & Oliveira, 2005; Freitas & Ventura, 2004), corporate citizenship (Hemphill, 2004), the interaction between corporations and the community (Fonseca, Moori, & Alves, 2005; Wanderley, 2005a, 2005b), corporate giving and philanthropy (Amato & Amato, 2007; Bruch & Walter, 2005; Sasse & Trahan, 2007), models of social and environmental management (Abreu, 2001; Pasa, 2004), the institutionalisation of CSR (Ventura, 2005) and the dissemination of information on CSR actions (Dufloth & Bellumat, 2005; Pollach, 2003; Sousa & Wanderley, 2007; Wanderley, Lucian, Farache, & Sousa, 2008).

In recent years, scholars and executives have devoted attention to the implications of CSR policies and practices as well as their relation to business strategy (McWilliams, Siegel, & Wright, 2006). However, despite the discussion in the literature regarding the interaction between CSR and business strategy, e.g. Aguilera, Rupp, Williams, and Ganapathi (2007), Castelo Branco and Rodrigues (2006), Coutinho and Macedo-Soares (2002), Husted and Allen (2000, 2001), McWilliams and Siegel (2001), Porter and Kramer (2002, 2006), Pearce and Doh (2005), Husted and Salazar (2005, 2006), the efforts of these authors do not fill all the theoretical, methodological and practical gaps.

Thus, the present article is justified by the lack of academic production regarding CSR, business strategy and issues involving competitive advantage. As the broadening of studies in the field and the dissemination of theories are important undertakings, the discussion on such issues serves as motivation and helps generate new theories, ways of thinking and paradigms. The present work seeks to enrich the discussion on social responsibility and contribute to the existing literature on the associations between CSR, business strategy and competitive advantage.

The following research question was drafted: How can social responsibility strategies create competitive advantages? The major objective of this article is to analyse a case study and the literature from the most diverse fields on how social responsibility strategies can create competitive advantages. In order to achieve this main objective, it was necessary to establish the following specific objectives:

- . Explore the association between social responsibility, corporate strategy and competitive advantage;
- . Describe the context of social responsibility in corporate strategy;
- . Explain the potential of social responsibility for creating competitive advantage;
- . Elaborate a theoretical framework related to the strategic management of social responsibility.

This last item of the specific objectives was included as a result of the literature review, which led the authors to formulate a theoretical framework of corporate social strategy that could be used in practise. To this end, a case study helped develop the framework, expanding the theoretical and practical justification.

This paper is divided into 7 (seven) sections. The introduction addresses the context and justification for this paper. The second section explains the main and specific objectives of the work. In the third section, associations between corporate strategy and social responsibility are addressed using arguments developed by authors specialised in the two fields. The fourth section addresses the association between competitive advantage and social responsibility based on the writings of authors who contribute to the fields. The fifth section presents a case study on Carrefour. The sixth section introduces the framework for strategic management for social responsibility. Finally, the conclusion stresses the need for further empirical and theoretical research on the association between business strategy and social responsibility. The challenge is to show how a strong tendency toward CSR is associated to distant corporate activities and an initial resistance to the possibility of CSR, leading to profits for the corporation while exerting a positive impact on society.

STRATEGIC MANAGEMENT AND SOCIAL RESPONSIBILITY

Following a global tendency, corporations are currently more concerned with social responsibility (Halme, Roome, & Dobers, 2009). There is a trend toward promoting corporate changes with deep strategic implications that must be associated with business strategies in the company in order to be efficient (Coutinho & Macedo-Soares, 2002). According to Andrews (1987), strategic management is a decision-making standard in a corporation that ends up determining objectives, policies and plans in order to achieve goals. The strategies define what businesses the companies run, the economic and non-economic nature of their actions and contributions, and the relationship between shareholders, employees, clients and the community (Andrews, 1987).

A corporation may deal with a number of different businesses. There is a difference between corporate strategy, which is from the corporation, and business strategy, which is from a business unit or company that makes up the corporation. In this paper, the term corporate strategy has been chosen to denote strategies in general. According to Andrews (1987), corporate strategy is much more complex than just economic choices, as executive decisions end up influencing and impacting a large number of stakeholders who are either directly or indirectly associated with the company.

Social responsibility has become indispensable (Mintzberg, 1983). The strategic decisions of large companies involve social as well as economic consequences, which are intimately connected. Porter and Kramer (2006) discuss the existence of the interdependence between corporations and society, since a company's activities have a direct impact on the communities with which they work. This can lead to either positive or negative consequences. Strategists and executives should take into account societal expectations and decisions, as there can be some attractive alternatives when goodwill or services to society are considered. Decisions from the strategy formulation process should take into account the positive and negative impacts that may arise, not only for the business itself, but also for stakeholders and society in general. Hence, the Ethos Institute (2007, p. 78) has adopted the following definition of strategy and CSR:

Corporate social responsibility is a form of management that is defined by the ethical relationship and transparency of the company with all the stakeholders with whom it has a relationship as well as with the establishment of corporate goals that are compatible with the sustainable development of society, preserving environmental and cultural resources for future generations, respecting diversity and promoting the reduction of social problems.

The Harvard Business School strategy model has always included social responsibility as a main element of strategy formulation (Husted & Allen, 2000). The authors cited also state that, in the management literature, ethics and social responsibility have been frequently connected to corporate objectives and incorporated into business speeches. Pearce and Doh (2005) state that social responsibility is currently a universal notion in business. It has been incorporated by top management as an integral component in executive jobs. It is motivated by personal values and altruism as strategic advantages that can be developed. Andrews (1987) also speaks of the importance of the objectives of executives in guiding and choosing strategies. A change of executives can lead to a change in strategy, as different executives have different assumptions. The same phenomenon is emphasised by Mintzberg (1983) and Pearce and Doh (2005), who address CSR strategies, as the motivation to act socially responsibly changes according to the values of each executive.

ESSENTIAL COMPONENTS OF CORPORATE SOCIAL STRATEGY

The modelling of the essential components of social strategy is a necessary element for characterising such strategies. Andrews (1987) points to the four components of the strategy

formulation and decision, which are: (a) market opportunities; (b) corporate resources and skills; (c) values and aspirations; and (d) knowledge of obligations to society and shareholders. Thus, the author includes a variable that corresponds to concerns with society among the essential elements of the social strategies. Husted and Allen (2001) use business strategy tools and concepts to formulate new models of social strategy. Social corporate strategy therefore needs to be linked to the following four elements: (a) structure of industry (Porter, 1986); (b) internal resources of the firm (Barney, 1991); (c) corporation ideologies and values; and (d) the relationship with stakeholders. We can see a similarity between the elements these authors consider in the formulation of social strategies and the elements of corporate strategy observed by Andrews (1987). For Molteni (2006), social responsibility is part of corporate strategy, as it can help corporate management find innovative solutions based on the expectations of stakeholders. The author proposes an innovation model based on social responsibility, affirming that this can be a creative factor in the development of competition. Similarly, Zadek (2006) defines several ways or **tiers** in which competition takes place, such as, innovation and flexibility, corporate responsibility clusters as well as direct and specific business benefits. Husted and Salazar (2005) affirm that companies should put their social responsibility strategies into practise with the intention of improving both economic and social performance.

Husted and Salazar (2006) examined CSR strategies in firms with the objective of maximising both profits and social performance. Through a comparison between firms, the authors identified three types of social investment (altruistic, selfish and strategic), concluding that strategic investment creates better results for companies that try to simultaneously achieve the maximisation of both profit and social performance. This strategic investment consists of the creation of well-being and positive advantages to society and the local community. It also consists of additional benefits to the company, such as an enhanced reputation, better and more qualified labour, the differentiation of products and extraction of a premium price. The conclusions of this study point out that a company can add value and obtain competitive advantage through socially responsible activities, but it must act strategically and CSR should be connected with the corporate strategies. Actions should be seen as adding value to products in the eyes of the public and should also improve the local business environment (Porter & Kramer, 2002).

A company can use social initiatives to improve its competitive context, enhancing the quality of the business environment in the places it operates. Focusing on context allows the company to increase its potentialities in the support of social responsibility actions and contribute toward society in a structured fashion. Consequently, the company's action should be directly connected to its core business in order to maximise the potential of these actions (Porter & Kramer, 2002; Zadek, 2005, 2006). An alignment of business strategy, social responsibility action and core business activities should occur in order to achieve efficient corporate social strategies. To improve this alignment Zadek (2005, p. 5) proposes analysing the relationship between strategy, leadership and excellence through engaged learning. To represent the concept, the author suggests a triangle with the following components:

At the top there is business strategy itself, how far does your company's business strategy embrace corporate responsibility at its heart. In the middle, we have learning: engaged learning, engaging with society. Society means many different possible players: civil activists, labour, government, other businesses domestically, locally, internationally — whoever you engage with in your business. At the bottom left, we have leadership. What we mean by that is companies who are able to operate in the discomfort zone, driving innovation along the axis of responsibility and the company's core strategy. On the right is operational excellence. Excellence is another kind of leadership, but not discomfort. Excellence is when you know what to do and you just do it incredibly well — if you like, an operational excellence.

However, a better understanding is needed regarding social issues and how they can best be addressed. Porter and Kramer (2006) divide social issues into three categories: generic social issues, value chain social impact and the social dimension of competitive context. Generic social issues are important to society, but do not significantly affect company operations; nor do they affect competitiveness in the long run. Value chain social impact includes social issues that are significantly

affected by company activities in the regular course of business. The social dimension of competitive context is a question of an external environment that significantly affects the direction and competitiveness of the company in the location it operates. Thus, there is a hierarchy of importance in the typology outlined by Porter and Kramer (2006), in which the social dimension of competitive context is the most important and generic social issues are the least important. However, a company should consider all of the categories; strategy should take into account all possible variables. The authors also show that what are generic social issues to one company may be social impacts in the value chain to another company or even the social dimension of competitive context, as different industries and social aspects can change as well. The fact is that social responsibility and corporate strategy have been seen separately, with social responsibility contributing to social objectives and corporate strategy contributing to economic objectives. However, they should be seen together in order to maximise both economic and social results (Husted & Allen, 2001).

SOCIAL RESPONSIBILITY AND COMPETITIVE ADVANTAGE

Social responsibility has become a strong and irreversible part of corporate actions. When managed effectively, CSR programs and projects can create significant benefits in terms of reputation and returns as well as the motivation and loyalty of employees. CSR can also contribute toward strengthening valuable partnerships (Pearce & Doh, 2005). Husted and Allen (2001) state that CSR strategies can create competitive advantages if used properly, pointing out that there is a positive association between strategic social responsibility actions and competitive advantage.

Zadek (2005) identifies three generations of companies in relation to their responsible competitiveness (Figure 1). First-generation companies have a short-term, pain alleviation strategy. Second-generation companies establish strategic planning and risk management policies. Third-generation companies incorporate the concept of social responsibility into their strategy.

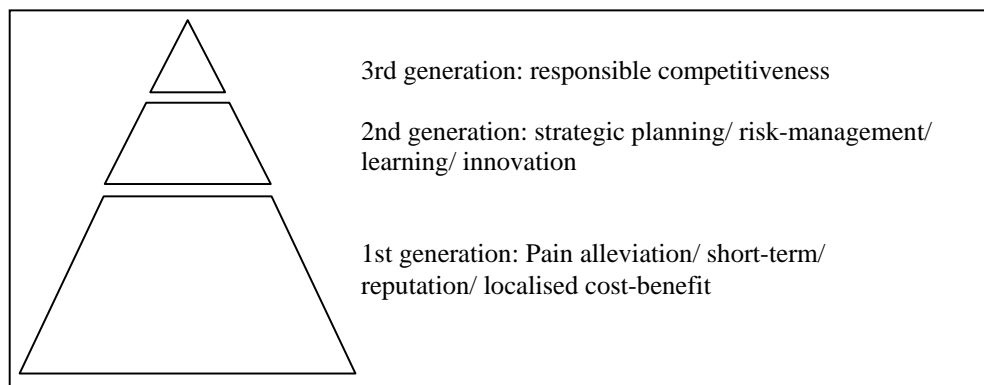


Figure 1. Responsible Competitiveness

Source: Zadek, S. (2005). Going to scale: aligning corporate responsibility to strategies for business and national competitiveness (p. 14). *Instituto Ethos Reflexões*, 6(14), 1-28.

In contrast to Zadek's model, researchers in strategy consider reputation to be an internal resource that should be well managed, as it is an important differentiating aspect and potential creator of competitive advantage (Mahon, 2002). According to Mahon (2002), researchers in marketing, public relations and communication have shown corporate reputation to be a crucial element in increasing the purchase of products and services. For Logsdon and Wood (2002), reputation is a powerful concept for business, government and non-profit organisations. Executives and administrators as well as both internal and external stakeholders use reputation to evaluate and communicate their perception of

business and corporations. Therefore, a good reputation can produce better results for the company. CSR should help enhance this reputation and, consequently, create competitive advantage.

Ashley (2002) states that CSR is currently a source of competitive advantage that companies should employ in the quest for greater competitiveness and better results. According to Barney (1991), the creation of competitive advantage occurs through the implementation of strategies that add value and create benefits for one company when another company fails to do so. Competitive advantage can be achieved through internal resources or a group of internal resources from the firm. However, to obtain this advantage, the resources must be (1) valuable, exploring the opportunities and neutralising threats to the environment of the firm; (2) rare, not being present in any rival or potential rival company; (3) inimitable, so that others cannot imitate them; and (4) non-substitutable, meaning they do not have strategic equivalents (Barney, 1991).

In the CSR field, the emphasis on internal resources is expressed in a large number of studies (Castelo Branco & Rodrigues, 2006; McWilliams & Siegel, 2001; McWilliams *et al.*, 2006; Russo & Fouts, 1997). We can start from the assumption that CSR can be considered an internal resource of the firm. Applying the definitions developed by Barney (1991), in order to create competitive advantage, CSR actions should be valuable, rare, inimitable and non-substitutable. We can also say that CSR is a group of resources, as it encompasses different dimensions that can be considered internal resources, such as corporation values, business ethics, the relationship with stakeholders (Donaldson & Preston, 1995; Freeman, 1984), social projects, corporate reputation, etc. Business managers face two other dimensions related to strategic CSR: centrality and specificity (Burke & Logsdon, 1996; Husted, 2003). Centrality is high as far as CSR actions are coupled with corporate mission. Specificity is high when CSR action imitability faces barriers that are difficult to overcome. On the other hand, centrality is low when CSR actions are far from corporation core activities and specificity is low when these actions are easily replicated. A company can create social projects connected to its core business that are valuable, rare and inimitable, thereby creating competitive advantage (Burke & Logsdon, 1996; Husted, 2003).

Thus, a group of intangible resources, such as good corporate governance, efficient execution of innovative social projects and ethical management in business, can be a differentiating source of competitive advantage. However, it is important to say that there is only the creation of competitive advantage through CSR if the benefits to society really exist, as such benefits should be implicit to the philosophy of social strategies (Husted & Allen, 2001). To be a source of competitive advantage, CSR actions should create real and consistent results for society. Increased concern with external aspects as an internal value to strategic social decisions leads to reflection regarding courses of action, analysing and anticipating the effects of the corporation behaviour while predicting the potential positive or negative consequences (Alessio, 2003). According to Zadek (2005), for companies in which CSR is rooted, it is not difficult to meet new market expectations, such as dealing with corruption, human rights, environmental management in the supply chain, etc.

After reviewing the literature, a practical case study was taken into consideration. The Carrefour case (Sousa, 2008) provides the practical input in order to aid the development of the theoretical framework.

CASE STUDY: CARREFOUR

The present study is qualitative and can be classified in two aspects (Vergara, 2005), as the research is exploratory. A bibliographical survey was carried out, collecting information on the companies in magazines, periodicals and the Internet, which is material that is accessible to the public. Moreover, field research was carried out in the form of a case study as the research strategy (Yin, 2001), involving interviews with Carrefour staff members in charge of environmental and social responsibility.

According to Eisenhardt (1989), developing theories is one of most central activities in organizational research and case studies can be of great value when proposing new approaches. Moreover, elaborating a theoretical framework can be considered a new theory, given the examples suggested by Eisenhardt (1989). It is also relevant to justify the choice of the organization under analysis when proposing a new theory.

The supermarket industry sector was chosen due to its economic importance, fast growth and social impact (Wanderley, 2005b). Therefore, a global supermarket company with a history of CSR and awards justifies the choice of the French supermarket chain Carrefour. The case study on Carrefour was analysed, focusing on the development of the **Formulation of Corporate Social Strategy** framework.

Interviewing was the main data collection method employed. According to Marconi and Lakatos (1996), an interview is an encounter between two people with the objective of obtaining information regarding a specific topic through a conversation of a professional nature. This procedure is used in social science research for data collection or the identification of social problems.

Semi-structured interviews were carried out. The questions were ordered in a logical sequence to facilitate their understanding. However, the order of the questions could be altered due to interruptions or changes in focus during the conversation. All interviews were recorded and transcribed for content analysis (Bardin, 2004) in order to identify, codify and categorize the patterns of information collected.

Secondary data was collected to complete and understand the answers given in the interviews. The aim of this triangulation process is to corroborate the answers given by the interviewees and detect discrepancies within their answers (Merriam, 1998). Secondary data include sustainability reports, social balance sheets and research papers.

The data analysis is twofold: The corporate social strategy is examined and the competitive advantage gained from this social strategy is discussed.

Formulation of Corporate Social Strategy

The following aspects related to the formulation of corporate social strategy are covered in this section of the text: (a) market opportunities; b) resources; (c) corporate values; (d) structure of industry; (e) stakeholders; (f) CSR alignment to core business; and (g) the social impact of corporation competitiveness.

For the item market opportunities, it can be said that, despite not necessarily focusing on exploring opportunities from social issues, Carrefour has opted for the understanding that social investment is a major opportunity, considering image enhancement to be one of the potential benefits of CSR.

Related to corporate values, Carrefour intends to and does face the challenge to disseminate the CSR concept from the top down throughout the organisation and starts at its own headquarters. CSR is to become part of its organisational culture. This top-down approach helps the strategic implementation of CSR policies, as suggested by Andrews (1987) and Husted and Allen (2001). Organisational values are accepted as intangible resources that can result in competitive advantage (Barney, 1986, 1991). Once CSR becomes part of corporate culture and values, it is an internal resource that can generate competitive advantage (Castelo Branco, & Rodrigues, 2006). In order to spread the CSR concept throughout the corporation, it is important for it to become a stated corporate value and, as suggested by a Carrefour manager, there are tools to be applied in order to reinforce such statements and foster continuous implementation. “[We can try to spread the CSR concept] in seminars, conferences, presentations in general, also using folders and social reports, intranet, internal communication and the Internet.” Carrefour's report on sustainable development is available online in a *.pdf format for easy access and downloading. Therefore, it is easier for everyone in a workforce of 48,000 in a country like Brazil to access it and incorporate these values into daily routines.

Regarding aspects of industry structure and competition, a Carrefour manager with whom direct contact was established for the present study commented on how the CSR actions of corporate competitors are monitored as a source of information with the aim of understanding and enhancing its own CSR performance.

“Nowadays, it is very important to monitor your competitors, to see what is new in the market; otherwise, there is no possibility for benchmarking, considering whether there is a chance for improvements or whether what our competitors are doing is going to become a trend; meaning that companies that do not monitor will soon be out of the competitive market game”.

This Carrefour manager suggests that monitoring the CSR actions of corporate competitors is important because of the intense competition in the sector. This reinforces the context of CSR within the competitive powers, as argued by Porter (1986) and supported by Husted and Allen (2001), employed with the intention of facing this intense competition and getting ahead in such a competitive environment as the supermarket sector. It is also relevant to mention that the information gathered from monitoring helps build a stronger CSR section in the company and that sustainable development management will be able to implement new projects, thereby not letting competitors offer such projects alone. When asked about the details of this CSR monitoring, the Carrefour manager answered:

“There is no doubt that it [the monitoring] involves social and environmental actions, the creation of corporate institutes, the assigned budget for these projects – also intending to gather more resources within the company [by showing] 'Look what other companies are doing, we need to do it as well’”.

Besides competitors, Carrefour also monitors companies chosen for CSR benchmarking, considering that a new project can be created out of an idea based on a different company that has better CSR practices and that Carrefour could adapt new projects, thereby generating an innovation.

“And in the CSR field, besides monitoring them (CSR actions), we also monitor ... cases of benchmarking. [For instance, observing] what Banco Real is doing, what Natura is doing. They are not our competitors, but they can have excellent practices, examples that we can attempt to adopt in our daily corporate life, our processes”.

The influence of stakeholders on CSR actions in the case of Carrefour can be seen in the conception of some CSR actions, which are demanded by the community through the regular surveys that assess their needs and priorities.

“We have some open communication channels with stakeholders. Each store has its own customer services sector and community information collector. If the community wishes to go there and pick up a form to fill in with their requests, it is of easy access. In our customer surveys, we include issues related to social responsibility and sustainable development in order to gather information on what they think. CSR actions could have an impact on their consumer behaviour; so we try to listen to their opinions. We also organise events and invite the community to visit the store, such as the 'Vaccine Campaign', 'Warm Clothing Campaign' and 'World Environmental Day'. Thus, we continuously try to welcome the community to the store on a daily basis and we make an effort to listen to them”.

There are reports on the relationship between Carrefour and the community, the aim of which is to help the community, improving the quality of life and aggregating value to the company. In some situations, store directors take part in local community associations in order to find out more about how the company can contribute.

“the corporate distribution centre, for instance, is a place for trucks; there is no public or customers there, but there is a surrounding community and we have always looked for ways in which we can contribute to this community, making an effort to pollute less [...]. We are concerned about them. For the truck drivers in the distribution centre, there are rest rooms where they can take a shower, have a proper meal, have a rest. Thus, they can wait comfortably while the process of loading and unloading is taking place”.

“[On another occasion, we helped with] building a public square. Some of the store directors who take part in local community associations attend their meetings and ask about what is needed and how Carrefour can contribute to meeting their needs”.

The corporate relationship with employees can generally be considered rather healthy. Although there is no systematised way for employees to propose CSR actions and projects, there is some openness for this to happen. “[The employees] are free to propose actions, to bring up their needs, but there is no systematised way of seeking this contribution. It very much depends on the initiative of each employee.”

The company requires responsible behaviour from its suppliers, even more so from those that provide Carrefour's own brand. These special suppliers are regularly audited and some receive a corporate stamp.

“We audit the suppliers of Carrefour's own brand name. We must be sure of the suitability of partner companies and that they comply with our regulations and even go beyond that by behaving in a way that is environmentally correct ... and respecting labour rights, freedom of unions, ... not to mention the products that receive a Carrefour warranty stamp. ... We effectively ask of [these suppliers] a higher commitment to the environment, social projects for their employees, support for employees' children to attend school, and we do auditing every two years”.

It is thus acknowledged that Carrefour has a cordial relationship with the community and often forms partnerships with the local community. According to Donaldson and Preston (1995) and Freeman (1984), consumers, suppliers, employees and the community all have an important influence on CSR.

Based on the approaches taken by Husted (2003) and Burke and Logsdon (1996), an analysis of Carrefour's CSR projects in relation to alignment to the core business reveals that most have low centrality and low specificity. The low specificity means that most of the CSR projects do not relate highly to the core business (retail commerce); there are CSR projects related to education, health, the environment and others. Regarding the low specificity, the case shows that none of the CSR projects are specific to Carrefour's characteristics, which lowers its chances of obtaining a competitive advantage.

Focusing on the impact of social issues on competitiveness, Carrefour's CSR actions can be categorised as a generic social approach (Porter & Kramer, 2006). These are certainly important social issues for society and, as such, deserve corporate attention, but they do not play a leading role in corporate competitiveness in relation to its value chain. Even important actions that focus on education and responsible consumerism, which constitute an important contribution from a corporation to society, do not have a significant influence over business performance, as they do not improve the economic results in a competitive context (Porter & Kramer, 2002, 2006).

Despite the activities undertaken by volunteers in the local communities surrounding the store, there is no evidence of any CSR projects focused on generating jobs and income for community members, for instance, aimed at expanding the consumer market, or even CSR projects focused on professional qualification, which could lead to new jobs within the corporation. Such actions could improve the quality of life within the local community. No CSR projects focused on enhancing the value chain or social actions that could improve corporate competitiveness were found. Returning to Porter and Kramer (2006), Carrefour focuses its CSR actions on generic social issues, characterised by social actions that do not have a significant influence on its value chain or even its business context and therefore do little to enhance its competitive advantage. In the analysis of aspects that are part of the formulation of corporate social strategy, it is relevant to mention that not every item is necessarily managed strategically. This is a limitation of applications towards the potential of CSR in generating competitive advantage.

Competitive Advantage

The data collected for the Carrefour case study offer evidence of some benefits obtained through CSR actions, including employee motivation, image and reputation enhancement as well as awards. For instance, Carrefour's volunteer programme plays an important role in employee motivation. However, there are as yet no records on the results, and measuring methods need to be employed in the stores where this programme has been implemented.

“the benefits [from Carrefour's volunteer programme] generally lead to greater motivation, enjoyment, happiness and a feeling of content for being part of Carrefour. This is something really difficult to measure. We perceive the result as good. You notice there is a different environment in the stores where the volunteer program has been implemented, but it is difficult to measure. We haven't adopted a method for measuring this type of result yet”.

Despite the feeling of content that helps motivate employees, Carrefour's CSR actions and, in this particular case, the volunteer programmes are not enough to offer other advantages, such as, employee retention, which could be an important competitive advantage. According to direct information from a Carrefour manager, employee retention is considered difficult to obtain if only taking the CSR contribution into account, but CSR together with other variables can make a difference in employee retention.

“Motivation [can be obtained] from the social projects in which [the employees] particularly take part as volunteers. Employee retention is far more complex, I think. In the stores, it is indeed something relevant [to employee retention], but mentioning CSR in general is not. What actually holds talented people are the benefits – wages and benefits”.

The major advantages mentioned by the interviewee relate to the image of the corporation and its social and environmental reputation. Despite the fact that there is little publicity regarding the CSR actions, the surrounding community keeps up to date with daily corporate activities, which is good for the corporate image.

“The major [corporate] benefit is the gain in image, which occurs despite the fact that we do not invest highly in publicising our CSR projects. The image we have in the eyes of the local community is very positive and this is the best [CSR investment] return. We have reduced our electricity consumption significantly as well as water consumption and refrigeration fluid, because it causes ozone depletion. These all are also related to GRI indicators and the major implication is really the gain in image”.

Carrefour has won a number of awards for its CSR projects and responsible corporate behaviour, including the Social Responsibility in Retail Award from the Retail Excellence Centre of the Getúlio Vargas Foundation (Brazil) and the Top Social Responsibility Award from the Directors of Sales and Marketing Association of Brazil.

“The volunteer programme won an award. The education for citizenship programme, which offers classrooms for our employees, won another award. There was the World Environment Day, which we have promoted since 2002 and got the 'top social' award and also an award from the GVF for social responsibility in the retail sector”.

From the United Nations, Carrefour has received the UN Civil Society Awards, regarding CSR in Colombia, where the company helped families grow alternative crops in cooperation with a governmental campaign to combat drugs (CSR Globe, 2009). Other awards related to CSR are listed for Carrefour's activities in Spain, Italy, Malaysia, Argentina, Poland and France (Carrefour, 2009). In the beginning, the company appreciated awards for CSR actions using similar activities undertaken by competitors. The company currently uses such awards in order to gain recognition and with the intention of being mirrored for benchmarking, thereby influencing other businesses to adopt responsible behaviour.

“Awards are more like an attempt to stimulate other companies to do the same. For example, Carrefour is gaining visibility because of its social projects. [People from other companies] might say, 'I want to do something too'. Let's make a comparison: What companies are taking part in what award competitions?”

What is the major goal? Is it relevant or not? ... So, in the end, it becomes part of a strategy to find out if our projects were on the expected level and if we have achieved benchmarking – this kind of information exchange with companies operating in the field”.

The company intends to become a global reference for CSR, particularly in the retail sector and as a result add even more value to the Carrefour brand in order to expand its competitive advantage in the highly competitive supermarket industry.

“We expect to become a reference in the modern retail sector [while] addressing health, consumer safety and environmental preservation. This is our ambition, our mission. You can bet on it. It is in people's minds and we are going to achieve it – to become a reference in environmental protection, health and consumer safety”.

The major competitive advantage for Carrefour through CSR is mainly related to image and reputation, which are important advantages according to Mahon (2002) and Logsdon and Wood (2002). These aspects are also internal resources that are difficult for competitors to copy (Barney, 1991). However, there is always the possibility of other companies acquiring a good reputation through CSR, which once achieved would even the score or at least reduce Carrefour's advantage.

In the following section, a theoretical framework is presented that takes into account the theoretical references addressing social corporate strategy and competitive advantage, as well as the Carrefour case study.

PROPOSAL FOR A THEORETICAL FRAMEWORK

On the assumption that corporate strategy is designed considering the response to a perceived economic threat (Pasa, 2004; Zadek, 2006), a proposal for a theoretical framework that allows the comprehension of social responsibility as a strategic creator of competitive advantage is presented in this section. Figure 2 displays a formulation model for corporate social strategy, in which the formulation of this strategy is the result of values, understanding of the importance of stakeholders, analysis of resources and internal competences, opportunities in the external environment and industry structure. These variables are essential elements for the formulation of social corporate strategy and should all be taken into account. Market opportunities that harm the environment or increase unemployment should be reconsidered in order to find alternatives that either do not have a negative impact or that decrease or justify this impact.

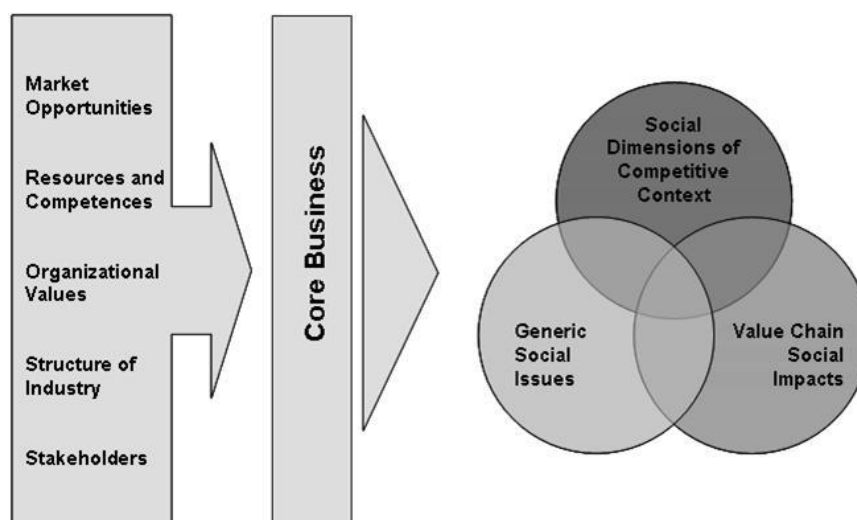


Figure 2. Formulation of Corporate Social Strategy

Source: prepared by the Authors.

The essential elements for the formulation of social strategy, market opportunities, internal resources and competences, organizational values, structure of industry and stakeholders should be connected with the core business of the company (Burke & Logsdon, 1996; Husted, 2003; Zadek, 2005). Actions should address social issues, formulating strategies with a focus on the social dimension of a competitive context, the social impact of the value chain or generic social issues (Porter & Kramer, 2006). After the formulation of the social strategy, we can then go on to the acquisition of the competitive advantage created by this strategy, which is shown in Figure 3.

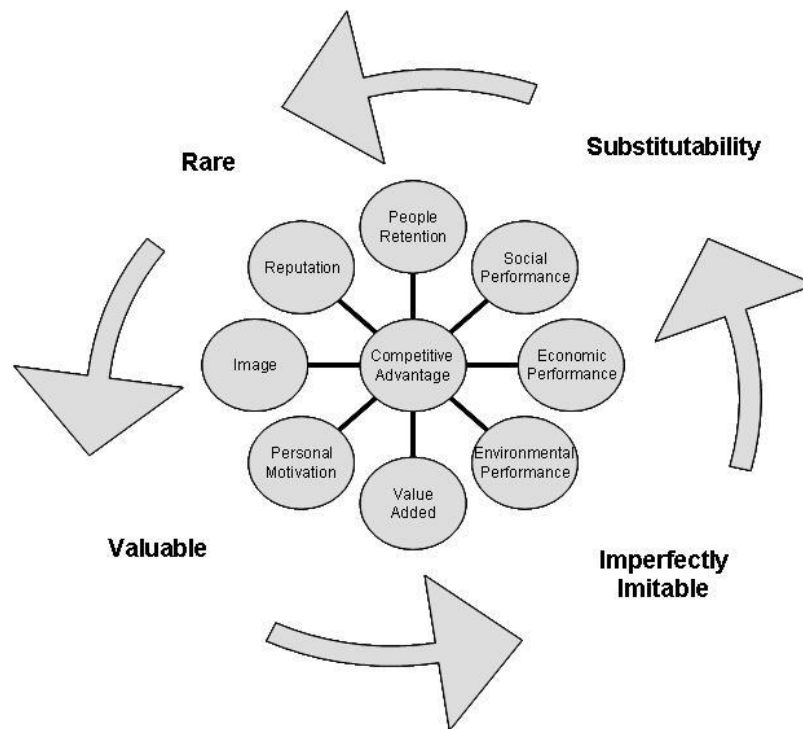


Figure 3. Sources of Competitive Advantage

Source: prepared by the Authors.

Considering the relationship between the resourced-based view theory (Barney, 1991) and the theoretical and empirical evidence on specific business benefits (Zadek, 2005), the association between social strategy and competitive advantage is seen through the direct influence of their respective elements, evidenced by enhanced reputation and image, retention of exceptional people, employee motivation, aggregate value and better economic performance due to the alignment of social responsibility and corporate strategy as well as innovative and efficient social projects, better environmental performance, better social performance and enhanced corporate governance. As such elements are intangible resources of the company, we can say that they are capable of creating competitive advantage if the company makes them rare, irreplaceable, inimitable and valuable. Another point is that these elements should be legitimized by society. In order for this to occur, CSR actions should be in harmony with societal expectations. From the formulation of social corporate strategy, the organisation can obtain competitive advantage by taking social responsibility into account. Thus, from this theoretical framework, we can obtain a strategic management of social responsibility integrated with the core business and strategies of the company.

CONCLUSIONS

The aim of the present paper was to seek answers to the following question: “How can social responsibility strategies create competitive advantage?” In order to answer this question, a review of the literature was carried out and a case study was examined. Regarding the association between social responsibility, corporate strategy and competitive advantage, the information provided herein can be used by companies that intend to create competitive advantage. However, there are many factors that influence this association, such as organisational values, the relationship with stakeholders, the external environment and competitive context, internal resources, the ideologies of top management and community expectations. These factors should be addressed in future empirical studies seeking to understand the influences governing the strategic management of social responsibility.

A framework for a corporate social responsibility strategy was drafted as a consequence of the development of the main question, considering the basic elements of values, the understanding of the relationship with and importance of stakeholders, the analysis of internal resources and skills, opportunities in the external environment and industry structure. The competitive advantage that stems from social responsibility can be seen through the direct influence of its resources, creating an improvement in reputation and image, the retention of exceptional people, employee motivation, aggregate value, better economic performance provided by social responsibility aligned with corporate strategy, innovative and efficient projects, better environmental performance, better social performance and improvement in corporate governance. Such elements are intangible resources; they are rare, irreplaceable, inimitable and valuable.

Finally, according to Husted and Salazar (2005), CSR strategies resolve the existing tension between social objectives and profitability, as society and shareholders expect both and the results should be positive. Thus, it is important for companies to take into account the strategic actions of social responsibility, which can bring positive results in both economic as well as social terms, thereby resolving the issue of the social objective of the organisation.

Due to the expansion of the social responsibility field, further topics should be addressed with the intention of adding to current studies. The authors showed the existence of the intense association between social responsibility, corporate strategy and competitive advantage. Thus, we may creatively consider way of evaluating the implications of theoretical-empirical studies.

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