

EMBEDDING CORPORATE SOCIAL RESPONSIBILITY INTO  
CORPORATE STRATEGY:

A REVIEW OF A BEST EMPLOYER COMPANY IN VIETNAM

by

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## LIST OF ABBREVIATION

Anon	Anonymous
BTI	Bertelsmann Transformation Index
CEO	Chief Executive Officer
CPI	Corruption Perceptions Index
CSR	Corporate Social Responsibility
EIU	Economist Intelligence Unit
ERP	Enterprise Resource Planning
GM	General Motor Corporation
HDI	Human Development Index
ILO	International Labour Organization
ISO	International Organization for Standardization
IT	Information Technonology
MNC	Multinational Corporation
MOLISA	Ministry of Labor, Invalid and Social Affairs
NGO	Non-governmental Organization
OC	Organizational Culture
OTC	Over-the-counter
UTC	Under-the counter
SIO	Seven-is-One
TBL	Triple Bottom Line
VCCI	Vietnam Chamber of Commerce and Industry
WTO	World Trade Organization

# PENYULAMAN TANGGUNGJAWAB SOSIAL KORPORAT DALAM STRATEGI

KORPORAT:

SEBUAH KAJIAN KES ANTARA SYARIKAT YANG TEBAIK DI VIETNAM

## **ABSTRAK**

Untuk menetapkan persaingan hebat dan keberlanjutan berterusan dalam perniagaan, perniagaan bukan sekadar memenuhi kewajipan kewangan, tetapi mereka juga harus bertanggungjawab kepada sosial sebab kewujudan mereka berasal dari keperluan masyarakat. Tesis ini bertujuan untuk memahami dan menganalisa penggabungan Tanggungjawab Sosial Korporat (CSR) ke dalam strategi korporat dalam sebuah syarikat di Vietnam yang telah diiktiraf sebagai salah satu pengusaha terbaik di negeri tersebut. Tesis ini menunjukkan sejauh mana syarikat ini berjaya membenamkan agenda Tanggungjawab Sosial Korporat mereka ke dalam strategi organisasi dan amalan-amalan sehingga menjadi warga negara yang bertanggungjawab terhadap masyarakat.

Tesis ini menggunakan kajian kualitatif penyelidikan untuk kajian kes yang mendalam. Dalam analisa pemindahan dan pemupukan gelagat tanggungjawab social dalam strategi korporat, tesis ini telah menjelajah inisiatif Tanggungjawab Sosial Korporat dengan menggunakan Balanced Scorecard (BSC) sebagai kerangka analisis. BSC telah diubahsuai untuk memasukkan unsur-unsur yang termasuk dalam rangka keberlanjutan untuk memenuhi tujuan kajian ini. Dalam hal ini, perspektif stakeholder digantikan dengan perspektif pelanggan disebabkan sekumpulan penyelidik telah berjaya menunjukkan teori stakeholder sebagai dasar kepada CSR. BSC juga bersepadu dengan triple bottom line untuk rangka keberlanjutan. Keputusan kajian menunjukkan bahawa pemilik telah menempatkan lebih

pernekanan pada unsur CSR dalam strategi korporat untuk meningkatkan pengetahuan masyarakat dan pembangunan.

KATA KUNCI: Tanggungjawab Sosial Korporat, Balanced Scorecard, Keberlanjutan, Strategi Korporat.

## ABSTRACT

To stay competitive and sustainable, the businesses not only need to fulfill their economic obligations, but also have to be socially responsible as their existence stems from societal needs. This thesis aims to understand and analyze the incorporation of corporate social responsibility (CSR) into corporate strategy in a company in Vietnam that was recognized as one of the best employers in the country. This thesis shows the extent to which this company has successfully embedded their CSR agendas into its organizational strategy and practices, thus become a responsible corporate citizen towards society.

This thesis adopted exploratory qualitative research in an in-depth case study. In analyzing the transferring and cultivating of socially responsible behaviors into corporate strategy, this thesis explores the CSR initiatives using the Balanced Scorecard (BSC) as an analytical framework. BSC has been modified to include elements that belong to the sustainability framework in order to fulfill this research purposes. In this case, the stakeholder perspective replaced the customer perspective because a group of researchers has successfully brought up stakeholder theory as the central part of CSR, while the triple bottom line (TBL) has also been integrated in the BSC. Research findings show that the owner has been placing more emphasis on CSR elements in the corporate strategy to enhance the society knowledge and development.

**KEYWORDS:** CSR, BSC, sustainability, corporate strategy.

## CHAPTER 1

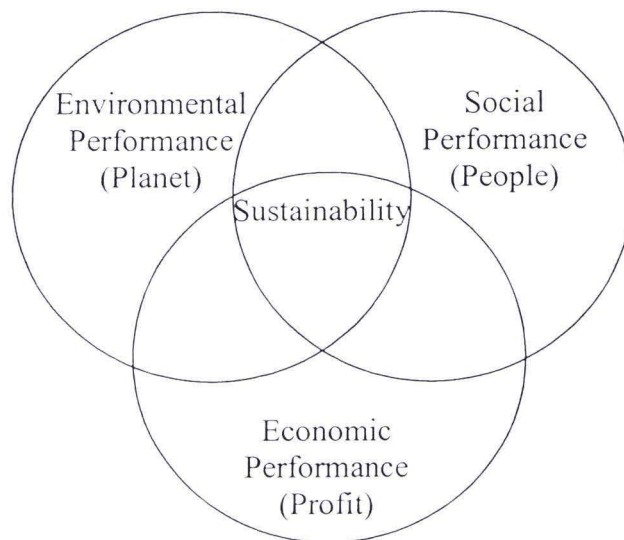
### INTRODUCTION

#### 1.1 Introduction

Global warming, natural disasters, health issues, labor issues, financial crisis and even more global issues had arisen in recent years while the corporate world is still profit-orientated and exploiting the natural resources. When a country increases in population and economic growth ensues, environment, global and social issues accompany also this increase. The question is: who should be responsible for these setbacks? Every sector that uses resources in the world is responsible for it. This includes the corporate world since its existence arises from societal needs. Therefore, when a company starts to operate, it should take into account its responsibility towards society. While its wealth increases, its responsibility towards society also increases in tandem. As usual, having an ethically positive impact in the society becomes one of the strategies which constitute companies' social contributions, but the question is: is this good enough to help the society to improve or be sustainable? Therefore, CSR becomes a theme that has been widely used to describe a company's responsibilities towards society. However, how can corporate responsibility to society be defined?

Nowadays, in the private sector, a commitment to corporate social responsibility implies a commitment to some form of triple bottom line (TBL) reporting (Henderson, 2007).

The triple bottom line<sup>1</sup>, which also known as "people, planet, profit" captures an expanded spectrum of values and criteria for measuring organizational (and societal) success: economic, ecological and social (CSRA, 2009). *Figure 1.1* below illustrates the triple bottom line approach which shows the inter-relationship between the economic, environmental, and social factors combined to produce sustainability.



(Source: Adapted from Elkington, 1998)

*Figure 1.1* Sustainability: The Triple Bottom Line (3P)

In order to be self-sustainable, the world needs to resolve current issues and improve its status in economic, social and environmental bottom lines. When companies focus only on making big profits, global issues will inevitably increase. For example, in the economic bottom line, the recent financial crisis in banking system has caused a severe downturn in the world economy and social problems such as joblessness, crimes and bankruptcies had

<sup>1</sup> John Elkington originated the term "Triple Bottom Line". In 1987, John Elkington founded SustainAbility, a think tank and consultancy that works with businesses through markets in the pursuit of economic, social and environmental sustainability. It was later expanded and articulated in his 1998 book *Cannibals with Forks: the Triple Bottom Line of 21st Century Business*.

increased. Another example for economic bottom line, caused by ethical issues, was that of a giant company in US, Enron Corporation. Enron Corporation had filed for bankruptcy pursuant to Chapter 11 on December 2, 2001 due to corporate fraud and corruption within the company. This ethical issue had led many shareholders and stakeholders to suffer financial and emotional losses as well as many employees lost their job in one night. Enron scandal also destroyed one of the "Big Five" accounting firms, Arthur Andersen, which destroyed documents relating to Enron when the case was being investigated by Securities and Exchange Commission and found itself accused of obstructing justice.

From the social bottom line, labor and health issues created by corporations have been increasing while they are earning more profit from the world. This has been seen in most developing countries. For example, Nike has been using cheap labor extensively with long working hours to maximize its production. They are also involved in child labor. There are also more social issues, like hunger and poverty in developing countries. Some of them are rich in natural resources of high value, like gold, but they have been exploited by some corporations from developed countries in a way that the average contribution that remains in the exporting countries is much less than the profits reaped from them.

Nowadays, global warming and natural disasters have caused more and more destruction to various parts of the earth. Recently, Malaysia has experienced some bouts of weather change like a higher temperature compared to past history. When human beings increase the use of natural resources like petrol, oil and gas, the symptoms of global warming also increases in tandem. These have affected the environment and bring about more environmental issues. It can be seen that there is a lack of social responsibility in the

corporate world. Therefore, sustainability and corporate social responsibility has become more important in the business world as they create sustainable social, economic and environmental platforms for the future.

This chapter will provide a clear guidance to the purposes and of this thesis and the discussion issues that arises from this enquiry. It introduces the problem statement, the research objectives, research questions and the significance of this study. At the end of the chapter, an outline for the rest of the thesis is provided. The author of this thesis had presented analysis of this research in the conference paper and titled “Embedding CSR into Corporate Strategy: A Review of a Best Employer Company in Vietnam” in the The 1st ICBB and CSR-UN conference held in Surabaya, Indonesia on 23-24 February, 2010, pg 355-369 (Kim and Nasruddin, 2010).

## 1.2 Problem Statement

CSR is currently acknowledged as companies’ initiatives in ‘doing good’ for the benefit of mankind, which means that it is not only understood as limited to financial-related contributions. Companies need to move beyond contributing in the form of charity and donation and consider the impact of their contributions at substantive level for the TBL facets. Former Chancellor of the British Exchequer, Gordon Brown, is one of many leaders who have set the terms of engagement for companies (Mary, 2005):

*“Today, corporate social responsibility goes far beyond the old philanthropy of the past – donating money to good causes at the end of the financial year – and is instead an all year round responsibility that companies accept for the environment around them, for the best*

*working practices, for their engagement in their local communities and for their recognition that brand names depend not only on quality, price and uniqueness but on how, cumulatively, they interact with companies' workforce, community and environment. Now we need to move towards a challenging measure of corporate responsibility, where we judge results not just by the input but by its outcomes: the difference we make to the world in which we live, and the contribution we make to poverty reduction."*

If companies are judged by the results and outcomes of their CSR engagements, then, the challenge that businesses face is not only about the varied nature of CSR initiatives or programs launched in the name of environment preservation or community development, but in the context of embedding and integrating these programs as part and parcel of the companies' vision or mission and corporate strategies. Embedding CSR as part and parcel of companies' initiatives requires companies to move from inside-out, from within the business environment towards the external environment, rather than separating CSR initiatives and programs from their long/short term and day-to-day, business goals.

Why is embedding CSR into corporate strategy important? There are examples of companies facing a weak sustainability balance when the crisis started which even fell into bankruptcy because of it. If we analyze the statements related to some corporations' mission and vision which failed after crises or couldn't keep is sustainability, we can see that there is a link between the lack of CSR content in its statements and the companies' failure. For example: GM's vision is "to be the world leader in transportation products and related services, by unveiling new products and the most exciting lineup in its history. The company will earn its customers' enthusiasm through continuous improvement driven by the integrity, teamwork, and innovation of GM's people "(General Motors India, 2006). From GM's vision

and mission, the TBL is not well revealed in the strategy. Their corporate strategy is maintained at the stakeholder level and lacks sustainability and environmental content. Another example can be found in a company which filed for bankruptcy in the US, Lehman Brother. Their mission is to build unrivaled partnerships with and value for their clients, through the knowledge, creativity, and dedication of their people, leading to superior results for their shareholders. The sustainability element is not well defined in the company vision and mission. That is why some corporations cannot be as sustainable as they wish to be. Table 1.1 below shows the examples of the vision and mission of companies that filled for bankruptcy.

Table 1.1 *Example of Corporate's Vision and Mission*

Company	Mission Statement	Source
Enron	Enron's vision is to become the world's leading energy company – creating innovative and efficient energy solutions for growing economies and a better environment worldwide.	(Valores, 1999)
Lehman Brothers	We are One Firm, defined by our unwavering commitment to our clients, our shareholders, and each other. Our mission is to build unrivaled partnerships with and value for our clients, through the knowledge, creativity, and dedication of our people, leading to superior results for our shareholders.	(Mission Expert and Kinetic Wisdom, 2006)
Worldcom	Our objective is to be the most profitable, single-source provider of communications services to customers around the world.	(Randall Harris, 1998)

Therefore, embedding CSR in corporate strategy becomes crucial for companies' survival. Once CSR is embedded in corporate strategy, most of the sub-strategies will also be CSR-friendly accordingly, for example: business strategy, operational strategy, functional strategy and management practices. This study aims to overview the corporate social responsibility for a best employer corporate strategy, which is located in Ho Chi Minh, Vietnam. Attention has been given to TBL (economic, social and environmental), which determines the sustainability of a business.

### **1.3 Research Objective and Questions**

The company, a pharmaceutical trading company which specializes in eye care product, located in Ho Chi Minh City, was awarded the title of one of the best employers in 2006. The owner is a pharmacist and has successfully built three companies in a short time frame. In year 2002, he established his first company with three divisions, specializing in over-the-counter (OTC) product, injection and ophthalmology. Since then, the company has undergone rapid growth. It expanded to the whole country with five branches, located in Hanoi, Da Nang and Ca Tho. The company is also well known to the local community for their community services as well as bringing happiness to others to help them to succeed. During this period, the company has faced two crises, one related to an internal (operational) crisis in year 2004 and another external (global financial) crisis in year 2009. Today, the company, with 30 employees, has successfully been able to keep its sustainability through both the internal and external crises as well as being actively involved in helping the communities to success.

The aim of the research is to provide an in-depth case study of embed CSR in the corporate strategy. In order to achieve the aim, the research objective is:

- To understand the manifestation of CSR embedded within the corporate strategy of the business organization.

The research questions will be articulated in several propositions. The research attempts to answer the following questions:

- What does the company do when it move from inside-out, to embed CSR as day-to-day business environment?
- What does business sustainability means for the business organization which embed CSR in its day-to-day business environment?

#### **1.4 Significance of Study**

The primary focus of this study is to explain what is meant by embedding CSR into corporate strategy by using it as a driver for improved long-term business performance in dealing with the complexities of today's operating environment. The significance of this thesis is to uncover the owner, managers and employees' perceptions of CSR and certain CSR behaviors, focusing on the company's social practices. CSR activities in the companies were based on moral or altruistic motivations with a focus on both production-process and philanthropic outcomes. This study aims to perceive how the company embeds CSR in its corporate strategy and what does it mean for the company.

This company affirms CSR as part and parcel of the company on day-to-day activities for its long-term sustainability. The company embeds CSR within or move inside out into vision, mission and corporate strategy rather than separated it as a different activity. It has driven greater success in enhancing CSR in corporate strategies towards sustainability of the business.

The usage of Balanced Scorecards (BSC) as a tool for the study of sustainability in a case company can be a good example to contextualize the embedment of CSR into corporate strategy. The small entrepreneurs or organizations are able to apply “sustainability” balanced scorecard where traditional BSC has been combined with the TBL in order to analyze their CSR initiatives in relationship with corporate strategy.

### **1.5 Delimitations of the Study**

The thesis focuses solely on the company itself. Hence the effects of CSR on suppliers or customers are excluded. It should also be made clear that the author deliberately chose to investigate the benefits of adopting CSR practices for owner’s organization only. Moreover, the thesis is not aimed to give any benchmarking for the industry practice nor it is providing any recommendations in terms of how other companies should implement CSR practices. Rather the author has presented a detailed case analysis in order to make this phenomenon more understandable from the BSC perspective. Therefore, it is not appropriate to generalize from the empirical findings. However, the findings could be further tested in a quantitative manner.

## 1.6 Organization of Remaining Chapters

This study intends to present a business case (located in Ho Chi Minh, Vietnam) of what it means to embed or in another word, internalize CSR within its business environment, and externalize CSR beyond its focus on environment. The chapter is organized as follows.

- In the Introduction, the research problem, the problem statement, the research objectives, the research question and the significance of study have been reviewed.
- In the Literature Review, some theme of CSR, TBL and corporate strategies are studied in this chapter. The relationship between BSC and sustainability also been review in this chapter.
- In the Proposed Methodology, the qualitative research that uses case study method is described briefly. Primary data that uses semi-structured questionnaire interview protocol is explained. Secondary data using external source that had been widely use during preliminary study is also discussed in this chapter.
- In the Country Profile, the history and background of Vietnam have been studied. The PESTEL analysis is used to further analyze and scan the country's environment for the CSR perspective.
- In the Industry Profile and Company Profile, the background of the pharmaceutical industry and company profiles has been reviewed.
- In the Case Write Up, the depth and breadth of the case is reviewed.
- In the Case Analysis, The company strategy is reviewed with the four perspectives of the Balance Scorecard (BSC). The BSC framework is also used for the company internal organizational features towards corporate strategy.
- In the Conclusions, the practical contribution and usefulness of findings are reviewed.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter's aim is to give further understanding of the case concept meant by the words "embedding CSR in the corporate strategy". Literature for corporate strategy, CSR and sustainability, Balanced Scorecard (BSC) and sustainability will be reviewed in section below.

#### 2.2 Corporate Strategy

In the military field, the word "strategos" was used in Greek to mean "General" and the main task of the general is to lead, to direct and to conquer. There are books based on the translation of the earlier development of military operations and war to business strategy, for example "The Art of War" - the oldest military manual written approximately in 400-320 b.c. by an ancient Chinese general, Sun Tzu. It has been widely used in the corporate world. "Strategies are means to ends, and these ends are related to the purpose and objectives of the organization. They are the things that businesses do, the paths they follow, and the decisions they take, in order to reach certain points and levels of success" (Thompson, 2001). According to Johnson and Scholes (2005), "strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations". Strategy has also been defined as 5 "P's", which are Plan, Pattern, Position,

Perspective and Ploy (Henry Mintzberg, 1987). Mintzberg (1994) argues that strategy emerges over time as intentions collide with and accommodate a changing reality. Thus, one might start with a perspective and conclude that it calls for a certain position, which is to be achieved by way of a carefully crafted plan, with the eventual outcome and strategy reflected in a pattern evident in decisions and actions over time. This pattern in decisions and actions defines what Mintzberg called "realized" or emergent strategy.

There are three levels of strategy in business: corporate strategy, business unit strategy and functional strategy. According to Kenneth Andrews (1980), "corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities". Johnson and Scholes (2005, pages 11-12) define it as "corporate-level strategy is concerned with the overall purpose and scope of an organization and how value will be added to the different parts (business units) of the organization".

Corporate strategy usually applies to the whole corporate, while "business strategy", defines to the products or services that serve as individual businesses within the firms (Kenneth Andrews, 1980). According to Barnes (2008), "business strategy depends on the market requirements (such as customer desires and success criteria in the market), the environment (such as competition, technological advances, and government regulations) and the organizational competencies (such as its core capabilities, its culture, and strengths and

weaknesses)". For small companies, the corporate strategy and their business unit strategy usually are identical while for a big company, there are differences (Figge et al., 2001). To support and align with the business strategy, there are functional strategies, for example, operations, marketing, and human resources (Barnes, 2008). There are also operations strategies that support the business operations. According to Slack et al. (2004), "operations strategy concerns the pattern of strategic decisions and actions which set the role, objectives and activities of operations". Operations strategy addresses very broad questions about how these major resources should be configured to achieve the desired corporate objectives (Barnes, 2008). Porter (1987) argues that corporate strategy is what makes the corporate whole add up to more than the sum of its business unit parts and to survive.

Companies must understand what a good corporate strategy is. On this concern, it has been suggested (Porter and Kramer, 2006) that an organization has to take into account the social responsibility principles before designing its corporate strategy. Therefore, to embed CSR initiatives into corporate strategy in order to ensure the sustainability future becomes important. In the following section, literature about corporate social responsibility and sustainability will be further reviewed.

### **2.3 Corporate Social Responsibility (CSR)**

What is the reason for the emergence of a corporation? Corporations exist because there are needs in the society that need to be fulfilled. When societies have demands, a corporation will appear in order to serve its needs. According to Handy (2002), a good business is a community with a purpose, and a community is not something to be 'owned'.

Therefore, the existence of the corporation is not only to fulfill the needs of society, but be also responsible for the society as a whole.

*“For us in business, I can see only one sure course to follow. Call it common sense, call it policy, call it anything you like. To my mind, industry must aim for, exist for and everlastingly operate for the good of the community. The community cannot ride one track and business another. The two are inseparable, interactive and interdependent.”*

Cleo F. Craig

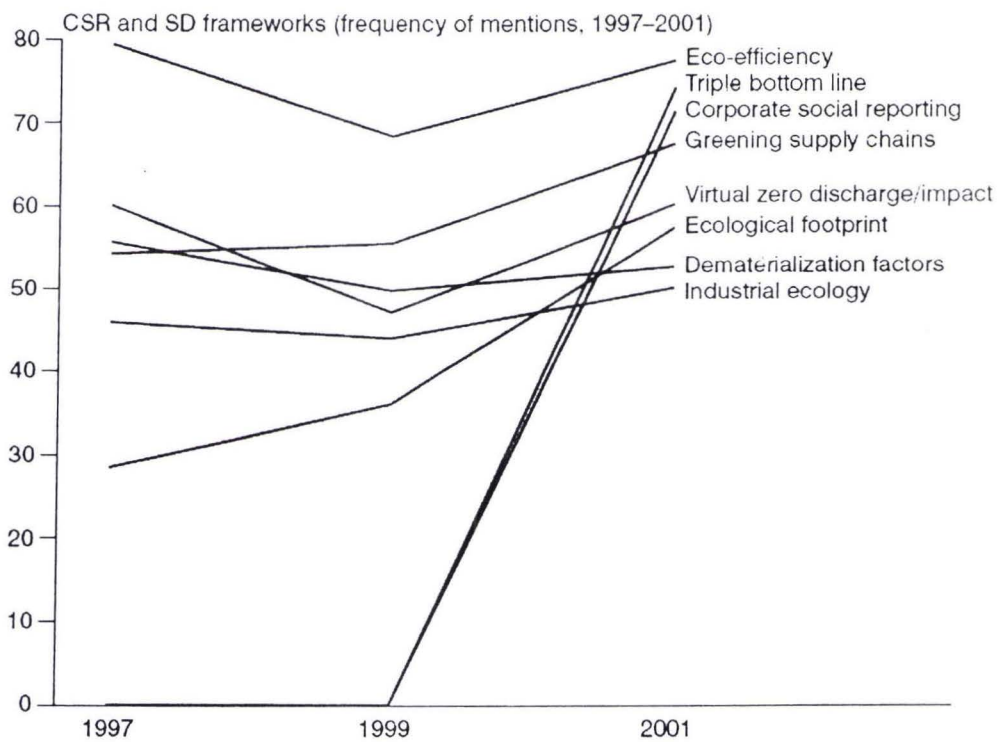
President, AT&T, 1951-1956

In general, CSR is built on three words: ‘corporate,’ ‘social,’ and ‘responsibility’. Therefore, in broad terms, CSR covers the responsibilities corporations (or other for-profit organizations) have to the societies within which they are based and operate. This includes environmental, economic and social perspectives, the triple bottom line. The Commission of the European Communities (2001), defines CSR as “the voluntary integration, by companies, of social and environmental concerns in their commercial operations and in their relationships with interested parties”.

### **2.3.1 CSR and Triple Bottom Line**

Nowadays, many uses of the “Triple Bottom Line” are simply synonymous with “corporate social responsibility” (CSR) (Norman and MacDonald, 2003; Mowat, 2002; Price, 2005). For example, CEO of VanCity (Canada’s largest credit union) defines “the ‘triple bottom line’ approach to business” as “taking environmental, social and financial results into

consideration in the development and implementation of a corporate business strategy” (Mowat, 2002; Norman and MacDonald, 2003). Therefore, the economic, social and environment bottom line has become important to realize the goals of sustainability. However, there are arguments supporting the view that the TBL is only a social constructivist perspective (Price, 2005). There are also debates about the term TBL and many agree with its fundamental role in enhancing good social conditions and helping to preserve the environment, though there are also many who disagree with it. Nevertheless, the TBL has shown a positive growth in CSR and sustainability development frameworks to ensure companies’ sustainability as it is shown in *Figure 2.1* below.

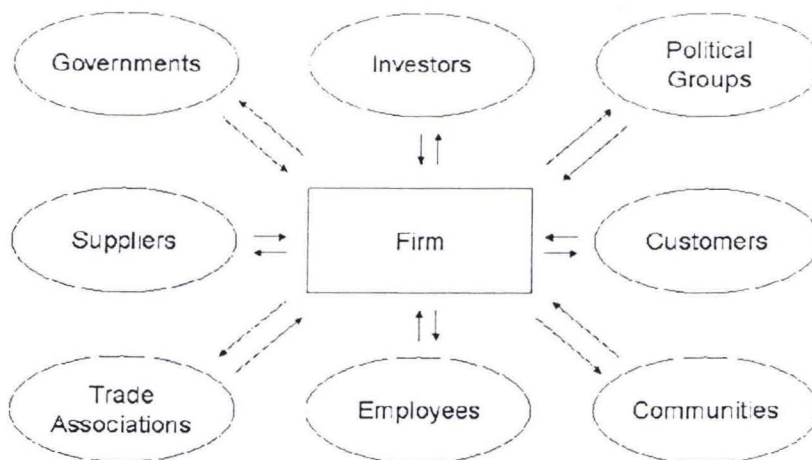


(Source: Adapted from Elkington, 2004)

*Figure 2.1* The Triple Bottom Line Trend

### 2.3.2 Stakeholder Theory

Another term that is always brought up as the central part of CSR is the stakeholder theory (Clarkson, 1995; Davenport, 2000; Vogel, 2005; Maon et al., 2008; Blowfield & Murray, 2008; cited in Yifan and Carl, 2009). According to Freeman (1984; cited in Yifan and Carl, 2009), stakeholders are “groups and individuals who can affect, or are affected by, the achievement of an organization’s mission”. Donaldson and Preston (1995), based on Freeman’s stakeholder theory, have developed a model showing eight types of fundamental stakeholders related to a firm. These are investors, political groups, customers, communities, employees, trade associations, suppliers and governments. According to Phillips (2003), organizations depend on their stakeholders for their successes and their failures. Therefore, he argues that the stakeholder theory is a theory of organizational management and business ethics that addresses morals and values in managing an organization.



Source: Donaldson and Preston, 1995

(Source: Donaldson & Preston, 1995)

Figure 2.2 The Stakeholder Model

A company may be contemplating stakeholder engagement to help articulate its values, mission, strategy, commitments and implementation and to avert or solve a crisis or to proactively improve relationships (TID, 2009). Ethics in businesses are also considered to be part of the CSR. According to Hopkins (2008), "CSR is concerned with treating the key stakeholders of a firm or institution ethically or in a responsible manner. 'Ethically or responsible' means treating stakeholders in a manner deemed acceptable in civilized societies." There are also other elements that are to be considered as part of CSR such as values, attitudes and behaviors that ultimately are the basis of any bottom line (Price, 2005). In the following section, literature about embedded CSR into corporate strategy will be further reviewed.

#### **2.4 Embedded CSR into Corporate Strategy**

To be sustainable, CSR requires a more holistic strategic thinking and a wider stakeholder perspective. On this concern, Porter and Kramer (2006) have suggested that in designing the corporate strategy, an organization takes into account the social responsibility principles. Hence, embedding CSR in businesses is argued to be important for the company's sustainability and long run profitability (Sir Michael & David, 2009; TID, 2009).

According to TID (2009), a successful corporate responsibility requires an integration of CSR into business's strategy as well as its in-process operations. When there is no clear strategic framework, CSR practice often results in a poor hodgepodge of uncoordinated CSR and philanthropic activities, disconnected from the company's strategy. It neither makes any meaningful social impact nor strengthens the firm's long-term competitiveness (Porter and Kramer, 2006; cited in TID, 2009). Therefore it need to balance their long-term objectives

against any short-term costs as well as business and social benefit. Thus, to achieve these, a strategic framework should align the company with the dynamic demands of the business and social environment, as well as the confluence of stakeholder expectations (TID, 2009).

Therefore, to embed CSR into corporate strategy, the company shall have a group of people is in charge of the CSR and to create the CSR awareness within the company itself (TID, 2009). TID (2009) argues that it is important to create CSR awareness from the top-down, which is proactively from the top executive awareness to influence on CSR integration into corporate strategy and implementation. There are several research highlights the CEO's role in orienting the ethical norms of the company (Waldman et al, 2005) as well as the presence of employees' values in the workplace (Robertson, 1991). Therefore the recognition from its boards of directors, CEO, senior management or owners that some sort of CSR-related problems, opportunities or challenges become important to embark the CSR within the company and to move inside out from the company(TID, 2009).

Corporate norms and values play critical roles as prerequisites for any company to actively embark on CSR (TID, 2009). In general, corporate norms and values guide behaviors and decisions within the company (Collins et al, 2004). They support a company's efforts to fulfil its vision and goals and in order to ensure its continuity, a CSR initiative must in turn align with the values, norms, and mission of the company (TID, 2009). There also some research that shows there are positive effect of corporate norms and values on a company's CSR. Nevertheless, to embed CSR into corporate strategy successfully, corporate strategy shall emerge over the time changes to maintain the sustainability. Besides ensuring sustainability, strategic CSR initiatives can also be a business advantage to a company and

create a unique position to provide better opportunities for long term survival. This will be further discussed in the following section 2.4.1.

### **2.4.1 CSR Initiative as a Business Advantage**

Today, companies are operating in a very competitive global marketplace. For a company to be sustainable, strategies must go beyond its best practices. It needs to choose a unique position, which is doing things differently from its competitors to create a competitive advantage for its own company. According to Porter and Kramer (2006), CSR can be a source of opportunities, innovation, and competitive advantages. Companies can make strategic choices according to their CSR initiatives. They can develop business strategies within one or two aspects of CSR around which develop a competitive advantage, for example: a company can become compliant with standards (requirements) and then create niches in specific areas of CSR that are more strategic to their companies (Strandberg, 2002). Companies in certain sectors believe that their key to survival lies in providing products and services acceptable to broad public interests (in order to avoid falling out of the business). There are some companies that have chosen CSR initiatives as competitive advantages. For example: Volvo uses the car safety as the element of its competitive positioning, while Toyota has built the environmental friendly hybrid engine as its competitive advantage to boost its positioning (Porter and Kramer, 2006).

CSR also can play a role in building good brand perception and company reputation based on distinctive ethical values (TID, 2009). Several famous brands, such as e.g. the Body Shop, Whole Foods Market, American Apparel, and Panasonic have built their enterprises on ethical values such as members' ownership, human dignity, ecologically sustainable

operations and socially responsible practices (TID, 2009). Table 2.1 below are example that the company chosen CSR initiative in the different business advantages.

Table 2.1 *CSR and Business Advantages*

<b>Business Advantages</b>	<b>CSR Initiatives</b>	<b>Companies</b>
Brand And Reputation - building good brand perception and company reputation	Green Marketing, built the enterprises on ethical values such as members' ownership, human dignity, ecologically sustainable operations and socially responsible practices	Body Shop, Whole Foods Market, American Apparel, Home Depot
Human Resources - increase morale, reduce absenteeism, increase the commitment of workers to the organization and increase productivity	Fair employment practices, diversity initiatives, giving employees a voice, bonus schemes, and the like)	British Telecom
Cost - cost reductions	Reduce pollution and hazardous waste, reuse or recycle materials, and operate with greater energy efficiency and more efficient use of water	DuPont, Herman Miller Inc.

(Source: Adapted from TID, 2009)

Besides that, according to Heslin and Ochoa (2008), strategic CSR initiative also “provide opportunities for organizations to learn from the projects invested and use that knowledge to build the organization’s core competencies, while simultaneously improving

social or environmental conditions. CSR initiatives can be used as learning laboratories to study different ideas, methods, and processes without the time pressure and other typical constraints on the delivery of commercially contracted products and services. Knowledge gained through CSR endeavors can flow back into the organization and drive new innovations throughout the company". This will attract more employees to work in the knowledgeable company.

Strategic CSR involves both inside-out and outside-in dimensions working in tandem. Therefore in the section 2.4.2 below, a possible appropriate conceptual framework, Balanced Scorecard for sustainability management is discussed to overview the CSR in the corporate strategy.

#### **2.4.2 Balanced Scorecard (BSC) and Sustainability**

Today, corporate social responsibility becomes important to embed it into corporate strategy. One of the fundamental opportunities for the CSR movement is "how to effectively align consumer and employee values with corporate strategy to generate long-term cognizant benefits -- a better understanding of precisely with whom, what, when, where, how and why an enterprise makes a profit or surplus" (Crawford and Scaletta, 2005). CSR not only a prominent research theme but it can also be found in corporate missions and value statements (Svendsen et al., 2001). Therefore, a strategic orientation driven by actual shareholders' needs and expectations, focused on the organization's mission and supported by an integrated performance-measurement system like the Balanced Scorecard (BSC), can greatly assist the management in steering its organization in the right direction and facing the competitive challenges of the new millennium (Samir & Subrata, 2006).

Balanced Scorecard has often been discussed as a possible appropriate conceptual framework for sustainability management (e.g. see Bieker et al., 2001; Figge et al., 2001; Orssatto et al., 2001; cited in Bieker, 2002; Margareta et al, 2006.). One of the reasons is that BSC is a common and well known management tool. From a survey (more than 1300 western companies' top executives were reviewed) shown in Table 2.2 below, the implementation of BSC is higher compared to other well-known management tools (Margareta et al, 2006). Therefore, there are big companies that choose this tool to promote management strategies with CSR and put them into practice. One of the examples is the Mitsubishi UFJ Financial Group. According to MUFG (2007), "BSC is a framework to work toward organizational objectives through the development of strategies based on multiple dimensions-not only the financial perspective (i.e., profits), but also considering customers and society, internal processes, human resources, and management infrastructure." This has allowed them to understand how they seek to improve the quality of their strategies and keep the company on the path of sustainable growth.

Table 2.2 *BSC vs Other Management Tools*

<b>Management tool</b>	<b>Score (0=lowest; 5=best)</b>
Mission/Vision	3.68
Balanced Scorecard	3.54
Strategic Planning	3.5
Customer Satisfaction Monitoring	3.45
Strategic alliances	3.35
Total Quality Management (TQM)	3.3
Activity-based Cost Management (ABC)	3.14

Reengineering	3.05
Performance driven motivation	3.02

(Source: Margareta et al, 2006)

The classical BSC tools lack social and environmental aspects. However, there are few frameworks that integrate the social perspective into the BSC for sustainability development (Bieker et al., 2001; Figge et al., 2001; Orssatto et al., 2001; cited in Bieker et al., 2002). Classical BSC has included social and environmental aspects to become a Sustainability Balanced Scorecard (SBSC) (Epstein & Wisner, 2001). There is also discussion to add additional perspective, like the implementation of a non-market perspective into the classical BSC, which would become the fifth perspective (Figge et al., 2001; Bieker et al., 2002; Margareta et al, 2006). Some researchers even integrate the TBL in the BSC to transform it into a sustainability management tool (Margareta et al, 2006). A research suggests replacing the financial perspective with a sustainability perspective that would include social and environmental objectives (Leung, 2002). From the research above, we can understand that integrating social, economic and environmental aspects in BSC has become more popular and there are many companies that use this tool as their corporate management tools. Table 2.3 below shows examples of companies that successfully integrated CSR initiatives (mainly on social and environment aspect) in the BSC tool.

Table 2.3 *List of Company Using BSC Integrated with CSR Perspective*

<b>Company</b>	<b>Source</b>
Textiles Ltd.	Figge et al., 2002
Lunds Energi, Novartis, Novo Nordisk and Shell	Zingales, F., Hockerts, K. (2003)
Mitsubishi UFJ Financial Group	MUFG (2007)

## 2.5 Summary

As a summary, CSR initiatives become important for company's long term profitability and sustainability. For most companies, CSR initiatives are still constrained to the financial form (charity, donation, scholarship and etc). However, the recent growing trend is to consider it from a social, environmental and economic perspective. Therefore, TBL has become a famous theme for sustainability development recently. Nevertheless, to ensure that the corporations practice their strategic CSR initiatives successfully, the perspective of integrating or embedding CSR into corporations' strategies becomes important. This is because corporate strategies are the most important to be taken in account in a company.

To be sustainable, firms need to go beyond strategies and be innovative to create opportunities that include concepts from CSR. Strategic CSR initiatives not only will bring opportunities and a path to innovation, but can also be a competitive advantage for a company. There are successful cases like Toyota and Volvo that have used CSR as a competitive advantage to promote their products.

The From Table 2.3 above, it can be seen that most companies integrated CSR in their business practices by using BSC tool for the sustainability development. BSC is a useful methodological tool that integrates better the stakeholder demands into the core management system of corporations' model (Bieker, 2002). However, to embed CSR into the corporate strategy successfully, new guidelines will need to emerge over the time to maintain sustainability.