



INVESTIGATION THE LINK BETWEEN COMPETITIVE ADVANTAGE & CORPORATE SOCIAL RESPONSIBILITY FROM CONSUMER'S VIEW

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Abstract- This study attempts to get this point that whether the social responsibility in Iran for client can be a competitive advantage or not? And basically, how important is social responsibility issues for consumers and separate a company having social responsibility from the other competitors? In this study, social responsibility will define in five dimensions include: leadership, market, society, workplace, and environment while statistical data is collated from Shahrvand chain stores customers in Tehran. This store has 23 branches throughout Tehran and seven branches have randomly been chosen in such a way that diversity principle is met. To test the research hypotheses, a questionnaire consisting of 20 questions each with 5 options using Likert scale were randomly handed in to 267 customers in relation to number of consumers in each branch. Results of the research have suggested that there is a direct relationship between social responsibility and obtaining competitive advantage in products. It can be generally purported that nowadays social responsibility as a behavioral commitment plays a paramount role in all organizational activities.

Key words- Social Responsibility, Competitive Advantage, Leadership, Environment.

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Introduction

Responsibilities that companies bear toward society have become a focus of attention in recent years and refer back to approximately 50 years ago. CSR concept has gained unprecedented momentum in organizational and managerial literature in recent years. Shell group first proposed the concept of triple-report of profitability limit. This concept scrutinizes corporate performance report in three areas of economy, society and environment. According to Diluit toch towe mossetow in 1999 more than 500 multinational companies included some of the criteria pertinent to social and environmental performance in their reports. These days, organizations are highly expected to observe transparency principle and to constantly evaluate report and revise their economic, social and environmental performance.

At the outset of 1990s, organizations just had to follow economic aspects in their mission declaration whereas at the present time two of the fundamental dimensions of mission declaration are social and environmental considerations. In 1960s too, social responsibility and intellectual values were taken into account by pioneers in the concept of strategy. Igor Ansef (1965) in his book ((corporate strategy)), reiterated the impact of non-economic objectives upon altruism, principles of personal behavior, social responsibility, so-

cial position and credit [23].

On the other hand, CSR affects all facets of a corporate. Ever increasingly, costumers are willing to buy products of more reliable and trustable companies. Suppliers also show much more a strong-tendency to establish partnership with reliable corporation.

Clerks are much more wholehearted to work for companies that appreciate them highly. Big investors are keen on sponsoring companies bearing high social responsibilities and also non-profit institutions and non-government organizations are enthusiastic about establishing mutual ties with corporation seeking practical solutions for companies' goals. Increased satisfaction of each investing group will enable corporation to escalate their commitments towards the owners. According to Carly Fiorna the former executive head of Packard-Hewlett Company, successful companies are those that demonstrate their performance, prove their profitability and promote social values. Owners, customers, partners and clerks will voluntarily vote for such companies. Trust is a new phenomenon and a rudimentary element in business. CSR is of paramount importance for success for it provides companies with ideas and strategies exigent for initiators to employ. Growing and developing businesses in today's global market are those capable of regulating most of interests much in favor of their multi-stakeholders [24].

Thereby, examining the relationship underlying between social responsibility and obtaining competitive advantage is taken into consideration.

Statement of the Problem

In 1960s and 1970s there have been lots of vital alterations in companies' activities and structures. In those decades, revolutionary and awareness raising social movements increased level of people demands and expectations toward companies. People came to the belief that companies must make use of their huge financial resources and social prerogative to obviate social hassles such as indigence, violence, environmental protection, health care and improvement of educational status. In the present decade, a set of responsibilities named as social responsibility is added to traditional duty of economic responsibility [4].

Companies' social responsibility is systematized in such a way that it creates sustainable values for society in general and for stakeholders in particular. Purview relevant to business procedure bears one of the most dynamic and challenging issues that corporation leaders cope with for the time being. Therefore at the present time managers do not just seek out duties such as planning, organizing and controlling; rather, for them to be regarded as effective and efficacious such duties as responding to social needs and citizen's demands and also meeting domestic and foreign customers' wants are of higher significance. Indeed, companies go further afield of their traditional role of gaining profit, paying tax, hiring employees and obeying the law and will play much more a determining role in materializing greater social aims. Social responsibility of companies is an approach of high excellence to business which accounts for social impact of one organization upon community whether external or internal and whose goal is to gather together all sectors including governmental, private and volunteer ones to collaborate with one another so that economic interests become convergent with environmental considerations on one hand, and sustainability and growth in business take place, on the other hand [14].

BSR institution has provided a definition for social responsibility as follows: ((attaining success in business through respecting ethic values, people, society and environment)). In another definition Froman (1993) defined the aforementioned term as: ((measures taken by company to increase its level of social welfare considerably)). On the other hand, competitiveness is a process by which every entity tries to surpass the other in terms of performance. Gaining competitive capabilities which is one of the crucial challenges of various countries in international scenes is every corporate competitive advantage ((distinctive features)) or that corporate facets that enable the company to deliver services better than its rivals to customers [19].

In fact, it can be said that companies which are honest in their activities show great commitment toward their social responsibilities and greater profitability will be achieved therewith. The main reason behind some managers losing their previous jobs and failing in their businesses was that they had not improved their personal behaviors before they gained their positions and consequently failed in their business battlefield [18].

In this research, the effect of five factors upon obtaining competitive advantage for the company is examined from the perspective of costumer. In fact, this study accentuates the important role of organizations and companies on social system and emphasizes that their activities should be arranged in such a way that they

maximize positive results and minimize negative ones; subsequently, they satisfy long term needs of community and make some tremendous attempt to avert probable problems.

Literature Review

Managers have different opinions regarding accepting social responsibilities and therefore bring various reasons to reject or admit them. According to a research results conducted on 560 executive managers of big companies in America, more than 97% expected that taking social responsibility would increase their prestige and reputation while 59% looked ahead to see a decrease in their short term profit. In a research carried out by Brien, Gelb and Trannell in 1972, paying particular attention to CSR principles in marketing activities was highly emphasized.

To Kotler (1997), a constant marketing system perceives consumers needs and meets them to improve their living conditions. Hence, apart from activities pertaining to business organizations also undertake some responsibilities whose negligence can impose irrecoverable damages to people in the society. In a public survey on the social responsibility of companies in September 1999 in US, two out of three citizens tended to see companies exceeding their traditional duties such as gaining profit, paying taxes, hiring clerks and obeying state rules and play a greater role in realizing intellectual and ethic values within the community [8].

Adaiani and Becjeot (2002) in an article named ((fair trade: a third generation welfare)) have pointed out that many companies not only do turn the focus of their advertisement to price and quality, but also they focus on ethic principles as a competitive advantage for their products stating that ethic tags of a corporate is considered to be one of the most essential competitive factors in the market. Lind Felt (2002) in a survey reached the conclusion that employing ethic codes is one of the most crucial approaches for company survival following the development of globalization process [17]. Prisch, Gupta and Grau (2002) claimed that CSR plans can be effective in terms of increasing customer loyalty and positive attitude toward the company and also decreasing consumer's doubts and hesitations. Klain & Dawor (2004) believe that CSR plays an indispensable role in creating excellent brand and favorable product position in customers mind. Raj. O Batrou (2004) also carried out a research on effect of products mental image on customer's beliefs and motivations. In their research they analyzed how social responsibility can affect consumers' idea.

It should be added that Stephan Robbinz in part of his book ((organizational behavior)) mentioned some organizations which tried to pay more attention to minority groups such as women (as opposed to white men in selection process) so that they could bridge some rifts in the society made by discrimination existing between different people throughout the community. In this section, noticing the social responsibility (considering human rights) in corporation has received particular interest. Staoubus (2005) purported that failure in ethics within company is in fact confronting with failure of total activity of a company [19].

EI-Ansary and Cern (2005) believe that by merging social responsibilities into marketing activities company will gain competitive advantage which in comparison with rivals enjoys a higher degree of sustainability. The results obtained from the model suggest that after having shaped a CSR-oriented image with the goal being competition in market, customer started to have much more a positive attitude toward the company in their mental ranking leading to

place the corporate in a higher position afterward. Kramer and Porter (2006) in their survey found out that paying attention to social responsibility in companies leads to competitive advantage and improvement of company's mental image in consumer mind [19]. In another research done by Toshiba company in 2006 it was determined that regarding CSR would engender a promotion in company mental image and subsequently sustainable growth would occur. Chatterje (2007) asserted that considering social responsibility is one of the most paramount competitive tools in the globalization era [9]. Labbai (2007) also believed that ethical marketing practice is the best type of marketing and that good marketing will attract long term customers while keeping them satisfied accordantly [9].

Conceptual Model

Conceptual model and variables in the following research are taken from Porter and Micheal article (2006) as shown in Fig. 1 [19]. In this research, social responsibility which is measured with 5 indexes using questionnaire and interview is considered as independent variable and competitive advantage as dependent variable.

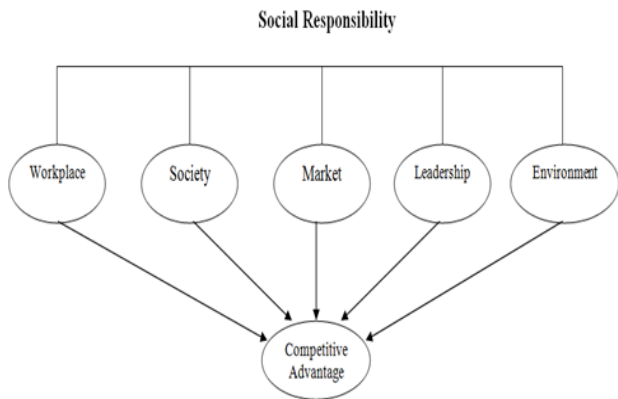


Fig. 1- Conceptual Model [19]

It can be said that CSR is defined as paying attention to social role of companies beyond merely considering profitability and such. This matter is true for a company that adapts itself with ethical values, transparency, clerk relations, meeting legal requests and public respect for the society within which it operates (south, china morning post, 2002). Companies which essentially coordinate their systems with the society and create framework in which social responsibilities are consistent with business decisions will realize that CSR can be a source of opportunity, innovation and competitive advantage [19].

Research Hypotehses

On the basis of the research conceptual model following hypothes have been formulated. In this study, so as to measure the variable of social responsibility information from ((Vigo social responsibility taking institution)) was used according to which social responsibility comprises of 5 dimensions as follows: human resources (workplace conditions), environment, customers and suppliers (business behavior), society and leadership. Dimension of social responsibility in leadership incorporates social responsibility of organization in leadership and intra-organizational processes, mission and outlook, policies and procedures, ethical codes, regulations and laws as well as corporate governance. Leadership dimension of a corporate is the extent to which management of that

corporate is transparent and efficient vis-à-vis stakeholders and shareholders. Vigeo institution defines the indexes involving in corporate leadership and CSR as following:

Board of direct, Internal control and auditing mechanisms, Shareholders rights and Rewarding system for managers. Thus the first hypothesis in the present study is defined as:

H1-considering social responsibility in leadership dimension leads to obtainment of competitive advantage for company from the perspective of consumer.

Social responsibility dimension in market and industry concerns suppliers of supply chain, consumers rights, pre-planned social investment, responsibility for products, on time and accurate tax payment and influence in productivity and economically. The variable of business behavior related to CSR is in fact attending to customer needs and demands, adopting flexible attitude and establishing transparency toward consumers. Vigeo institution defines the factors involved in customers and suppliers dimension (business behavior) of CSR as follows:

Quality of relationships with customers, Quality of relationships with suppliers, Quality of relationships with minor dealers, Averting corruption and Anti-competitive measures. Thus the second hypothesis in this research is defined as:

H2-Taking social responsibility in market dimension into account brings about competitive advantage for company from the perspective of consumer.

Dimension of social responsibility in the society comprises of social entities, charity donations sponsorship for social crises, job development and fight against unemployment, regarding human rights, voluntary activities as well as supporting volunteer employees. CSR society variable is defined as how one converge companies' interests with that of society interests and also scope within which company operates. Factors including in this variable have been specified by Vigeo institution:

Promoting socioeconomic level of the society, Social implications of goods and services related to companies, Participate in public interests and Contribution of human rights organizations. Thus the third hypothesis is formulated as follows:

H3-Taking social responsibility in terms of society dimension into consideration causes the attainment of competitive advantage for corporate from the perspective of consumers.

Social responsibility in workplace is composed of immunity of workers, training and enabling clerks, good work, human rights, honesty, transparency in performance and prevention of bribery and financial corruption. Dimension of CSR workplace conditions is consisted of: constant improvement in working conditions, evaluation of job skills and recruiting process, improvement in industrial ties and holding social meetings between senior management and clerks. Vigeo institution defines the elements engaged in CSR workplace conditions as following:

Social dialogue, Working conditions, Clerk's immunity and health care, Quality of management and clerk's promotion system and Quality of rewarding system. Thus the fourth hypothesis of the study is presented as:

H4-Paying attention to social responsibility in workplace engenders competitive advantage for the company from the perspective of consumer.

Dimension of social responsibility in environment includes diminishment in deleterious impacts of organization's technologies and properties upon environment (water, weather and soil), reduction in

pollutants, right energy consumption, decrease of dregs and their recycling, development of green technologies and eventually sustainability of resources. CSR environment variable is defined as degree of corporate attention to effect of its operation on environmental pollution. Vigeo institution defines the factors involved in this variable as:

Paying attention to environmental protection in productive processes, Attend to environmental protection in distribution process, Optimized consumption of rare resource and marketing the goods. Thus the fifth hypothesis in the present survey is defined as:

H5-Regarding social responsibility in environment causes the achievement of competitive advantage for company from the perspective of consumer.

There are multifarious views on the value of adoption of CSR principles by companies. Some experts believe that social problems must be surmounted by governments. They maintain that organizational recourses are not sufficient for solving social difficulties and hence it is not a sagacious idea to squander organizational resources to obviate social hassles. Another group of pundits believe that although governments are mainly liable for social problems, organizations role in this regard is effective. They argue that because nowadays economic power is transferred from governments to organizations, organizations must participate in the process of solving social problems.

Methodology and Measures

Statistical data is collated from Shahrvand chain stores customers in Tehran. This store has 23 branches throughout Tehran and seven branches have randomly been chosen in such a way that diversity principle is met. Sampling method is divided into two random phases. Firstly, sample volume was calculated using Koceran formula and then it was examined on the basis of distribution of statistical range among department stores. Sample volume was distributed among them in relation to average numbers of daily customers and cluster method was applied to hand in samples to consumers. Statistical sample volume is determined using Koceran formula as follows:

$$n = \frac{Z^2 \cdot x \cdot p \cdot q}{e^2}$$

P: percentage of congruence in responses (%5) and *e* : acceptable degree of error considered (0/06).

Questions are taken from Porter and Micheal (2006) article and are divided into two parts: one section concerns population issues (4 questions) and another part relates to research hypotheses based on Likert scale (5 scales) out of 20 questions [19]. Hence, questions from 1 to 5 is used to measure workplace dimension, 6 to 10 for environment, 11 to 14 for business, 15 to 18 for society and at last 19 and 20 to measure leadership dimension. Moreover, mean of *Chronbakh's Alpha Coefficient* for the variables is calculated 0/852.

Hypotheses Testing and Analysis

As is shown in table 2, level of validity for hypotheses is 000/0 = α suggesting that test is meaningful. Therefore, all hypotheses (H1, H2, H3, H4 and H5) are confirmed with 99% assurance. Therefore: More attention to leadership dimension leads to attainment of competitive advantage in companies from the perspective of consumer and vice versa.

consumer and vice versa.

Paying more attention to business dimension (market) brings about attainment of competitive advantage in companies from the perspective of consumer and vice versa.

Paying more attention to society dimension engenders attainment of competitive advantage in companies from the perspective of consumer and vice versa.

Paying more attention to workplace dimension brings about attainment of competitive advantage in companies from the perspective of consumer and vice versa.

Paying more attention to environment dimension causes attainment of competitive advantage in companies from the perspective of consumer and vice versa.

Table 1- Questionnaire Contents

Leadership
Distinguishing companies on the account of presenting authentic information on their objectives
Distinguishing companies on the account of presenting regular non-financial reports to customers
Business
Distinguishing companies on the account of being honest while advertising their products
The degree to which companies pay attention to informing consumers about their products
The degree to which companies pay attention to informing consumers about their post-buy services
Distinguishing companies on the account of replying customers complaints
Society
Distinguishing companies on the account of their cooperation with charity organizations
Distinguishing companies on the account of sponsoring waifs and orphans
Distinguishing companies on the account of training local workforce
Distinguishing companies on the account of their contribution to solve social problems
Workplace
Distinguishing companies on the account of paying attention to morale healthcare of the clerks
Distinguishing companies on the account of enabling clerks
Distinguishing companies on the account of improving clerk job skills
Informing clerks about the negative consequences of bribery
Awareness about discrimination in hiring employees
Environment
Paying attention to protection of ozone layer
Distinguishing companies on the account of taking care of the environment
Considering the use of recyclable material
Noticing the optimized use of rare raw material in the company
Spending more money on some goods

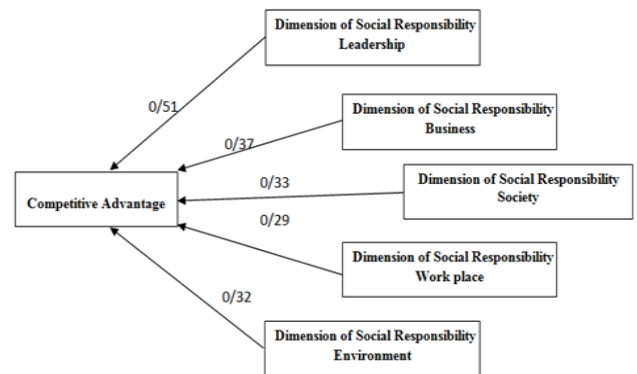


Fig. 2- Linear Regression Result

Based on the results obtained from regression test (Fig. 2), there is a meaningful relationship between all independent variables and competitive advantage. Considering obtained Beta, dimension of social responsibility in leadership achieved the highest Beta coefficient with 0/51. Next places are for business dimension with 0/37, society with 0/33, environment with 0/32 and eventually workplace with 0/29 Beta coefficient. Direction of the effect of all these variables is direct and positive. R² suggests that 81% of changes in dependent variable can be delineated with other variable within the model.

Table 2- Hypotheses Testing Results

1-Relationship between paying attention to social responsibility in leadership dimension and gaining competitive advantage			
Meaningful level	Gama Index	Candal Index	Statistical Test
0/000	0/868	0/578	
2-Relationship between paying attention to social responsibility in business dimension (market) and gaining competitive advantage			
0/000	0/922	0/618	Statistical Test
3-Relationship between paying attention to social responsibility in society dimension and gaining competitive advantage			
0/000	0/903	0/621	Statistical Test
4- Relationship between paying attention to social responsibility in workplace dimension and gaining competitive advantage			
0/000	0/512	0/798	Statistical Test
5- Relationship between paying attention to social responsibility in environment dimension and gaining competitive advantage			
0/000	0/512	0/798	Statistical Test

Discussion and Conclusion

In this study we have examined the relationship between social responsibility of companies and competitive advantage. The results demonstrate that there is a relationship between social responsibility of companies and competitive advantage.

As customers awareness have increased, they are looking for those goods which take into account health and environmental issues and those which also consider ethical values such as supporting poor people. In another word, they prefer those goods which regard long term interests of people. For this reason, ethical distinction of a good makes it much more desirable for consumers.

Companies make use of customers' feelings and preferences, ethical names and brands and so on to make a difference which, in turn, is powerful tool to conduct preferences of consumers. The results demonstrate that there is a positive relationship between social responsibility of companies and attainment of competitive advantage. Also competitiveness is a process with which every entity tries to exceed the other. Now, those companies which gain more competitive advantages than their rivals through ethical considerations (in production and offering the products) will have much more a sustainable competition.

Results suggest that there is a direct relationship between social responsibility and increase of products sales. To sum up, it can be said that social responsibility is an ethical and human commitment in all organizational activities that every company must observe.

Suggestions

Examining the findings obtained from data analysis in statistical sample suggests that there is a positive and direct relationship between social responsibility and increase in consumer motivation to pay higher price for the goods. This being so, a company would gain more competitive advantage and therefore would promote its sale rate. The following study recommends the subsequent measures to be taken:

- Promoting the knowledge of producing companies as well as consumers about social responsibility and its benefits.
- Creating a special standard for generating a social responsibility by authorities.
- Developing and performing measures to create social responsibilities for companies.
- Developing advertisements in terms of social responsibility in companies marketing sector.
- Putting labels introducing social responsibility on eligible goods.
- Examining the effect of social responsibility upon marketing, financial and economic performance of companies can be implemented in the rest of this research.

Table 3- Results of multi-variable analysis of competitive advantage

Error of Estimate	Moderate Coefficient correlation	R2 coefficient correlation	R Convergence level		Variable
5/04156	0/816	0/818	0/904(a)		Awareness of citizenship law
Meaningful Level	t index	Standardized Coefficient Beta coefficient	Not standardized Regression Coefficient		Simple linear regression
			Standard Error	Coefficient B	
0/000	0/034		0/639	-4/014e	Width form source (fixed quantity)
0/000	25/828	0/513	0/269	Feb-25	Dimension of social responsibility leadership
0/000	38/284	0/377	0/031	1/169	Dimension of social responsibility business (market)
0/000	32/794	0/336	0/036	1/177	Dimension of social responsibility society
0/000	30/290	0/297	0/035	1/045	Dimension of social responsibility work place
0/000	33/136	0/323	0/032	1/065	Dimension of social responsibility environment

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