Corporate Social Responsibility: A Resource-Based View of the Firm
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Abstract
This paper reviews the application of the corporate social responsibility (CSR) as an intangible dynamic resource, its application in the formulation of marketing strategies and its association with business performance, using the theoretical framework of resource-based view of the firm (RBV). The study aims to address the control and governance of the application of the CSR with respect to self-control and regulatory control of corporate compliance. A model of CSR is suggested that represents the predictors of the construct (CSR) to facilitate the test of its usefulness in explaining the extent to which organisations may choose to be socially responsible.

Introduction
Corporate Social Responsibility (CSR) has become topical in recent times judging from the large number of contributions to the field by scholars internationally. While CSR is not a new concept, the emphasis and heightened awareness of it, and interest in its relevance in recent times are new. The motivations for such a growing interest, arguably, are caused by the recent corporate disasters resulting from unethical behaviour of some large corporations. The global consequences of those unethical conducts were the loss of trust and confidence in business practices that society needs and expects from corporations serving the market.

The focus of the present studies in CSR is, predominantly, in the development of the theoretical framework for the concept and emphasis in the voluntary initiatives and self-restraint by corporations to demonstrate their responsibility to the society and assume accountability for it. The theories developed range from purely profit oriented approach on one extreme to moralistic and philanthropic approach on the other extreme. While there are disagreements and discussions on the merits of the purely profit motivated CSR practice, as being simplistic and out of touch with the wider responsibility of an organisation, there is no argument on the moral approach as being the indispensable component of a CSR. The arguments focus on the notion that the conduct of business to serve the needs of a society should not be at the cost of damaging it and that corporations are held responsible and should be accountable for their business practices.

The aim of this study is to address CSR as a marketing strategy and its association with various business performance indicators. It intends to address the benefits that are being realised through the practice of CSR, rather than positioning CSR as an ethical and moral responsibility of business decision makers. While moral and ethical social responsibility is considered as a framework for a business decision, it suffers from the problem of self-regulation. Self-regulation approach relies on individual manager’s attitudes, upbringing, cultural background, religious orientation, and other unreliable bases for assigning such responsibility for a profit seeking business enterprise. Therefore, ethical motivations for a business decision may not be a reliable mechanism to ensure ethical behaviour. The recent unethical behaviour by managers in some major corporations, which resulted in a global
turmoil in the manufacturing and financial sectors with devastating results and long-term consequences are evidences of untrustworthiness of self-regulation approach. Since the aim is to address CSR as a marketing strategy, the rationale behind this is reviewed to gain insight into marketing decision makers adopting CSR as a facility for creating and maintaining a competitive advantage. This strategic orientation is considered in terms of (1) differentiation strategy and positioning, (2) the level of organisational commitments to CSR integration with all other organisational activities, (3) the initiatives being adopted, and the methods of its communication to the stakeholders, (4) monitoring the status of CSR achieved progressively, and (5) the corrective actions being taken to ensure its continued relevancy.

In order to address the above objectives, a model is being suggested that represents the contribution of various predictors of CSR construct that may assist in measuring its association with the business performance indicators used in the model.

![Figure 1: The model of Corporate Social Responsibility](image)

The key assumptions in the construction of this model are that:

- The reputation of a corporation is important in forming its status in the society that it intends to serves.
- The reputation of an organisation influences its level of success in achieving its business performance objectives.
- The reputation of an organisation reflects the sum total of all the relevant activities that collectively contribute to its image and position being perceived in the market.
- A CSR strategy may contribute to a positive corporate reputation.
- A CSR strategy can influence business performance.
- CSR is a core intangible dynamic resource. When adopted as a business strategy, CSR, potentially, provides a framework for the selection and adoption of other tangible and intangible organisational resources (RBV).
- The CSR strategy is a dynamic capability. It motivates progressive and quick organisational learning, integration of the knowledge gained within the organisation and facilitates the transformation and configuration of other strategic assets, including organisational response mechanism, accordingly. Therefore, CSR is an aspect of market orientation and, potentially, motivates the emergence of a dynamic competitive advantage for the business (Eisenhardt and Martin, 2000).

**Theoretical Framework**
While there are various definitions of the concept of corporate social responsibility, most definitions characterise CSR as the activities firms engage in that appear to advance a social agenda beyond that which is required by law (Siegel and Vitaliano, 2007). In essence the substance of CSR is the provision of public benefits (Baron, 2001). The fundamental mutual dependency of business and society is an economic one. This dependency serves the interests of both, i.e. business and society as related to the function of each (Windsor, 2001). The business activities provide the products that society requires and the society provides the value that the businesses need in order to remain in operation. This mutually beneficial relationship is regulated by rules of engagement that identifies and governs the rights, responsibilities and accountabilities of both corporations and societies.

There is evidence to suggest that the society expects corporations to perform their function without any negative impact resulting from their operation to the society and the environment. Clearly, there are limits to what societies and consumers are willing to pay for the privilege of the services that corporations provide (Werther and Chandler, 2006). Therefore, corporations would benefit from being seen not to damage the environment and not to violate the social values and expectations of their specific target market customers. Furthermore, in addition to the private interests of its shareholders an organisation is required to fulfill the social requirements of everyone else involved in the organisation, that is, its stakeholders (Donaldson and Preston, 1995).

This argument follows the proposition that business organisations may not be responsible to the whole society, but more specifically responsible to the segments of people (stakeholders) who are directly or indirectly affect or being affected by their actions. Various groups are included in this category and their sentiments need to be taken into consideration while forming and implementing business decisions. These stakeholder groups include (1) organisational (employees, customers, shareholders, suppliers), (2) community (local residents, special interest groups), (3) regulatory (municipalities, regulatory systems), (4) media operators, and (5) others (local residents) (Clarkson, 1995). The actions taken by an organisation would involve some of these groups at some levels depending on the impact and the influence that they may have and are able to exercise on the corporation. Organisations act in a socially responsible manner when they align their behaviour with the norms and demands embraced by their main stakeholders.

Furthermore, a CSR strategy can be considered as a core intangible dynamic resource within the resource-based view of the firm (RVB). It can provide a general framework for decisions regarding the design and adoption of other organisational resources that collectively characterise their marketing approach and direction.

The resource-based view of the firm suggests that for an organisation to achieve its objectives, it needs to structure its internal capabilities to match the conditions of the external environment. The appropriate mix of productive resources may enable the firm to operate effectively within the specific target market of choice and for the specific type and magnitude of value (objectives) it is aiming to create. It needs to develop its unique and sustainable competitive advantage (Porter, 1980; Day and Nedungadi, 1994). This view of the firm also suggests that an organisation can gain and sustain competitive advantage by developing valuable resources and capabilities that are relatively inelastic in supply (Ray, Barney and Muhanna, 2004). The key internal intangible resources and the external market conditions may be used as a framework within which to innovate and instigate the development of this
unique strategy dimension. The distinctive combination of the resources can provide some assistance in identifying the potential of the organisation to focus on and achieve its objectives (Barney, 2001). The theory implies that the right mix of resources need to be developed, progressively assessed and managed for the specific category of business performance intended.

The dynamic capability perspective of resources indicates that capabilities need to be evolved and recreated progressively to allow a firm to stand clear of competition (imitators) over time (Diericks and Cool, 1991; Teece, Pisano and Shuen, 1997; Eisenhardt and Martin, 2000). Through progressive and incremental innovation in the nature, extent, and direction of the intangible resources it may be possible to protect initiatives and create a combination and configuration of them in a way that maintains their relative sustainability over time.

The dynamic capability perspective (Teece et al., 1997) calls for “the ability to integrate, build, and reconfigure internal and external competencies to address rapidly-changing environments” (p. 516). The dynamic resources can be used by a firm to instigate adjustments to its resource mix and thereby maintain sustainability of the firm’s competitive advantage.

With regards to marketing, the CSR adopted as a core strategy, because of its core function, can be characterised as a key intangible resource. CSR can be pragmatically based and culturally supported, implanted in an organisation through establishing a cultural value system that promote a progressive creation of a unique reputation for the organisation in the minds of all categories of stakeholders.

The role of the marketing function is to participate in the planning and implementation of a CSR strategy and translate the social and environmental concerns into social and environmental marketing objectives (Anderson, 1994). The contribution of the marketing function with respect to CSR has been demonstrated in several initiatives such as cause-related marketing (Barone, Miyazaki, and Taylor, 2000) and environmental marketing (Menon and Menon, 1997). The motivations for these and other developments have been to engage consumers and motivate their participation and contribution through their consumption function. The adoption of this strategy changes the organisational systematic approach in addressing marketing opportunities and challenges and the relationships that need to be instigated and maintained overtime (Galan, 2006).

Therefore, CSR can be considered also as an aspect of a market orientation strategy. The sentiments and expectations of the target market are gathered, evaluated and made available to all the key decision makers in the organisation. This intelligence then is used to shape the organisational response mechanism to the target market as appropriate and timely reaction. At the same time, since strategic marketing objectives are, potentially, designed to support and facilitate the achievement of other key organisational objectives, it is expected that the consumption-based approach to CSR strategy will contribute to, and be associated with, non-marketing organisational performance as well as marketing performance indicators (Wilson and McDonald, 1994).

Control and governance

The literature reflects society’s expectations from business decision-makers as related to the CSR behaviour. One such expectation is based on the assumption that business decision-makers are able to exercise initiatives that may create costs without any corresponding
benefits to the organisations. This is unlikely to occur. On the contrary, it would be more reasonable and realistic to expect that while management should refrain from anti-social behaviour it is far more constructive to ensure that these behaviours occur by regulating and policing those behaviours properly, like any other marketing actions that impact on consumers.

The adoption of a CSR strategy by an organisation needs to be looked at as a practical decision aimed to achieve the best practice used, based on the assessment of customers awareness of, and their demand for, socially responsible conduct from corporations (Kotler and Lee, 2004). These authors (Kotler and Lee, 2004) refer to a number of initiatives related to CSR taken by companies in adopting a CSR strategy including (1) cause promotions (increasing awareness and concern for social causes), (2) cause-related marketing (corporate social marketing, supporting behaviour change campaigns), (3) corporate philanthropy (making a direct contribution to a cause), (4) community volunteering (employees donating their time and talents), and (5) socially responsible practices (discretionary business practices and investments to support causes).

The expected benefits from these CSR activities incorporated into the marketing strategy may include (1) increased sales and market share, (2) strengthened brand positioning, (3) enhanced corporate image and clout, (4) increased ability to attract, motivate, and retain employees, (5) decreased operating costs, and (6) increased appeal to investors and financial analysts.

From the above review of the literature surrounding CSR, market orientation strategy, and strategic marketing planning technique within the resource-based view of the firm, the following research questions emerge:

RQ1 Can CSR as a strategic focus be represented in a latent variable that is formed by a number of key internal and external predictors?

RQ2 Is there an association between the levels of CSR achieved and organisational performance indicators, market share and the overall financial performance?

RQ3 What is the likelihood of developing a positive reputation and promote customer loyalty by organisations that incorporate CSR as a marketing strategy?

RQ4 What are the costs and benefits of regulatory control of CSR?

It is being suggested that the adoption of a regulatory control of CSR is in keeping with the public sentiment about corporations’ responsibilities and accountabilities. It removes the unreliable self-restraint expectation and characterises the violation of the law as a criminal behaviour. The regulatory control provides public protection against malicious intent and deception by firms, removes ambiguity in contents, limitations imposed and accountability assigned to using CSR as a marketing tool.

To conclude, we suggest that adopting a CSR strategy may be costly. It requires the reformulation and restructuring of some products, the rearrangement of manufacturing facilities and processes, as well as the current business practices. The cost needs to be compared to the benefits the organisation receives in return. The study aimed to address the control and governance of the application of the CSR with respect to self-control and regulatory control of corporate compliance. This needs to be further investigated. In this context, the model presented (Figure 1) serves as a preliminary base to be empirically investigated. Further investigations are required to address the proposed research questions. Nonetheless, this research provides some insights into issues surrounding CSR, market
orientation strategy, and strategic marketing planning technique within the resource-based view of the firm.

References


