The B2B Market: Corporate Social Responsibility or Corporate Social Responsiveness?

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Abstract: Initially it was the corporate social responsibility concept; later other similar concepts have emerged. Corporate social responsiveness turned out to be a significant alternative concept. This article deals with a corporate social responsibility (CSR) and corporate social responsiveness (CSR2) and the analysis of usage on B2B market. Company research in industry was carried out in the Czech Republic. The aim was to determine whether the CSR or CSR2 concept penetrated into the firms and their supplier-customer relationships. Specifically, the research focused on the enterprise approach to CSR and CSR2 concept and evaluation of suppliers based on CSR criteria. The question is what concept penetrated into practice – it is CSR or CSR2?

Keywords: CSR, CSR2, B2B market, CSR levels, brand switching, CSR benefits, stakeholder, RDAP scale.

1 Introduction

Since the fifties of the 20th century it was discussed in the field of theory and practice that the companies should perform a number of other socially important tasks besides its core production function. Discussion has been moved towards different tasks - not only to what a company should not violate (working conditions, human rights, environmental damage, etc.), but what a company is able to do due to its power and substance. The concept of Corporate Social Responsibility1 came to existence. Its main idea is that an enterprise should be responsible not only for the quality of their products or services and the creation of wealth for shareholders, but that there also exists a legal, ethical and philanthropic dimension, which should also be fulfilled in some way, because that is expected by society.

The topic was being discussed primarily in the United States and Great Britain. The Czech republic experienced a completely different situation as a centrally - planned economy system was in use. However, from the perspective of CSR, some characteristics of social responsibility was fulfilled even by Czech enterprises because labour unions had a great power to promote better working conditions, safety, various benefits and employees rights.

Corporate Social Responsibility concept has found its own place not only on the level of the EU and the OSN, but above all it is more important in the business sphere. Today the EU and the OSN see in the realization of CSR concept a tool in achieving sustainable development. The most important business organization concerning CSR are the Business Leaders Forum (1992, CZ level) and the organization CSR Europe (1995, EU level). On the EU commission level the Lisbon Summit (2000), and its consequence Green Paper: Promoting a European framework for Corporate Social Responsibility (2001), was fundamental.

By all means the CSR concept was elaborated in the theoretical field much earlier. It started in 1953 with Howard Bowen book Social Responsibilities of the Businessman, where the author set forth an initial definition of CSR: “It refers to the obligations of businessman to pursue those decisions,
or to follow those lines of action which are desirable in terms of the objectives and values of our society.” [2]

In the year 1979 there was a significant break in the understanding of CSR development. This time Carroll offers an open definition that categorizes social responsibilities in a more exhaustive manner: “to fully address the entire range of obligations business has to society, it must embody the economic, legal, ethical, and discretionary categories of business performance.” [3]

Carroll comments that: “The economic component of the definition suggests that society expects business to produce goods and services and sell them at a profit.” The legal component represents the obedience of law: “The law represents the basic rules of the game by which business is expected to function.” The ethical component “represents the kinds of behaviors and ethical norms that society expects business to follow.” This component extends to behaviors and practices that are beyond law requirement.

The fourth component of Carroll definition is discretionary responsibility, later it was renamed philanthropy responsibility. It includes voluntary financial and non-financial activities in the area of social help and solutions in public problems.

2 The lack of CSR concept specification

Universally accepted definition of CSR has not been created yet. It might have both positive and negative effects. The negative side is that this term might be understood in different ways. The pros of this concept is that firms vary in many parameters, including size, orientation, industry environment and existence and thus a specific content can not be defined.

The fact is confirmed by Donna J. Wood [18], which supports Caroll’s CSR activities structure. There are 4 framework areas. Further structuring is one done according to responsibility and it leads institutional, organizational and individual level.

His point of view is that generally valid list of CSR activities can be specified only on institutional level. Desirable activities at organizational and individual levels are no longer connected to line of business and its methods.

Chart 1 Institutional, organizational and individual levels of CSR

<table>
<thead>
<tr>
<th>Domains</th>
<th>CSR PRINCIPLES</th>
<th>Managerial Discretion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Social Legitimacy</td>
<td>Public Responsibility</td>
</tr>
<tr>
<td>Economic</td>
<td>(Institutional)</td>
<td>(Organizational)</td>
</tr>
<tr>
<td>Economic</td>
<td>Produce goods &amp; services, provide jobs, create wealth for shareholders</td>
<td>Price goods &amp; services to reflexly true production costs by incorporating all externalities.</td>
</tr>
<tr>
<td>Legal</td>
<td>Obey laws and regulations. Do not lobby for or expect privileged positions in public policy.</td>
<td>Work for public policies representing enlightened self-interest.</td>
</tr>
<tr>
<td>Ethical</td>
<td>Follow fundamental ethical principles (e.g., honesty in product labeling).</td>
<td>Provide full and accurate product use information, to enhance user safety beyond legal requirements.</td>
</tr>
</tbody>
</table>
Wood’s opinion is confirmed by the fact that it has not been created a single definition of CSR so far. Another reason why there is not a single universally accepted definition of this concept might be a large number of theorists and a number of international and national non-governmental organizations. They highlight different aspects of this concept in relation to their focus and scope. Following definitions show a current understanding of this concept of most acknowledged authors and sources.

Carroll’s four – level CSR definition says that "CSR can be defined as economic, legal, ethical and discretionary expectations that company has towards society in that period."[4]

Bloom and Gundlach [1] definition is based on Freeman’s stakeholdering approach. It defines CSR as a "firm commitment to its stakeholders - people and groups which they are able to influence or groups which are affected by corporate policies and practices. These requirements are more than the legal requirements and corporate responsibilities to shareholders. By fulfilling these requirements they can minimize damage and maximize the long - term positive impact on the company business."

Kenneth’s definition[11] of social responsibility is based on the idea of sustainable development and he adds that CSR is a targeted care for the welfare of society which prevents the destructive activities in individual or corporate behavior and regardless of immediate profitability it leads to a positive improvement of a man.

The European Commission sees CSR as a tool to achieve sustainable development, therefore, tries to promote socially responsible business conduct the most. The European Commission defines CSR as follows "a concept in which companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis."[7]

The key role for standardization of what social responsibility is and what should include is managed by the group of experts which prepares the ISO 26000 standard. The standard will be as the first one focused on CSR and it is intended for all types of organizations. The definition of provisional social responsibility of this group of experts is also very interesting: “Social responsibility is a responsibility of an organisation for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that:

- is consistent with sustainable development and the welfare of society;
- takes into account the expectations of stakeholders;
- is in compliance with applicable law and consistent with international norms of behaviour;
- is integrated throughout the organisation.”[15]

The implementation of the CSR concept can have various forms. Also, other experts agree that it is only possible to state some frameworks, because concrete CSR activity content should reflect company subject, branch, location, and all stakeholders that influence the company and/or stakeholders that are influenced by the company. In many cases the CSR concept is defined as the maintenance of good relations with stakeholders, and this stakeholder approach alone can be a key to strengthening the CSR content.

Of course it is not possible to meet all requirements, that is why the companies need to state priorities according to stakeholder importance and according to difficulty of fulfillment.
3 Corporate Social Responsiveness

Unfortunately a unification of CSR theory, tools, and procedures has not been reached. Even if it came to be that other concepts appeared, concepts that overlap with CSR. For example Hohnen mentions: Corporate Responsibility, Corporate Accountability, Corporate Ethics, Corporate Citizenship, or Corporate Stewardship. [2]

Since 1970’s there have been discussions about corporate social responsiveness (called CSR2) via Sethi (1975).

It is CSR divergence because Sethi viewed CSR2 as “the adaptation of corporate behavior to social needs.” [14]

For example Chen and Lee explain this term in two ways. It is possible to speak about responsivenes of the firm if:

1. This firm responds to your requests (e.g., quotation, account checking service and documentation) quickly and precisely.
2. The service people of this firm always treat you nicely and positively respond to your requests.[5]

In comparison to CSR, it is possible to say that CSR2 does not discus ethics and social responsibility; it constitutes concrete reactions to social responsibility or social issue. It can be in an interval from zero response (to do nothing) to a proactive response (to do much).

Carroll’s statement in relation to CSR2: “The assumption is made here that business does have a social responsibility and that the prime focus is not on management accepting a moral obligation but on the degree and kind of managerial action.” [2]

CSR2 can be perceived as an alternative to CSR or it can be seen as a philosophy, style, or strategy on the reaction/response that the firm takes to concrete social issues.

<table>
<thead>
<tr>
<th>Social responsibility</th>
<th>Social responsiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethical</td>
<td>Pragmatic</td>
</tr>
<tr>
<td>Society</td>
<td>The firm</td>
</tr>
<tr>
<td>Ends</td>
<td>Means</td>
</tr>
<tr>
<td>“Window out”</td>
<td>“Window in”</td>
</tr>
<tr>
<td>Obligations</td>
<td>Responses</td>
</tr>
<tr>
<td>Moral agent</td>
<td>Producer of good and services</td>
</tr>
<tr>
<td>Long term</td>
<td>Medium and short term</td>
</tr>
</tbody>
</table>


Wartick and Cochran (1985) searched for distinctions between CSR and CSR2 and they summarized the results in a table with six areas of differences (see chart 2).

Many theorists described a scale of social responsibility reaction in different divisions in a framework of response possibility extremes. Carroll in his article, Three-Dimensional Conceptual Model from 1979, gathered existing approaches of Wilson I. (1974)³, Mc


Adam T.⁴, and Davis K. with Blomstrom, R. L.⁵ in the following figure.

Ian Wilson’s classification became the most popular classification model. His classification approach (into four categories) later gained, after Clarkson (1995), the name RDAP scale (Reactive-Defensive-Accommodative-Proactive scale). It is described in the following chart 3.

Chart 3: The Reactive-Defensive-Accommodative-Proactive (RDAP) Scale

<table>
<thead>
<tr>
<th>Rating</th>
<th>Posture or Strategy</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Reactive</td>
<td>Deny responsibility</td>
<td>Doing less than required</td>
</tr>
<tr>
<td>2. Defensive</td>
<td>Admit responsibility but fight it</td>
<td>Doing the least that is required</td>
</tr>
<tr>
<td>3. Accommodative</td>
<td>Accept responsibility</td>
<td>Doing all that is required</td>
</tr>
<tr>
<td>4. Proactive</td>
<td>Anticipate responsibility</td>
<td>Doing more than is required</td>
</tr>
</tbody>
</table>

Very often is used the PDCA Model for implement and improvement of CSR or CSR2 activities. PDCA is a acronym for partial steps of this model – they are Plan, Do, Check and Act.

Figure 1: Social Responsiveness Categories

Source: CARROLL, 1979, p. 502

Figure 2: PDCA model of improvement


ION Wilson

Terry McAdam

Davis & Blomstrom

DO NOTHING
4 Social sensation in the B2C Markets

During the last two decades the business environment has experienced major changes due to a wave of globalization, which has affected all markets (i.e., capital movement development, development of transport, communications, etc.). The activities of many companies go beyond the borders of just one country in the field of production, sales, and cooperation. The success of these enterprises is often influenced, or directly dependent, on popularity and sympathy of the public, business partners, and the government on the basis of how the company behaves, in regards to its employees, business partners, the environment, community, and others. That is why many companies, especially multinationals and world famous companies, pursue to fulfill the concept of CSR. During this time of great development in the discussion of the CSR concept, the Czech Republic has opened its borders to the world, not only in trade but also in the movement of capital, know-how, and business and management practices, which are introduced by foreign investors.

Several surveys, which were later carried out, confirmed that the image of what is believed to be a responsible enterprise plays a significant role because of its influences on the shopping preferences of customers. The biggest pressure is placed on companies who sell to final customers and are publically well known.

It is confirmed that customers are not only focused on price and quality, they are also interested in how the employer or service provider treats its staff, nature, and surroundings.

Surveys have shown that the more developed a country is, the more its customers tend to choose a product based on corporate social responsibility/responsibility or sub-parts of this concept. Not only local but also global surveys have shown that the higher the educated of a buyer is, the clearer are the buyer’s preference for products from socially responsible companies, or vice versa, the buyer boycotts products from companies that the buyers believes to be unethical, violates human rights, polluts, etc.

E.g. McCann-Erickson, on the basis of a global survey, says:

"It is Brand switching time when the quality of goods is for people from developed countries more important than its price. People there have more money and often put the emphasis on shopping ‘morality’ of corporations. For example, in Australia emphasis on social responsibility company makes 77% in the consumer segment Alfa (people with high income and education) and 69% for the rest of consumers. The EU has the highest CSR Germany (75%) and 62% in those segments. "[13]

The result of a 2003 investigation shows that CSR, in the Czech Republic, has an impact on the buying preferences of customers. People in the Czech Republic are willing to buy slightly more expensive products if there is a guarantee, or a belief, that the product is environmentally friendly and that there was no use of child workers. Investigation [9] shows a connection between the level of education and preferences of environmentally friendly products. The relation between the willingness to pay a 10 % higher price for ecological products and educational attainment are shown in graph 1.

![Graph 1 People who are willing to pay a 10 % higher price](image)

Source: Jerabkova, V., Hartl, J., 2003, p. 32

It can be assumed that this pressure is transmitted all the way to the final producer, respectively transferred to other parts of the supply chain. Long-term and close cooperation puts company in close contact with one another, and negative publicity in the form of scandal would be transferred from the "offender" to its business partners.

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6 briefly is possible to say „brand orientation“
5 CSR and CSR2 in the B2B Markets

The purpose of the autumn 2008 survey was to determine whether the concept of CSR (or CSR2) is reflected in to the subcontracting relations of firms which are operating in the Czech Republic.

“The activities carried out by a specific organization can be analyzed into primary activities and supporting activities. The primary activities directly add value to the venture’s production factors, which are collectively named as the “value chain”. They consist of those concerned in the production, marketing delivery and servicing of the product. Support activities take account of those providing purchased inputs, technology, human resources, or overall infrastructure functions to sustain the primary activities.” [12]

The question is if the firms have also other requests to their suppliers and in this way they build a social responsibility value chain or not. Do the firms ask for partners support activities as transparency, ethics, safety of workers, human rights, ecology etc.?

In this paper, some partial results which express the options frequency of responses to individual questions, are presented.

Interesting data has been collected from the answers to question no. 17 “Are you professing the concept of CSR?” The goal was to find out what position major Czech companies have in regards to the concept of corporate social responsibility.

Chart 4 Are you officially professing the concept of CSR?

<table>
<thead>
<tr>
<th></th>
<th>National Company</th>
<th>Foreign Investor</th>
<th>Multinational Corporation</th>
<th>Total</th>
<th>Absolute</th>
</tr>
</thead>
<tbody>
<tr>
<td>we plan</td>
<td>26 %</td>
<td>33 %</td>
<td>50 %</td>
<td>36,4 %</td>
<td>39</td>
</tr>
<tr>
<td>We do not plan</td>
<td>21 %</td>
<td>28 %</td>
<td>17 %</td>
<td>20,5 %</td>
<td>22</td>
</tr>
</tbody>
</table>

Source: own research

Answers to question no. 17 were analysed both in division of: yes, we plan, or we do not plan (see Chart 2), and in relation to the type of owner of the company. Table 2 and Graph 2 show a relatively high percentage of firms which officially present themselves as social responsible, namely 36 %. Next, 43 % of the polled companies reported that they intend to profess and fulfill the CSR concept in the near future. It is possible to evaluate this data as being very positive. Only 21 % of respondents pronounced that their company is not professing the CSR concept and also do not intend to do so in the future.

Graph 2a Are You Professed CSR?

There was also an effort made to demonstrate the dependence between the CSR of a firm and the type of company owner in the form of national company, abroad investor, or multinational corporation. Results are contained in chart 2 and graphically illustrated in graph 2b. There is a clear connection between the approach mode of social responsibility and the type of ownership. A positive impact is shown in companies with foreign management, specifically in the growing influence of foreign ownership, an improvement in the approach towards the CSR concept is achieved:

- National Company-Yes CSR 26 %;
Foreign Investor—Yes CSR 33%.
Multinational Corporation—Yes CSR 50%.

One of the other objectives of this research was to determine the factors that are important if a company forms its own opinion of its suppliers. Are these factors included in the CSR concept? In order to determine the answer to this question, respondents were asked question 7a: "Are for you the following areas important, in relation to suppliers?"

Respondents were given a scoring range, respectively they had a maximum of 5 points available, which indicated the importance of the offered areas:

- 1 point: unimportant
- 2 points: more unimportant
- 3 points: can not decide
- 4 points: more important
- 5 points: important

Chart 5 Absolute and Relative Expression of the Importance CSR Areas

<table>
<thead>
<tr>
<th>no.</th>
<th>Areas</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>∑</th>
</tr>
</thead>
<tbody>
<tr>
<td>71</td>
<td>Compliance with Contract Terms</td>
<td>0.01</td>
<td>0.00</td>
<td>0.01</td>
<td>0.06</td>
<td>0.92</td>
<td>118</td>
</tr>
<tr>
<td>72</td>
<td>Transparency, Ethics Towards Stakeholder</td>
<td>0.01</td>
<td>0.01</td>
<td>0.10</td>
<td>0.27</td>
<td>0.61</td>
<td>117</td>
</tr>
<tr>
<td>73</td>
<td>Communication, Cooperation, Innovation</td>
<td>0.01</td>
<td>0.00</td>
<td>0.04</td>
<td>0.40</td>
<td>0.55</td>
<td>118</td>
</tr>
<tr>
<td>74</td>
<td>Level of the Health and Safety of Workers</td>
<td>0.04</td>
<td>0.09</td>
<td>0.26</td>
<td>0.23</td>
<td>0.38</td>
<td>117</td>
</tr>
<tr>
<td>75</td>
<td>Care about Working Conditions</td>
<td>0.05</td>
<td>0.11</td>
<td>0.35</td>
<td>0.21</td>
<td>0.27</td>
<td>117</td>
</tr>
<tr>
<td>76</td>
<td>Human Rights, Prevent Discrimination of Employees</td>
<td>0.04</td>
<td>0.08</td>
<td>0.32</td>
<td>0.16</td>
<td>0.40</td>
<td>116</td>
</tr>
<tr>
<td>77</td>
<td>Corporate Philanthropy, Region Support</td>
<td>0.02</td>
<td>0.25</td>
<td>0.35</td>
<td>0.29</td>
<td>0.09</td>
<td>113</td>
</tr>
<tr>
<td>78</td>
<td>Ecological Goods and Services (External Envir.)</td>
<td>0.03</td>
<td>0.04</td>
<td>0.27</td>
<td>0.35</td>
<td>0.31</td>
<td>113</td>
</tr>
<tr>
<td>79</td>
<td>Environmental Corporate Culture (Internal Envir.)</td>
<td>0.04</td>
<td>0.03</td>
<td>0.21</td>
<td>0.38</td>
<td>0.36</td>
<td>112</td>
</tr>
</tbody>
</table>

Companies assigned relatively high importance to particular areas. The highest percent occurrence (92% of respondents) considered compliance with contract terms important (key), which is logical. It is associated with commercial success of the company. 109 companies from 118, which were posed this question, an entire 92% considered this area to be important and this is the highest rating of all areas listed above (areas in chart 3). However it should be noted that the issue of compliance with contract terms pursuing the economic reasons.

All areas, with one exception, in the sum of relative frequency with points 4 and 5 show a minimum value of 48% (but usually exceeds the minimum 10% in addition). This means that at least half of the questioned firms considered all areas as "rather important" or "important". The exception is "Corporate Philanthropy and the promotion of the region," which companies perceive as a less important component of the CSR concept.
Respondents were also asked question 7b, which in turn researched the relationship of the buyer (customer) and the firm. The question was: "How do you think that these areas are important for your clients? (when the buyer shapes an opinion on you)." The results of the question are shown in chart 5.

Chart 5 shows that not only do respondents consider the area of “philanthropy and region support” to be less important for suppliers, but they also think that for their customers this component of CSR (for themselves) is also the least important.

The answers to questions 7a and 7b were compared in order to determine any dependence; respectively, to find the answer to this question: "Is it possible that customer opinions influence the forming of company opinion towards their suppliers?" The result seems clear:

The correlation of the responses to questions 7a and 7b is 0.775. The correlation of the point averages of the response to questions 7A and 7B is 0.997.

A correlation coefficient close to 1 shows a very strong relationship between the evaluation of areas in CSR in question 7a and the evaluation of areas in question 7b.

But this result offers a question: If are the important CSR areas in relation firm and buyer the same as important CSR areas in relation firm and supplier is it CSR or CSR2? That is a question. The following graph express the relation between important CSR areas for buyer and important CSR areas for the firm.

Graph 3 What customer wants vs. What the firm wants

Source: own research
6 Conclusion

At the end of the 20th century, in context of global world problems, CSR was discussed at the level of the UNO, in the European Union and in governments of other particular countries. Promoting and subsequent extension of the CSR concept into the business community is seen by these organisations and governments, as a way to help the sustainable development of the world.

If we imagine that multi-national corporations will adopt socially responsible practices and that they will influence their suppliers, then this would lead to global changes through the supply chain.

From this point of view, this is an opportunity for businesses to learn how to improve significantly the current situation in the environment in which they are living. This point of view is shared by the general manager of Siemens Czech Republic: "A global company operates in many countries with different ethical standards. Unfortunately there is a lack of business sophistication in the world. If we support the sophistication of environment, then we help ourselves, because we exist in this environment also."[10]

Is not important if tho companies are hold the CSR or CSR2. Important is that they implement social activities in their business.

References


