Deakin Research Online

ANZMAC 2010

One Plus One Equals Three; Proactive Partnering Multiplies CSR Benefits

Elizabeth Lodge, Victoria University, elizabeth.lodge@live.vu.edu.au
Wayne Binney, Victoria University, wayne.binney@vu.edu.au
Beverley LloydWalker, Victoria University, beverley.lloydwalker@vu.edu.au

Abstract

With companies now linking corporate social responsibility to their aggressive business strategies to achieve a competitive market advantage (Porter and Kramer, 2006), non profit organisations should also extract shared value from this strategic corporate social responsibility movement (Eweje and Palakshappa, 2009). Questions arise, however, as to the *actual role* which should be played by the non profit organisation (Muthuri, Chapple and Moon, 2009). This conceptual paper firstly provides evidence that corporate social responsibility (CSR) from the perspective of the non profit requires investigation. Secondly, by integrating two existing CSR frameworks, a new CSR framework is proposed which will redefine the role of the non profit organisation in marketing itself and proactively working with business. This collaborative approach is likely to ensure mutual CSR benefits for non profit organisations and small businesses in particular, plus the broader community in which they both operate.

Keywords: Corporate social responsibility, non profit organisation, small business, community business partnership (or partnership)

One Plus One Equals Three; Proactive Partnering Multiplies CSR Benefits

Introduction

Many theories relating to CSR have evolved from the perspective of corporate institutions. Friedman (1962) was unequivocal in his view on the sole purpose of business, Freeman (1984) introduced the stakeholder theory to CSR thinking, and Novak (1996) acknowledged non profit organisations (NPO) interests must be factored into corporations' CSR programs; all stopped short of asking if the non profit had a responsibility in operationalising CSR for mutual gain. From 2000, the NPO emerged as a significant CSR stakeholder, and investigations began to primarily focus on community business partnerships as an element of strategic CSR implementation (Saiia, Carroll and Buchholtz, 2003; Grit, 2004; Volunteering Australia, 2005). Strategic CSR, which addresses a social issue whilst strengthening company competitiveness, is seen as the marketing vehicle to create shared value, and provide mutual and sustainable benefits for the breadth of stakeholders (Porter and Kramer, 2006). Authors challenged NPOs to be proactive and assume more responsibility in assisting with the implementation of this strategic CSR approach (Seitanidi and Ryan, 2007; Jamali and Keshishian, 2009), and to understand what constitutes "fairness" in the partnership (Mutch and Aitken, 2009, p.97). However, the literature is largely silent on the actual *relationship* between the business and non profit sectors (Lindgreen et al, 2009a; Bhattacharya, Korschun and Sen, 2009); specifically, the connection between small businesses and NPOs working together (Russo and Tencati, 2009) is minimal. We are not aware of (i) how a small business (200 or fewer employees) understands CSR as an element of marketing, (ii) why and how the business engages with its community, (iii) the role of the NPO in marketing itself and fostering this engagement, and (iv) the benefits this relationship provides.

In adopting a strategic CSR platform as part of its marketing plan, a corporate body commits to giving the strongest financial return to the business whilst simultaneously providing mutual and sustainable benefits to *all* its various stakeholders, including the community in which it operates. Salam (2009, p.355) states, "CSR is not about trying to change companies into non government organisations – businesses still need profits. But it is about making sure that the profits they get come from responsible practices." As the stakeholder least likely to boost profits (Lantos, 2001) and to have the least direct impact on business operations (Turker, 2009), NPOs need to proactively build the capacity to extract sustainable and measurable value from strategic CSR for their community. *How* this can be achieved requires both conceptual and empirical investigation. As a means of CSR implementation, the authors contend that a successful community business partnership, in which the NPO assumes joint responsibility for the *process* of a collaborative and equitable partnership with a small business, not merely the *outcomes* of the partnership, affords mutual prosperity.

Literature Review

Although evidence of businesses concern for society can be traced for centuries, Carroll (1999) found formal writing on CSR commenced in the 1950s. Debate over CSR ignited when Friedman (1962) advocated return to shareholders was a company's only responsibility. In 1984, Freeman's stakeholder theory triggered further debate by proposing that a company's responsibilities reached beyond shareholders to include stakeholders within the company and external to the company. Clarkson (1995) distinguished between stakeholder and social issues, finding that corporate leaders manage relationships with their stakeholders but not

with society. By 2000, CSR remained controversial – was business a single dimensional entity to maximise profit, or multi-dimensional with greater societal needs to be served? Theories reflected this controversy (Quazi and O'Brien, 2000). Corporations became concerned with more than just profit; they showed a responsibility to their customers, their employees, their shareholders, and the community in which they operate (Dawkins and Lewis, 2003).

Porter and Kramer (2006, p.9) created a corporate social agenda which "... looks beyond community expectations to opportunities to achieve social and economic benefits simultaneously". It moved from acting as good corporate citizens and mitigating harm from current business practices (responsive CSR), to finding ways to reinforce corporate strategy by advancing social conditions (strategic CSR). Strategic CSR, which aligns a company's values, business plan and core competencies with a social agenda to benefit both the society and business, will be the focus of this paper. Van Tulder et al. (2009) viewed strategic CSR as a proactive approach to CSR; literature identified overwhelmingly discusses strategic CSR in terms of benefits for the corporation, with nominal reference to the NPO. In addition, CSR research has primarily focused on large firms, with very little mention of small businesses who rarely use CSR language to describe their socially responsible activities (Russo and Tencati, 2009).

Background Literature – Pre 2000

Many corporations have claimed to have had a long involvement with CSR in Australia, viewed by Moon (1995) as a citizenship model - it recognises the unavoidable connection between society and business and the market-related opportunities to enhance reputation. In terms of the effect of CSR on economic performance, Friedman (1995) repeated his 1962 edict, stating that companies have no social responsibility at all, just a responsibility to increase their profits. In contrast, Novak (1996) makes reference to the non profit sector as one of the stakeholders a business should consider. Regarding financial return and corporate philanthropy, when summarising previous findings, Griffin and Mahon (1997) found correlations which ranged from positive to null to negative. Mitchell, Agle and Wood (1997) approached Freeman's (2001) stakeholder theory from another viewpoint, suggesting there is little disagreement on *who* stakeholders are, but the nature of *what* is at stake is arguable.

Background Literature – Post 2000

Following an extensive literature review, Quazi and O'Brien (2000) proposed and empirically tested a two dimensional model of CSR. Their model incorporated two major categories of CSR models from the 20th century, those that considered only profit as a company's single responsibility, and those which viewed a company in a social matrix contributing to the welfare of society. Quazi and O'Brien concluded that CSR is both universal in nature and two dimensional, ranging from narrow to broad responsibility, and from a net cost to an overall benefit from social involvement. O'Brien (2001) saw a problem occurring when there was a misalignment between a company's core business and their CSR strategies and functions. Porter and Kramer (2002) challenged Friedman's argument that the only social responsibility of business is to boost profits, by countering two of his implicit assumptions: firstly, social spending is at the expense of profit making, and secondly, individual donors can address social objectives just as well as corporations. Joyner and Payne (2002) agreed linking positive financial performance to socially responsible behaviour added a strong quantitative base to advocate for such actions. Globalisation, regulation and sustainable development further

fuelled the expansion of CSR (Panapanaan, Linnanen, Karnoven and Phan, 2003). Saiia et al. (2003) found the existence of a strategic philanthropy trend to be widely accepted, but represented in the literature primarily by anecdotal evidence. Loza (2004) found the goal of Australian community business partnerships was to not only build CSR capacity and behavioural change in business, but to also build the NPO's capacity.

With increasing numbers of parties vying for the status of salient stakeholder, Grit (2004) believes the time is right for stakeholders, including NPOs, to play a more vigorous role and proactively put their requirements forward to businesses. When companies analyse their CSR prospects, Porter and Kramer (2006) suggest they use the same business frameworks that guide their core business choices. If a social issue is closely tied to a company's core business, the opportunity to leverage the firm's resources is greater and the benefit to society is enhanced. Therefore, the challenge for business is to identify those areas of social context with the greatest strategic value to them, thus benefitting society plus their own competitive advantage. Porter and Kramer (2006) believe that strategic CSR unlocks this mutual benefit, as does Cochran (2007, p. 453) asserting that "economic returns and social returns should not remain quarantined in isolated units". By seeking social causes capable of supporting a company's business strategy, the benefit to the business is maximised (Campbell and Slack, 2007). Why small businesses engage with their community ranges from profit orientation to customer orientation, but require further investigation (Mankelow and Quazi, 2007).

A 2008 report commissioned by the Victorian Council of Social Service (VCOSS) stated that most of the current research into CSR focussed on the corporate perspective, with NPOs often portrayed as recipients of CSR rather than as true partners. NPOs have only recently assumed a visible CSR role in literature (Jamali and Keshishian, 2009), a premise supported by Mutch and Aitken (2009, p.97) who found the "NPOs voice remains underrepresented in much CSR literature."

A concern of community business partnerships is how both parties collaborate to achieve mutually beneficial objectives which also align with CSR (Eweje and Palakshappa, 2009). These 'social partnerships' are seen as an integral part of core business strategy, and often regarded as fundamental components of a company's CSR; both partners must become co-participants if mutual benefits are to be realised. Jamali and Keshishian (2009) agree, seeing a true partnership as an opportunity to mobilise resources and consolidate joint efforts to deliver CSR initiatives and shared value. Linking CSR principles, processes and the stakeholder perspective, van Tulder et al. (2009) found implied medium-term profitability and longer-term sustainability when a company's external stakeholders, including the NPO, were involved from the moment a social issue is being considered, then addressed. An empowered and engaged community contributes to both community developments and enhanced, healthy corporations (Muthuri et al. 2009).

With small businesses rarely using the language of CSR to describe their community engagement activities, informal CSR strategies have historically prevailed amongst small businesses. According to Russo and Tencati (2009), small businesses should consider CSR and community business partnerships as a source of innovation, and transform awareness of responsible behaviour into a competitive advantage for the small business. It is apparent, traditional corporate philanthropy has evolved into a strategic partnership based on mutual benefits, with small business and NPO motives viewed as compatible. "No longer desiring merely a charitable handout, nonprofits seek a partnership with a mutual value exchange and a roughly equal division of control and governance" (Rumsey and White, 2009, p.303).

Concept

Following a review of CSR models from the previous decades, Quazi and O'Brien (2000) discovered that most reflected either a company's single entity of profit maximisation or a multi-dimensional entity contributing to the welfare of society. They concluded there was a diversity of opinion amongst corporate managers on the social responsibility of business; the opinion of NPO managers was not canvassed.

Porter and Kramer (2006) proposed a framework which enabled companies to identify the positive and negative effects they have on society, and suggest valuable ways to address these effects. "Organisations that make the right choices and build focussed, proactive, and integrated social initiatives in concert with their core strategies will increasingly distance themselves from the pack" (Porter and Kramer, 2006, p.13). By using the same structure that guides core business decisions, strategic CSR as one component of the marketing plan could become a source of competitive advantage, especially when the social issue being addressed is closely tied to the company's core business. Based on Porter and Kramer's framework, Basil, Runte, Easwaramoorthy and Barr (2009) investigated the link between competitive advantage and CSR; however, only one CSR initiative was examined - company support for employee volunteering.

Van Tulder et al. (2009) looked at CSR from a different angle in their research of 68 Multinational Enterprises. Unlike Porter and Kramer's outcomes focussed approach, these authors created a framework which directly linked the principles and processes of CSR and the stakeholder perspective. Both frameworks did however include an inside-out and outside-in element as a business practice and the associated opportunities for society and business. A similar continuum of CSR business orientations from a compliant and responsive position through to an ethical and strategic platform was also apparent with both frameworks.

In the evolution of CSR models from 2000 to 2009, Australian small businesses, the NPO as a relevant stakeholder, and community business partnerships as a CSR and marketing initiative have not been considered. By integrating Porter and Kramer's (2006) and van Tulder et al.'s (2009) frameworks, a new framework combining CSR processes and outcomes is proposed, redefining the role of the NPO in partnering with small business to ensure mutual and sustainable CSR benefits.

Discussion and Conclusion

The notion of CSR is not new, nor the plentiful body of knowledge relating to it in the literature. With the exception of Friedman's stockholder approach (1962, 1970, 1996), there is a consensus throughout the literature that companies have accepted the mantle of conducting their business in an environment where the impact of this business on all stakeholders, including the community, is considered. However, the vast majority of investigation into CSR in the 21st Century focuses on the point of view of the corporate, with a distinct lack of research from the NPO's viewpoint; the voice of the non profit remains underrepresented, almost silent (Mutch and Aitken, 2009).

At the turn of the century, Quazi and O'Brien (2000) were suggesting future research into CSR should include community managers as major stakeholders. Saiia et al. (2003) noted that little attention had been given to strategic philanthropy, nor the need for NPO managers to be strategic thinkers. With the potential for power inequalities, Selsky and Parker (2005)

proposed closer examination of the distribution and balance of power within social partnerships. Valentinov (2007) recommended NPOs find ways to appeal to the corporate's intrinsic motivations, and Seitanidi and Ryan (2007, p.261) spoke of the "empowerment of nonprofit organisations" in a community business partnership. Reaping the mutual benefits of this partnership requires collaboration and engagement from both parties according to Jamali and Keshishian (2009) and Eweje and Palakshappa (2009). These authors collectively highlight the need to investigate the role of the NPO as a true and equal partner rather than a recipient of CSR. Further, innovative studies are required to investigate small business CSR behavioural and marketing patterns, and subsequent outcomes of explicit social partnerships with the community, according to Russo and Tencati (2009). In general, large firms do not require such partnerships to survive; small businesses do need them. "Therefore, it is the community that wants CSR from small businesses, and as a consequence, small businesses pursue CSR" (Russo and Tencati, 2009, p.349).

In the context of community business partnerships as an element of strategic CSR implementation, this paper proposes a framework for NPOs to develop skills in engaging effectively with corporations, in particular with small businesses, for mutual and sustainable benefits. Whilst Porter and Kramer's (2006) corporate social agenda framework took into account CSR outcomes, van Tulder et al. (2009) developed a CSR table which linked principles, processes and the stakeholder perspective; outcomes were not considered. The intent of each of these two models is conceptualised in the modified model below; the role of the NPO as a major stakeholder, plus the benefits achieved from strategic CSR, is currently being researched by the authors, and will be integrated into existing theory.

This model will focus on a company's proactive, strategic approach to CSR rather than a compliant, responsive CSR platform. According to Lindgreen et al. (2009), investing in CSR enables organisations to address the expectations of their stakeholders whilst meeting societal demands; economic achievement is not compromised with this deliberate marketing strategy. As stated by Basil et al. (2009), a NPO simultaneously needs to *promote itself* to the company as a relevant CSR stakeholder and an equal CSR partner with clear objectives, rather than a beneficiary of CSR simply capable of granting legitimacy to the company. By marketing itself as the social vehicle to strengthen the competitive advantage of a small business, and leveraging the resources and capabilities of the small business to meet its own CSR needs, mutual and sustainable benefits can be achieved through a strategic CSR partnership.

References

Basil, D. Z., Runte, M. S., Easwaramoorthy, M. and Barr, C. (2009). "Company Support for Employee Volunteering: A National Survey of Companies in Canada." Journal of Business Ethics 85: 387-399.

Bates, K. (2005). Submission in response to the Parliamentary Joint Committee on Corporations and Financial Services Inquiry into Corporate Responsibility. Melbourne, Volunteering Australia.

Campbell, D. and Slack, R. (2008). "Corporate "Philanthropy Strategy" and "Strategic Philanthropy": Some Insights From Voluntary Disclosures in Annual Reports." Business & Society 47(2): 187-212.

Carroll, A. B. (1999). "Corporate Social Responsibility Evolution of a Definitional Construct." Business & Society 38(3): 268-295.

Clarkson, M. B. E. (1995). "A Stakeholder Framework for Analyzing and Evaluating Corporate Social Performance " Academy of Management Review 20(1): 92-117.

Cochran, P. L. (2007). "The evolution of corporate social responsibility." Business Horizons 50: 449-454.

Dawkins, J. and S. Lewis (2003). "CSR in Stakeholder Expectations: And Their Implication for Company Strategy." Journal of Business Ethics 44(2/3): 185-193.

Eweje, G. and N. Palakshappa (2009). "Business Partnerships with Nonprofits: Working to Solve Mutual Problems in New Zealand." Corporate Social Responsibility and Environmental Management 16(6): 337-351.

Freeman, R. E. (1984). Strategic Management - A Stakeholders Approach. London, Pitman Publishing Inc.

Freeman, R. E. (2001). Business Ethics: Readings and Cases in Corporate Morality Boston, USA, McGraw-Hill.

Friedman, M. (1962). Capitalism and Freedom. Chicago, Chicago University Press.

Friedman, M. (1970). The Social Responsibility of Business is to Increase Its Profits. The New York Times. New York, The New York Times Company. 13: 122-126.

Friedman, M. (1995). Essential Readings in Economics. New York, St Martin's Press.

Griffin, J. J. and J. F. Mahon (1997). "The Corporate Social Performance and Corporate Financial Performance Debate." Business & Society 36(1): 5-31.

Grit, K. (2004). "Corporate Citizenship: How to Strengthen the Social Responsibility of Managers." Journal of Business Ethics 53: 97-106.

Jamali, D. and T. Keshishian (2009). "Uneasy Alliances: Lessons Learned from Partnerships Between Businesses and NGOs in the Context of CSR." Journal of Business Ethics 84: 277-295.

Joyner, B. E. and D. Payne (2002). "Evolution and Implementation: A Study of Values, Business Ethics and Corporate Social Responsibility " Journal of Business Ethics 41: 297-311.

Lantos, G. P. (2001). "The boundaries of strategic corporate social responsibility." Journal of Consumer Marketing 18(7): 595-630.

Lindgreen, A., V. Swaen and W. J. Johnston (2009). "Corporate Social Responsibility: An Empirical Investigation of U.S. Organisations." Journal of Business Ethics 85: 303-323

Loza, J. (2004). "Business - Community Partnerships: The Case for Community Organisation Capacity Building." Journal of Business Ethics 53: 297-311.

Mankelow, G. and A. M. Quazi (2007). Factors affecting SMEs Motivations for Corporate Social Responsibility. 2007 ANZMAC Conference. Dunedin New Zealand: 2367-2374.

Mitchell, R. K., B. R. Agle and D. J. Wood (1997). "Toward a theory of stakeholder identification and salience: Defining the principal of who and what really counts." The Academy of Management Review 18(7): 595-630.

Moon, J. (1995). "The Firm as Citizen? Social Responsibility of Business in Australia." Australian Journal of Political Science 30: 1-17.

Mutch, N. and R. Aitken (2009). "Being fair and being seen to be fair: Corporate reputation and CSR partnerships." Australasian Marketing Journal 17: 92-98.

Muthuri, J. N., W. Chapple and J. Moon (2009). "An Integrated Approach to Implementing "Community Participation' in Corporate Community Involvement: Lessons from Magadi Soda Company in Kenya." Journal of Business Ethics 85: 431-444.

Novak, M. (1996). Business as a Calling: Work and the Examined Life. New York, The Free Press.

O'Brien, D. (2001) Integrating Corporate Social Responsibility with Competitive Strategy. Best MBA Paper in Corporate Citizenship 1-23

Panapanaan, V. M., Linnanen, L., Karnoven, P. and Phan, K. (2003). "Roadmapping Corporate Social Responsibility in Finnish Companies." Journal of Business Ethics 44: 133-148.

Porter, M. E. and M. R. Kramer (2002). "The competitive advantage of corporate philanthropy." Harvard Business Review 80(12): 56-68.

Porter, M. E. and M. R. Kramer (2006). "Strategy & Society The Link Between Competitive Advantage and Corporate Social Responsibility." Harvard Business Review December: 1-14.

Quazi, A. M. and D. O'Brien (2000). "An Empirical Test of a Cross-national Model of Corporate Social Responsibility." Journal of Business Ethics 25: 33-51.

Rumsey, G. G. and C. White (2009). "Strategic corporate philanthropic relationships: Nonprofits' perceptions of benefits and corporate motives." Public Relations Review 35: 301-303.

Russo, A. and A. Tencati (2009). "Formal vs. Informal CSR Strategies: Evidence from Italian Micro, Small, Medium-sized, and Large Firms." Journal of Business Ethics 85: 339-353.

Saiia, D. H., A. B. Carroll and A. K. Buchholtz (2003). "Philanthropy as Strategy: When Corporate Charity "Begins at Home"." Business & Society 42(2): 169-201.

Salam, M. A. (2009). "Corporate Social Responsibility in Purchasing and Supply Chain." Journal of Business Ethics 85: 355-370.

Seitanidi, M. M. and A. Crane (2009). "Implementing CSR Through Partnerships: Understanding the Selection, Design and Institutionalisation of Nonprofit-Business Partnerships." Journal of Business Ethics 85: 413-429.

Seitanidi, M. M. and A. Ryan (2007). "A critical review of forms of corporate community involvement: from philanthropy to partnerships." International Journal of Nonprofit and Voluntary Sector Marketing 12: 247-266.

Selsky, J. W. and B. Parker (2005). "Cross-Sector Partnerships to Address Social Issues: Challenges to Theory and Practice." Journal of Management 31(6): 849-873.

Turker, D. (2009). "Measuring Corporate Social Responsibility: A Scale Development Study." Journal of Business Ethics 85: 411-427.

Valentinov, V. (2007). "The Property Rights Approach to Nonprofit Organization: The Role of Intrinsic Motivation." Public Organization Review 7: 41-55.

van Tulder, R., J. van Wijk and A. Kolk (2009). "From Chain Liability to Chain Responsibility." Journal of Business Ethics 85: 399-412.

Werther, W. B. and D. Chandler (2005). "Strategic corporate social responsibility as global brand insurance." Business Horizons 48: 317-324.