

THE ROLE OF SOCIAL RESPONSIBILITY STRATEGIES EMPLOYED BY EUROPEAN AUTOMOTIVE CORPORATIONS IN DEVELOPING SUSTAINABLE BUSINESSES

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Abstract: *Corporate social responsibility strategies are a topic of great interest for both researchers and practitioners, and require the development of interdisciplinary approaches: economic, ethical and social. The paper analyses the social responsibility strategies employed by European automotive businesses and highlights their impact on business sustainability. From a theoretical perspective, applying the content analysis method on sustainability or social responsibility reports revealed a variety of social responsibility strategies. The utility of the research is supported by formulating a typology of social responsibility strategies, based on objectives of sustainable development and by establishing arguments concerning the impact of these strategies on automotive businesses' sustainability in the following areas: social and societal, ecological and environmental, distribution chains and suppliers, corporate image, position in relation to competitors and financial performance.*

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1. Corporate social responsibility as a promoter of processes of sustainable business development

Relatively new in scholarly literature, the concept of corporate social responsibility is a topic of great interest for both researchers and practitioners, as demonstrated by the diversity of definitions and forms of manifestation.

The European Commission (2002) describes corporate social responsibility as *a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*. Some authors (Kotler and Lee, 2005) believe that *a company is socially responsible when it becomes committed to improving community well-being through discretionary business practices and contributions of corporate resources*.

Also, an increasing number of companies see corporate citizenship as a new strategic and managerial approach that allows a corporation to upgrade from a "regular" one to a "top" one (Muirhead, et al., 2002). From this perspective, corporate social responsibility becomes *a definitive obligation, beyond those imposed by law or economic restrictions, to pursue long-term goals for the benefit of shareholders, customers, suppliers, employees, government agencies, creditors, local communities, and public opinion* (Nicolescu, Nastase and Popa, 2006).

An analysis of the variety of corporate social responsibility concepts and views on its forms of manifestation reveals trends in integrated approaches to social responsibility in the form of corporate social responsibility policies or strategies, voluntarily focused on achieving social objectives by allocating resources to initiatives that lead to higher levels of general well-being, cooperation and mutual prosperity.

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In building sustainable businesses, organizations are constantly under the influence of several forces (Figure 1), classified in two categories (Ganescu, 2012, p.101): promoters and inhibitors of sustainable business. Promoters are those forces that favour the creation of sustainable business and are structured as follows: Code of Ethics and the Ethics Committee of the organization, social responsibility strategies, sector operators, government pressure, local communities, NGOs. Inhibitors are a class of forces that stop organizations from conducting their business based on sustainability values: mismanagement, economic constraints, high costs of social responsibility programs, and competitive environment.

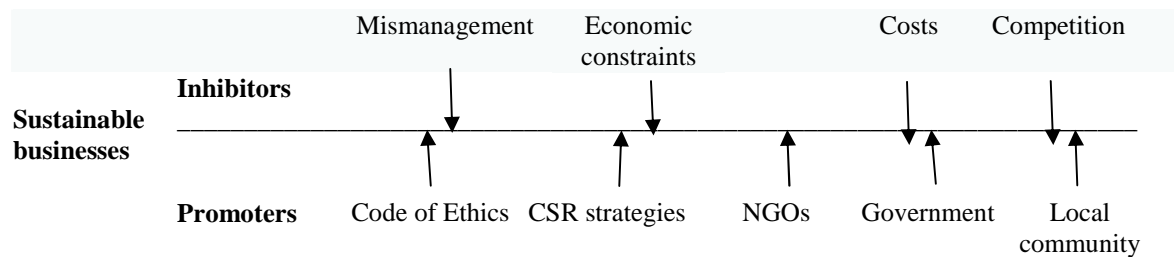


Figure 1. Analysis of field of forces influencing sustainable business

Source: Gănescu, C., 2012. Corporate social responsibility - a strategy to create and consolidate sustainable businesses. Theoretical and Applied Economics, 11 (576), p. 101.

In our view, social responsibility strategies employed by companies and integrated into their long-term business strategies are the strongest promoter of the process of developing sustainable businesses because corporate social responsibility is an essential component in the initiation and promotion of social entrepreneurship (Austin, 2000) and an important source of commercial benefits for companies (Windsor, 2001). The extent to which a firm is socially engaged is evidence of its wealth and power.

2. Analysis of types of corporate social responsibility strategies

Scholarly literature highlights in various ways the importance of corporate social responsibility for business strategy, because "by building a business strategy to align economic, social and environmental performance to long-term business values, corporate responsibility becomes a part of the business and adds long-term value for both the company and society "(Rochlin et al., 2005, p.8).

Some authors even consider that "corporate social responsibility initiatives must be integrated and internalized by an organization so as to be placed at the heart of the organization" (Dey and Sircar, 2012), to obtain benefits, such as: improved corporate reputation, increased customer trust, greater employee motivation and market share.

Integrating social responsibilities into business strategies involves formulating social responsibility strategies and the pursuit of clearly defined social results.

Corporate social responsibility strategies are opportunities offered by the development of business strategies aligned with business objectives, deeply rooted in the principles and values of social responsibility. Business strategies based on sustainability and social responsibility are grouped as follows: "*resignation*" strategy, *defensive strategy*, and *offensive strategy* (Seuring and Muler, 2008, Van Bommel, 2011). "*Resignation*" strategy is used when deciding not to begin the implementation of sustainable business models due to the absence of pressures and incentives, and corporate capacity to innovate. Businesses can choose a *defensive strategy* for specific products or services, and an *offensive strategy* at the same time, but for other categories of products or services.

Organizations can choose different strategies depending on aspects of sustainability (Koggala, 2009). Organizations with a low level of innovation will choose defensive strategy and organizations that have a high level of innovation are able to implement offensive strategies.

Other studies on social responsibility strategies identify four categories: "*obstructionist, defensive, accommodative and proactive*" (Carroll and Buchholtz, 2000, Fisher, 2004; Sauser, 2005). Companies that adopt *obstructionist strategies* reject any form of ethical or social responsibility that does not meet economic interest; those that choose a *defensive strategy* reject only ethical responsibilities and protect their own interests by complying with legal requirements; those that adopt an *accommodative strategy* accept certain ethical responsibilities, particularly those related to stakeholders, without initiating voluntary actions aimed at the common good; *proactive companies* distinguish themselves as they fully recognize social responsibilities and are actively committed to minimizing their negative impact and achieving stakeholder satisfaction.

An analysis of social responsibility strategies that are well established in scholarly literature, in conjunction with the objectives of sustainable development, allowed us to define in a unique manner certain categories of social responsibility strategies. We believe that the objectives of creating and consolidating sustainable businesses are: full professional and personal development of employees, maintaining the capacity to support life, ensuring social equity. In this context, we can identify the following strategies: the "*reinventing for the environment*" strategy, "*created by the people*" strategy and the "*building for community*" strategy (Ganescu, 2012). The "*reinventing for the environment*" strategy is concerned with applying various methods aimed at protecting the environment, reducing consumption of non-renewable natural resources, reducing waste and energy and water consumption, recycling and reuse with the help of innovative techniques. Applying this strategy can incur significant costs for the organization, but supports the objective concerned with **supporting life**. The "*created by the people*" strategy is based on creating jobs focused on innovation, promoting and rewarding employees' creativity, adjusting working methods to the new requirements of sustainable development and supports the objective concerning **well-being**. The "*building for community*" strategy involves identifying community problems and adapting the business to these requirements, identifying business opportunities that meet customer requirements, expressing the benefits of social responsibility initiatives in relation to the significant costs of these programs. This type of strategy supports the implementation of objectives subordinated to **social equity**.

3. Methodology and results of the analysis of social responsibility strategies implemented by European automotive businesses

To illustrate the impact of CSR strategies on sustainable business development we evaluated the performance of European vehicle manufacturers, as this sector is an important actor in increasing the competitiveness of European economy.

Vehicle manufacturers operating in Europe provide employment to more than 2 million people in the automotive sector and to 10 other million people in parts manufacturing and distribution. Moreover, European automotive corporations, unlike those in other sectors, show transparency with regards to their social and environmental investments and publish annual CSR or sustainability reports to inform stakeholders on the actions that they conduct and the results they obtain.

Since 1991, European manufacturers founded the European Automobile Manufacturers' Association (ACEA, 2012). Sixteen member businesses joined the association: BMW Group, DAF Trucks, Daimler, FIAT S.p.A., Ford of Europe, General

Motors Europe, Hyundai Motor Europe, IVECO S.p.A., Jaguar Land Rover, Porsche, PSA Peugeot Citroën, Renault Group, Scania, Toyota Motor Europe, Volkswagen Group, Volvo Cars and Volvo Group.

Of the 16 companies that are members of the European Automobile Manufacturers Association, 13 were chosen for this study. Because of the lack of comparable data, we excluded IVECO SpA and Porsche from the sample. We used information published in common reports of Volvo Cars and Volvo Group companies, which justified the inclusion of Volvo in the sample, as an object of research. We excluded MAN Nutzfahrzeuge AG and Scania from the study, on the grounds that these companies currently belong to Volkswagen Group.

We used **content analysis** to assess the impact of CSR strategies on developing sustainable businesses (Adams et al., 2007). The purpose of content analysis was to extract the most relevant information on CSR strategies from social responsibility or sustainability reports published by European automotive businesses in 2011, which fall into the following types of topics:

- basic elements that characterize social responsibility strategies;
- areas in which social responsibility strategies of surveyed organizations operate;
- organizations' attitude towards sustainability values and their degree of implementation;
- benefits of implementing CSR strategies for organizations, employees, society, and environment;
- tools to conceptualize corporate social responsibility.

Following content analysis of all social responsibility and sustainability reports published by assessed organizations, we set up a database divided into several categories and elements: types of reports from organizations (annual reports, CSR reports, environmental reports, health and safety reports, reports to stakeholders, community reports, etc.), social responsibility strategies (objectives concerning the environment, employees, community and stakeholders), tools to conceptualize social responsibility (standard or proprietary indicators to measure social, societal, environmental and economic performance).

In addition to standard tools, we identified another 167 individual indicators used by organizations, which we assigned to three dimensions: economic dimension (44 indicators, 27% respectively), social dimension (72 indicators, 43% respectively) and environmental dimension (51 indicators, 30% respectively).

Within each category and for each organization, we set a score: if a constituent element of a category existed, it received 1 point; if missing, it received 0 points; for each category we summed up the number of points, and the results were summarized in Table 1.

Most reports are annual ones (13), followed by sustainability and social responsibility reports. Thus, 9 (62%) organizations published sustainability reports for 2011, 3 (23%) published CSR reports, 3 (23%) published environmental reports and one (7%) organization published an environmental, health and safety report. Annual reports were taken into consideration, particularly to identify economic and financial indicators. No organization published corporate citizenship reports, or reports to community or stakeholders.

The analysis of reports and corporate websites of targeted firms allowed us to identify tools for conceptualizing social responsibility used by European automotive companies, by referencing to instruments recognized in Europe and internationally (European Commission, 2004).

Table 1. Types of tools for conceptualizing corporate social responsibility

INSTRUMENTS	CONTENT	NO. OF CORPORATIONS
ISO 26000	Corporate social responsibility: governance, human rights, labour conditions and relations, legal practices, consumer access to essential services, community and local development, sustainable development	5
ISO 14001	International Standard for Environmental Management	9
ISO TR 14062	Design for the environment	3
ISO 362	Measurement of noise emitted by accelerating road vehicles	1
ISO 50001	Energy management systems	2
ISO 22628	Road vehicles - Recyclability and recoverability - Calculation method and Directive 2000/53/EC on end-of life vehicles	1
ISO 14040	International Standard Methodology for Conducting Life Cycle Assessment	2
ISO TS 16949	Quality Management Standards	6
ISO 39001	Road Traffic Safety Management System	4
ISO 9001	Quality Management System	4
EN 16001	SGS Training - development, implementation and management of energy management systems	2
GRI	The Global Reporting Initiative (GRI) – a non-profit organization that promotes corporate sustainability	12
ISAE 3000 Certificate	International Standard on Stakeholder Engagements	1
United National Global Compact	International Standard on commitment to stakeholders United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation	6
UN Global Compact Korea Network	Initiative to implement the principles of Global Compact in Korea	1
Carbon Disclosure Project	Independent non-profit organization that advocates for reducing greenhouse gas effect and sustainable water usage by companies and municipalities	1
Boston College Center for Corporate Citizenship	Research center providing organizations with knowledge and research on corporate citizenship practices	1
Sustainable Asset Management	International company that focuses on sustainable investments, and which introduced Dow Johns Sustainability Indexes	2
Vigeo	Company founded in 2002, European leader in evaluating companies and organizations on environmental practices and performance, social and governance tools.	2
Sustainalytics	Global leader with over 20 years of experience in conducting research on social and environmental responsibility, and corporate governance	1
Oekom Research	Rating agency which helps improve sustainable investments	1

INSTRUMENTS	CONTENT	NO. OF CORPORATIONS
Imug/EIRIS	Global network of partners who conduct research on local responsible investments	4
Dow Johns Sustainability World	Global index that evaluates sustainable businesses and environmental practices	1
ASPI Index	Index which assesses the first 120 European companies	5
FTSE4 Good Index	Index that measures the performance of companies that meet international standards on social responsibility	1
Global Framework Agreement on Responsibility	International framework agreement that protects the interests of workers in multinational operations	1
The STOXX Global ESG Leaders index	Index which characterizes global companies based on environmental, social and governance elements	2
FTSE ECP I Italia SRI Benchmark Index and FTSE ECP I	Sustainability and accountability indicators for companies on the Italian market	1
ECP I Ethical EM U Equity Index	Index of Most Ethical Companies	1
MSCI ESG Indices	Major index that integrates business models, research and innovation, expertise and excellence in customer services	1

Source: designed by authors

The analysis allowed the identification of a wide range of conceptualization tools used by organizations for CSR and sustainability practices reporting. Most of these organizations have found it useful to use GRI tools to assess social responsibility actions or to implement international standards on environmental protection, quality, energy and employees' rights protection. We also ranked organizations based on the number of economic, environmental, social and societal indicators reported in 2011. This ranking is presented in Table 2.

Table 2. Ranking of analysed organizations according to the number of indicators reported in 2011

COMPANY	RANKING
FIAT Group Automobiles	215
Daimler Group Mercedes- Benz	210
Hyundai Motor Europe	201
BMW Group	190
Toyota Motor Europe	188
Volkswagen Group	184
Ford of Europe	180
Renault Group	175
General Motors Europe	164
Jaguar Land Rover	158
PSA Peugeot Citroen	120
DAF Truks NV	119
AB Volvo	104

Source: designed by authors

Based on information extracted from content analysis, we structured corporate social responsibility strategies involved in building sustainable businesses used by European automotive manufacturers (Table 3).

Table 3. Types of corporate social responsibility strategies

TYPE OF STRATEGY	NUMBER OF ANALYSED UNITS
Social and societal strategies	12
Ecological and environmental strategies	13
Distribution and supply chain strategies	8
Strategies to build corporate image	5
Strategies to create competitive advantage	13
Strategies to obtain added value	12

Source: designed by authors

This study allowed us to design statistics of companies who published reports in 2011 according to GRI principles. According to the conceptual framework for sustainability reporting, each organization must conduct a self-assessment of the published report on three levels of reporting, coded C, B and A. If the report has been evaluated by others, grades will be C +, B + and A +. The analysis revealed that 12 out of the 13 companies have adhered to GRI principles of sustainability. Some of the analysed companies do not fully apply the GRI conceptual framework, although they adhere to it. A total of 10 companies obtained an A+ classification and 5 companies audited their sustainability reports.

4. Results and conclusions

Following content analysis on a total of 29 sustainability/social responsibility/environmental reports, we identified 30 tools used to ensure business sustainability, as analysed businesses reported between 104 and 215 relevant indicators annually.

However, we could highlight social responsibility strategies that organizations submit to the public through social responsibility and sustainability reporting. We could thus identify six categories of strategies.

Content analysis helped identify the basic elements that characterize social responsibility strategies, as follows:

a) identifying new segments on existing markets, while focusing on emerging markets characterized by significant differences between social strata and poverty, lack of access to safe water and food in sufficient quantities;

b) creating innovative solutions for customers and stakeholders, especially given that consumers are becoming increasingly aware of responsible practices of organizations: use of non-renewable resources, energy, water, transportation and disposal of waste, greenhouse gas emissions, work protection and health;

c) studying each production activity and measuring social, environmental and societal impact of economic activity; in practice, each organization aims to reduce direct and indirect costs by internationalizing negative externalities;

d) creating new models to generate income in a responsible manner and responsibly prioritizing economic objectives;

e) creating competitive advantage by supporting innovation in production, and by using environmentally friendly and efficient technologies;

f) regular reporting on social responsibility practices, even if on voluntary basis, is used by organizations to inform stakeholders on the one hand, and to improve corporate image in the market, on the other hand.

CSR strategies published by analysed companies have a significant impact on business sustainability in the following areas: social and societal, ecological and environmental, supply chain and suppliers, corporate image, position in relation to

competitors and financial performance. Business sustainability is seen as a consequence of the application of corporate social responsibility strategies.

Analysis of data reported by companies operating in the European automotive industry indicates that those organizations that understand the strategic importance of corporate social responsibility can create and strengthen sustainable business. Problems generated by not integrating socially responsible practices in business strategies can be observed when assessing the costs and benefits of implemented projects, in technology selection, in the relationship with the community, and in the structure of performance incentives.

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