

Social Responsibility Used as a Competitive Advantage Tool: A Comparison between Corporations and Small Companies, in Mexico's Baja Region

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Abstract. There is wide debate, between investigators of the area, about the company's participation in the Social Responsibility context, as well as the discussion about the success and limitations of such participation. Large, medium and small companies create and sustain relationships with their investors, stakeholders, employees and community in different ways; conditions by means of which the executives take decisions related to the company's social responsibility role (Rowley and Herman, 2000). This investigative project derives from information obtained from Mexican's companies, in the Baja California region. The pool of said companies does not intend to be representative nor in quantity volume of sales, size or any other indicator related with the market or operation; nonetheless it tries to show the behavior that large, medium and small companies of this sector keep towards the Social Responsibility topic. The present work tries, on one hand, to identify and analyze the implications that social responsibility has among the wine companies, and for that matter the role that these play in front of others as a result of said implications; on the other hand, it intends to analyze the behavior of this sector's large corporations, with well structured formal organizations, versus small companies, with insipid or nonexistent systems, in Corporate Social Responsibility. This said, it urges companies to make conscience about the benefits linked of the follow-up policies aligned with Social Responsibility, regardless of their classification.

Keywords: Social Responsibility, Small and Medium Companies, Stakeholders.

1. Objectives

To identify the company's social fulfillment on a context where its interaction happens to be of great importance not only for the diverse entities directly or indirectly related with it (stakeholders), but for the company itself. This work pretends, on one side, to identify the benefits derived from the Social Responsibility policies; while on the other, tries to recognize if such companies are achieving the obligations inherent to their relationship with workers, all interested parties and the community in general; regardless of their size; trying at the same time to create conscience about the importance and the benefits that can derive from this policies.

2. Hypothesis

As hypothesis we can suppose that small and medium companies not only have to apply policies that are aligned with their investors interests, but also with a better practices scheme, that lead to a social sense; realising then that by adopting this kind of measurements not only they are avoiding risks, but also increases their competitive advantage.

3. Methodology

First, a biographical and documental research of Social Responsibility was done, analyzing the pertinent theories, to compare the commitment degree and activities destined to Social Responsibility fulfillment on

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large companies in regards to small and medium ones. We then started with a field research that allowed determining how a small group of companies, inside a specific sector but with different characteristics (size, organization, corporative structure, etc.) interact with the interested parties. (shareholders-stakeholders).

Twenty companies were examined, all of them with different characteristics, but from the same sector (wineries). The wine sector, was chosen due to the fact that, besides being one of the most representative in the Baja region, it has also been the subject of previous investigations abroad, related with Social Responsibility and Competitive Strategy (Maecarenhas, 1989; Mascarenhas & Aaker , 1989; McGee & Thomas, 1986) as well as being an industry based on the consumer with controversial products and practices (Mahon & McGowan, 1996). The focus of this investigation will rest on the company's relationship with their investors (shareholders), interested parties and community in general (stakeholders).

4. Theoretical Frame

4.1. The Company's Social Responsibility

The corporative answer to social and environmental matters, better known as Corporative Social Responsibility, has been studied by several authors who have depicted the concept evolution through the following next three stages: utility maximization, trust administration and quality of life administration (Gray E., 1977).

Considering the previous statement, it is possible to identify how companies show a series of transition in reference to Social Responsibility; the first one can be seen when companies use it as a tool to improve processes, to sell or even to position themselves; the second one, can be attested when they try to gain the trust of the interested parties, which could be the case of the employees, suppliers, clients, among others; finally the third one is that by which they seek to achieve quality of life for all their stakeholder and the environment in which they interact. It becomes important to try to identify the advantages associated to these stages.

According to Rajat Panwar, companies have a tendency to show many motivations for a Social Responsibility adoption. These motivations might go from the accomplishment of the basic obligatorily legal requirements, directed to control destructive managerial practices to considering the Social Responsibility as a tool to increase and improve the company's financial performance (Panwar, Rinne, Hansen y Juslin, 2006). Social Responsibility may be considered then not only as a key element for the accomplishment of the company's legal obligations, which range from labour matters to the environment, but as an important fact to maximize utilities and productive efficiency.

Several administrative disciplines have recognized that Corporative Social Responsibility is appropriate for their intentions, such is the case of quality administration, marketing, communications, finances, human resources, etc. (Marrewijk, 2003).

Just as Marrewijk proposes, companies often choose Social responsibility as a tool to improve their development and profit. In the near future, it is hoped that companies assume their responsibilities beyond the considerations or implications in the economic arena. As a result, it is extremely important for organizations to try to answer proactively to social and environmental matters in order to lessen social pressures (Panwar , Rinne, Hanses y Juslin, 2006). This refers to the two other stages, with respect to the responsibility to the workers, the company itself and the community in general.

It is interesting to see that companies are now noticing the Social Responsibility's importance to anticipate a poor ethic record that might impact on a negative way in the name of the brand and the price of their stocks (Jacobs, 2008). In a sense, companies are increasingly agreeing that Corporative Social Responsibility is primarily practiced because is a good business (Amos, 2005). Being this the case, Social Responsibility importance is recognizable on the brand and therefore its placement on the market, as well as the acceptance from their investors and the increase of the share price. With this in mind, we can see this three stages as an inclusive practice of modern Social Responsibility, not just acting in concern for the company's profits but also for all the stakeholders.

Nevertheless it is still debatable by many, that Social Responsibility is the immediate answer that will solve the gap between poorness and richness, social exclusion and environmental degradation (Marrejik, 2003).

4.2. Is it Social Responsibility a Competitive Advantage for the Company?

We understand the concept of competitive advantage as the group of characteristics an enterprise has that make it stand out from others, gather superior profits and be recognized by their clients (Villalba, 1996).

This said, Social Responsibility can no longer be conceived as a moral responsibility by the corporative administrators or as an administrative expense that might obstruct the company's profitability, but as a strategic resource to be used for the company's improvement (McWilliams, Siegel, y Wright, 2006); that is as a competitive advantage.

More and more, investors take in account aspects like the environment, social impact and best practices from the corporate government itself, when it comes to their investment decisions taking. Therefore, companies that worry for their reputation worry for their corporate structure and the response to the company's social responsibilities. In this way, company policies that aligned with their shareholders interests must be applied, with a "Best Practice" model that contemplates a social interest. Companies that are doing it have proved that these kind of measurements not only avoid risks, but it also increase the brand value (Fombrun, 2006).

When pursuing ethical investments, personal entrepreneurs and companies hunt for companies with a positive reputation avoiding those linked with harmful practices to the environment, employees, oppressive regimes etc. The increment of this ethical investments encourages companies to pay attention to Corporate Social Responsibility. (Schepers y Sethi, 2003).

Companies that worry for the environment and have shown good Social Responsibility practices have experienced a preference augment from the consumers and an attractive point of investment. (Gildea, 1994).

It has also been suggested that by adopting business practices and philosophies inclined to social and cultural norms and values companies may improve the prospect of assuring their operation. This contributes to the company's survival and prosperity, reducing conflicts with the interested parties or stakeholders, as well as costs associated with it. At the same time it insures the long term sustainability of the company and employee satisfaction (Bansal and Roth, 2000). Based on this, we can get a glimpse of countless advantages for companies that are carrying corporative policies linked to Social Responsibility.

Social Responsibility can become a tool to enlarge the company's productivity and performance, to increase its capital via investments, to place the brand name, to boost the buy preference from the consumer, for commercial marketing campaigns, to insure the long term sustainability, for a quality administration, to improve the relationship with the human resource, to reduce conflicts and improve the relationship with all the interested parties or stakeholders and to reduce environmental pressures. That way the company is capable of maximize its utilities achieving at the same time its inherent responsibility both internally and externally. In such a way, Social responsibility must be considered as a strategic resource.

How to achieve that small and medium companies incorporate, on a systematic way, the principles and actions of Social Responsibility in their daily life? In this sense large companies can have a fundamental roll incorporating the links of their value chain less involved on the subject, like small and medium companies. In fact one of the strategies to form responsible and highly competitive small and medium companies is making alliances with the large companies where the government, academy, associations, managerial and commerce chambers, play an important role fomenting the relationship and approximation among them, generating a business environment of understanding and mutual help.

The large company can reinforce the implementation of Social Responsibility schemes by small and medium companies, supporting their participation on the chain value, getting involved in social investing; providing financing, from seed investment to risk capital; and in general charring the "know how" and the required abilities to adopt better practices for businesses. Hence they can incorporate, through a collaborative strategy alongside other companies, weaker links in the value chain, like small and medium companies, in the Social Responsibility scheme implementation. This leads to an awareness process, training and

implementation, to execute the direction and management model, which along with a quality direction model and other such factors can effectively translate in to Corporate Social actions that contribute to the competitive advantage development of all the parties involved.

5. Conclusions

Companies worldwide are preoccupied with the impact their activities have in society. Many of them have created Corporate Social Responsibility programs (CSR); which seek to maintain a balance between their operations, their investor's interests and the community in general. In this sense, social and environmental consequences are compared against the company's economical profits (Belfrage, 2006).

The Mexican Philanthropist Center (Centro Mexicano de Filantropia) maintains that, in our country at this moment, Corporate Social Responsibility has been applied mostly or at least formally in large companies.

We can conclude this because, in the first place, in great measure the company involves itself in satisfying the norms of the country they are on, and in second place because the costs associated with these programs and their relation with a better financial performance is hard to prove, especially in a short term.

Now then, on one hand, smaller companies are more susceptible than any other to understand the benefits of managing a good relationship with stakeholders, as well as its implications (Amos, 2005), this is very probable because it exists closeness to the community. On the other hand the more companies realize the strategic opportunities of adequate Corporate Social Responsibility policies the more they will change to its compliance (Amos, 2005).

Unfortunately, the costs for applying these type of practices, or at least most of them, are still too high for the small and medium companies; and even though they may be aware of its importance, they won't confront them because they see improbable the short-term benefits.

Also, even though the businesses, both small-medium and large, generally agree in acknowledging the importance of Social Responsibility practices, it is not the same in all senses.

Small businesses, for example, usually do not consider these kinds of practices as a necessary instrument to increase their productivity, at least not in a short or medium term; nor to attract new investments. This, for example, happens basically because, in this last case, small and medium companies generally don't recapitalize through the emission of private debt.

On the other side, large companies, even though they don't see Social Responsibility as a short-term tool to increase their productivity and performance, they do consider it as an investment, not as expense in medium or long term. For instance, they may consider it important as an instrument to attract new investment.

Small companies, especially in the domestic market, do not believe in the impact Social Responsibility has on the increase of preference for their products versus a commercial campaign or corporative image may have; nevertheless they recognize its importance for the company's future growth in this or other markets. This changes in large companies because they have access to international markets where the implementation and fulfilment of this sort of practices have a great follow-up from the consumer, government and the community in general.

In general, where they do converge is on to the importance of Social Responsibility to improve policies and relationship with the employees, social commitment, increase production and reduce possible conflicts and pressure both internally and externally; and in the case of large companies assuring its operation and long term sustainability.

This is the reason why small and medium companies must be made conscious to go beyond the short term profit, as Social Responsibility does.

Taking all this in to consideration, we can safely state that we can be good and do well at the same time; Corporate Social Responsibility is extremely important for the company; but this leads to a long term return of investment.

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