

Strategic Perspective of Corporate Social Responsibility

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Summary:

Corporate Social Responsibility (CSR) is a major concern for companies, policy makers and researchers. In recent years scientists and managers have devoted greater attention to the strategic implications of corporate social responsibility. This article discusses the variety of perspectives related to the strategic implications of CSR. The aim of the study is – based on theoretical approaches, well-known and widely used in CSR-related academic literature – to trace the development of CSR strategy and to reveal its practical application. The main components of CSR strategy, the social responsibility context in corporate strategy and company long-term development are clarified in Zagorka AD case study.

Keywords: corporate social responsibility; strategic implications; stakeholder theory, CSR strategy

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1. Introduction

Corporate social responsibility is a dynamic and much contested concept (Okoye, 2009) – understanding

nature varies from its complete denial (Friedman, 1970) to its adoption as part of organizational strategy and as a source of competitive advantage. CSR is a difficult concept to define (McWilliams et al., 2006) and there are multiple definitions in academic literature, still there is a certain consensus about its meaning. It is a widely accepted view that CSR is based on the stakeholder theory (Freeman, 1984). However, recently a more strategic view of CSR has emerged. The EU (2011) defines CSR as: "the responsibility of enterprises for their impacts on society" and states that enterprises should have "a process in place to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close co-operation with stakeholders", whilst complying with legislation. (European Commission, 2011, p. 6)

This is just one of the CSR interpretations. Many of the existing CSR definitions are insufficiently clear, making theoretical development and measurement difficult. Researchers have been shifting their attention from CSR concept definition and the identification of CSR initiatives onto the study of the CSR's strategic role in organizations. Even corporate critic

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Naomi Klein speaks of "massive shift" in a more socially responsible direction by many multinationals, though she views the response as random and inadequate. The general impression is that the debate about CSR has shifted: it is no longer on whether to make substantial commitments to CSR but how to do so (Smith, 2003, p. 55)

The aim of the article is to answer the question of how to implement sustainable CSR, and of how companies should engage in such activities. The answer is based on theory and practice alike. For this reason, diverse and widespread managerial theories whose particular focus is on strategic CSR implications are discussed. In keeping with the theoretical approaches, the process of CSR strategy development at Zagorka AD, part of the global company Heineken N.V., is traced. The case study is developed based on information collected by the firm from publications in periodicals and on the Internet.

2. Theoretical perspectives on CSR

Academic literature finds and characterizes the strategic implications of CSR in various and common management theories: agency theory (Friedman, 1970), stakeholder theory (Freeman, 1984; Donaldson and Preston, 1995) and the theory of the firm perspective, (Mc Williams and Siegel, 2001).

Agency Theory

The relationship of agency is one of the oldest and generally accepted and classified way of social interaction. According to

Ross, agency theory presumes "that an agency relationship has arisen between two (or more) parties when one, designated as the agent, acts for, on behalf of, or as representative for the other, designated the principal, in a particular domain of decision problems" (Ross, 1973, p. 134). Examples of agency are universal. Essentially, all contracts regulate relations which contain important elements of interaction, for example the ones between an employer and an employee, or between the state and the governance.

Agency theory applied to CSR means improper spending (abuse) of corporate resources which can be used better to add value to the implementation of internal projects or return to shareholders. It also presumes that CSR is willingness on the part of executives to use CSR for career development or for other personal gains. Friedman (1970) draws on agency theory in his criticism of CSR, explaining that managers as the agents of company owners have a responsibility to maximise the corporation's profits, while spending money on something else is an abuse of the relationship. Corporations exist to generate revenue, say the firm CSR opponents, and they do not solve social problems. They live to optimize the outcome for themselves (shareholders, managers, employees, etc.), and not for others around them. Friedman's assertion is that: "There is one and only one social responsibility of business - to use its resources and engage in activities designed to increase its profits

so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud" (Friedman, 1970, p. 176).

Stakeholder theory

A much more positive view in support of managers on CSR is the stakeholder theory. R. Edward Freeman (1984) argues that managers must satisfy different groups (e.g. workers, customers, suppliers, local community organizations) who can influence firm outcomes. According to this view, managers are not allowed to exclusively focus on the needs of shareholders or the corporate owners. The stakeholder theory suggests that it can be beneficial for the firm to engage in certain CSR initiatives that non-financial stakeholders see as important, because otherwise these groups might withdraw their support for the firm.

The general idea of the stakeholder concept is a redefinition of the organization. One of the major contributions to stakeholder theory is Freeman's book "Strategic Management: A Stakeholder Approach" (1984) and it is often seen as the fundament of the stakeholder theory. The traditional definition of a stakeholder is "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman 1984, p. 174).

Many economists and sociologists explore the relationship between the organization and its stakeholders. They give different definitions of a stakeholder (Fontaine et al, 2006) and do not always

share Freeman's stakeholder concept. This is mainly due to the fact that stakeholder theory is not only economic theory, but also philosophy and sociological concept, alongside development of the theory itself. Freeman goes even further to elaborate on the definition of a stakeholder as "groups who are vital to the survival of the organization" (Freeman, 2004, p. 179)

Furthermore, it is possible to identify some arguments on which all authors agree: the firm has stakeholders who have their own requirements; stakeholder groups do not exert the same influence; prosperity of multinational firms depends on the ability of firms to strategically manage stakeholders, and the main function of stakeholder management is to consider and determine the stakeholders' requests even when there are contradictory.

The need to manage stakeholders was also noted by Friedman (2006 b) one of the main CSR critics, in one of his later publications. The organization should be seen as groups of stakeholders and its purpose should be to manage their interests, needs and viewpoints. Stakeholder management should be carried out by the managers of the firm. On the one hand, managers should manage the corporation for the benefit of its stakeholders in order to ensure their rights and their participation in decision making and, on the other hand, management should act as the shareholders' agent to ensure the survival of the firm and the long-term security of all stakeholder groups.

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The way businesses involve the shareholders, employees, customers, suppliers, society, governments, non-governmental organizations and other stakeholders is usually a key feature of the CSR concept. Since organizations have multiple stakeholders but limited resources, the role of stakeholder should be assessed. Useful in this respect is the typology of stakeholders developed by Mitchell, Agle and Wood (1997), which involves three dimensions: power, legitimacy and urgency. This typology helps managers to identify the actors to whom they should pay attention. It also allows various stakeholders to be classified for the benefit of managers wishing to improve relations with them. Based on this contribution, it is assumed that company stakeholders and the importance attached to them can vary according to the company's assessment of the power that each stakeholder possesses, as well as the legitimacy and urgency of its claims.

The stakeholder theory is extended by Donaldson and Preston (1995) who emphasize the moral and ethical dimensions of CSR, as well as the business case for engaging in such activity. Donaldson and Preston (1995) explain the firm's stakeholder theory from a descriptive, instrumental and normative viewpoint.

The normative viewpoint explains the stakeholder theory with moral or philosophical arguments. It sees all stakeholders as having an intrinsic value (Freeman, 1994; Jones & Wicks, 1999). It is a bi-directional understanding of the stakeholder relationship.

Stakeholders affect the firm and are also affected by the firm's actions.

The instrumental stakeholder perspective views stakeholders as important because addressing their needs is also good business practice (Jones, 1995). As stakeholders influence the organization, good stakeholder management may lead to market place success and profit maximization. The instrumental viewpoint is more unidirectional. It is viewed primarily as a benefit for the firm. Stakeholders are viewed only as input a firm's decision making process if they have any strategic value (Frooman, 1999). Unlike normative stakeholder management, in the instrumental viewpoint stakeholders are considered to be part of the organizational strategy rather than what drives it (Donaldson & Preston, 1995). The strategic objective of the instrumental perspectives is traditional organizational performance such as financial growth.

Despite the opinions on the two distinct perspectives of the stakeholder theory, some convergence between the two may exist. Effective addressing of stakeholders from an instrumental viewpoint requires that it be morally grounded (Jones and Wicks, 1999). For the normative stakeholder theory to be able to manage the strategy, stakeholders' wishes should not be ignored, especially those of the organization's key stakeholders, which includes shareholders.

The main purpose is that economic and non-economic responsibilities should not be viewed as separate from each other but as closely related instead (Carroll, 1979).

Company economic and social interests are often interwoven, for example product safety is associated with both economic and social levels. Therefore, the CSR practice may be in the best economic interest of the firm. At pragmatic level, this approach is often summarized by the concept of "triple bottom line" (Elkington, 1994) that is the consideration in the management of economic, environmental and social objectives.

Theory of the firm

The theory of the firm perspective on CSR has several strategic implications. First, CSR can be an integral, inseparable element of the firm's business and its differentiation strategy. Therefore, it should be considered as a form of strategic investment (McWilliams and Siegel, 2001). Even when it is not directly related to the product feature or the production process, CSR may be seen presented as a form of creating and maintaining good will. Second, strategic implication of a theory of the firm perspective is that the resource-based view of the firm (RBV) can be applied as a logical development of CSR.

In the context of CSR use, upon product differentiation it is important to distinguish between two types of product differentiation. First, there could be vertical differentiation when a product with CSR features is perceived by consumers as the better compared to a product with none. The "hybrid" version of Honda is frequently pointed as an example. It generates less pollution than the standard Honda Accord.

Such differentiation occurs when many consumers prefer fuel-efficient vehicles to any other and many of them consider the hybrid car as being better than the standard model. Some consumers are willing to pay a price premium for the hybrid car, given that "valuable" to them are the social characteristics of the product – less environmental pollution. This type of differentiation can enhance or maintain the reputation of the firm which adds value in addition to allowing the firm to meet particular market demand. (Fombrun and Shanley, 1990).

Conversely, horizontal differentiation occurs when some consumers prefer a specific product, but the preference is based on taste rather than on quality. For example, some consumers choose a particular car because of its color. That type of differentiation cannot contribute to the firm's reputation and it does not enable the firm to charge a price with a markup. Horizontal differentiation is also characteristic for the different brands. For example, some consumers prefer Zagorka to Kamenitza, and others think the opposite.

The strategic behavior of the firm with respect to CSR can be evaluated through the resource-based view of the firm (RBV). Branco and Rodrigues (2006) and McWilliams et al. (2006) argue that when firms engage in CSR strategically and CSR is linked with benefits for the firm and its performance, socially responsible behavior may be studied drawing on the RBV of the Firm (Prahalad and Hamel, 1990;

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Barney, 1991). When companies generate competitive advantage by effectively managing their resources and capabilities which are valuable, rare, inimitable and non-substitutable (Barney, 1991), CSR can enhance competitive advantage by helping creation and management of such resources and competencies (McWilliams et al., 2006).

Creating competitive advantages is achieved by applying strategies that add value and create advantages for a given firm, until another firm succeeds in doing so. Thus, to adopt the RBV when investigating CSR, resources and capabilities need to be seen as a 'contested terrain' (Branco and Rodrigues, 2006, p. 117) and the RBV needs to be extended. The impact of CSR on the firm performance should not be explained only through the analysis of fundamental intangible sources such as know-how, corporate culture and reputation. It should also take into account, first, how individuals and groups of individuals interact within the firm (through employee behavior) and, second, the ability to build and maintain external relationships with stakeholders (thus building social capital and managerial reputation) ((Brammer et al., 2007; Branco and Rodrigues, 2006); McWilliams et al., 2006). These are crucial for building and maintaining a sustainable competitive advantage and for enhancing firm growth.

In that context, many academic researchers view corporate social responsibility as a valuable internal intangible resource or as a group of resources that can

be the source of a competitive advantage, where social initiatives of a given firm cannot be imitated by their competitors. Corporate social responsibility covers different dimensions that can be considered internal resources, such as corporate values, business ethics, relationship with stakeholders, social projects, corporate reputation, etc.

It is important to mention that creating a competitive advantage through CSR occurs if there is a benefit to the society. In order to be the source of a competitive advantage, CSR actions have to create real and continuous results for the society. "It is true that economic and social objectives have long been seen as distinct and often controversial. But this is a false dichotomy; it represents an increasingly obsolete perspective in a world of open, knowledge-based competition. Companies do not function in isolation from the society around them. In fact, their ability to compete depends heavily on the circumstances of the locations where they operate." (M. Porter, M. Kramer 2002, p.255)

In their article "Strategy and Society" Porter and Kramer discuss the existence of the interdependence between corporations and society, since company's activities have direct impact on the society they operate in (Porter, M., Kramer, M., 2006). This can lead to either positive or negative consequences. Strategists and executives should take into account public expectations and decisions since there could be several attractive alternatives, when reputation or services to society are considered. The decisions in the process of strategy formulation

need to take into account the positive and negative impacts which may occur not only for the business itself, but also for the stakeholders and society as a whole.

Believing that "corporations are neither responsible for the world's problems, nor do they have the resources to solve them all" (Porter and Kramer, 2006, p. 92), we argue that companies can use CSR to build a competitive advantage and to create shared value. By carefully prioritizing the needs of their stakeholders, firms can focus on the needs that make the most strategic sense. The long term view to CSR is recommended, leading to the move from corporate social responsibility to the "corporate social integration", as the success of the firm and that of the community become "mutually reinforcing" (Porter and Kramer, 2006, p.92). According to Zadek, for firms where CSR has been incorporated, it is not hard to meet the new market expectations, as for example the struggle with competition, human rights, environmental supply chain management, etc. (Zadek, 2006).

Those approaches toward studying CSR, based on the reviewed economic theories, share a number of limitations such as: difficulty in prioritizing stakeholders with impact on firm performance (Brammer and Pavelin, 2004); failure to specify the exact CSR activities that can enhance firm performance; the relatively limited practical implications (Porter and Kramer, 2006). Although each approach has its own metrics, the limitations of these approaches often require a combination of theoretical lenses when investigating CSR and its implications for firms (McWilliams et al., 2006). At pragmatic

level, the combination of the application of these approaches results in a correctly developed CSR strategy. This is the opinion shared by a number of academic scientists and researchers. Husted and Allen (2001) use business strategy tools and concepts to formulate new social strategic modules and, they therefore believe that social corporate strategy should be considered with regard to four principal elements: (a) relationship with stakeholders.; (b) internal resources of the firm (Barney, 1991); (c) corporation ideologies and values; and (d) structure of industry (Porter, 1986). There is a similarity between the elements these authors consider in the formulation of social strategies and the corporate strategy observed by Andrews (1987).

2. Development of a CSR strategy

Clearly, a firm's social responsibility strategy, if genuinely and carefully conceived, should be unique, despite the uniformity of a growing



Figure 1. Essential Components for formulation of CSR strategy

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number of corporate reports on CSR. As well as a fit with industry characteristics, it should reflect the company's mission and values - what it stands for - and thus be different from the CSR strategy of even its closest competitors (Smith (2003). Although there is no universal CSR strategy, still there are several main components, as shown in Figure 1.

The process of CSR strategy development and the essence of its components are clarified with the case study of Zagorka AD, one of Bulgaria's leading breweries, owned by giant brewer Heineken N.V. The specifics of the corporate CSR strategy 'Brewing a Better Future', covering a 10-year period to year 2020 is highlighted.

Essential Components of Corporate Social Strategy

First, identification of stakeholders

As we already made it clear, the key characteristic of the CSR concept is the way in which the firm involves shareholders, employees, consumers, suppliers and other stakeholders in the development of its business. Each CSR strategy covers a group of stakeholders, identified by the firm – almost everyone identifies a minimum set of responsibilities in respect to consumers, employees, suppliers and community. However, the characteristics of these stakeholders and the form of the obligations towards a given group of stakeholders vary substantially from one firm to another.

The focus in the Zagorka's strategy, as a part of the global Heineken campaign, is the faith in "creating our future" ("Brewing a Better Future")

and that faith forms Zagorka's responsibilities to stakeholders: consumers, employees, environment, community, partners, etc.

The campaign's commitment to stakeholders, as we said, could be explained from two points of view: from the normative and the instrumental one.

Corporate values, heritage, intentions and plans for business development are important for Heineken and for each operational company/ brewery. As the organisation has expanded, the original ideas of developing practices that are friendly to the environment, employees and customers have remained. One of the most striking features of the Heineken is the strong values which drives its strategy.

Our journey is summarised by 'Brewing a Better Future' that reflects our intent, our values, our heritage and the plans we have set for our business.

Heineken, respectively Zagorka AD, keeps focusing their attention and commitment on multiple stakeholders, while in the meantime making profit. Stockholder aspirations are met though continued business success, but stockholders are considered as just another stakeholder and not the only one. This reveals what the normative approach towards stakeholders means. The firm appreciates stakeholders because they have an intrinsic value, rather than being the means to an end.

The principles, on which Heineken's CSR strategy and sustainable development are based, drive the management of operational firms' stakeholders worldwide.

Heineken has nurtured a sense of belonging to the community in which it operates. It aims to make a valuable and sustainable contribution to local communities and society at large.

Heineken has committed itself to providing an excellent and sustainable return on the investment made by its shareholders. It values the support of all its investors and seeks to communicate with them regularly and openly, providing reliable and timely financial and other information.

Although the normative perspective of the Heineken cannot be overlooked, some convergence of normative and instrumental perspectives is evident. The company's success could be attributed to their focus on the environment, employees, the community, customers and partners. By ensuring these stakeholders have been addressed the organisation has reached its current position. The company focus is not on annual profit, but on creating a vital organisation with a real commitment to the community.

Our firm belief is that the best way to make a positive impact is to expand our business. We want to use our position as the world's most international brewer to help drive positive change and play our role in creating a better world in which we can all live and prosper.

By carrying out long-term social responsibility, business success will continue. Zagorka recognises the need to balance its financial sustainability with playing a role in society. Its 'Brewing a Better Future' approach strikes the right balance and makes positive

long-term commitments to investments in the environment, communities, people and partnerships.

In doing so, however, the company has achieved business success. This comes to support the instrumental perspectives of stakeholder theory, according to which addressing stakeholder needs may boost profitability. To this effect it is necessary to perform effective stakeholder management, like the one implemented by Zagorka AD. That fact may also be supported by Donaldson and Preston's argument (1995), that in order for stakeholders to be effectively addressed, the organisation must be normatively grounded. That opinion is also shared by the managers of other firms. Phil Watts, Group Managing Director of Royal Dutch/Shell Group, says: "CSR is not a cosmetic; it must be rooted in our values. It must make a difference to the way we do our business." (Smith (2003, p. 70)

One can definitely state that the instrumental perspective toward the stakeholders of the firm is based on its values /normative perspective. In the CSR strategy 'Brewing a Better Future' an approach is applied which provides sustainable value for all stakeholders and focuses on three strategic imperatives: "to continuously improve the environmental impact of our business brands; to empower our people and the communities in which we operate; to positively impact the role of beer in society". To achieve the strategic imperatives in the CSR strategy, six strategic priorities (sustainable six) have been set, each of which addresses a different stakeholder group:

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Green Brewer; Green Commerce; Engaging Employees; Heineken Cares; Responsible Consumption; Partnerships for Progress.

Strategic priority: Engaging Employees

"Our firm," says Ruud van Den Eijnden, CEO of Zagorka AD, "has always believed that success comes not only from investment in production, but also from investment in people. That formula will bring us success in future".

Commitment of Zagorka AD toward its employees has several aspects: providing a clean and safe work environment for its employees; integrity; employee commitment and training (education within the Zagorka University program, covering all firm levels and development of employees' functional knowledge, personal qualities and leadership skills). Zagorka AD directly involves its employees in the fulfillment of several CSR initiatives, organized by the firm, such as volunteer days (2011) – part of a local strategy for CSR of Zagorka AD – "Brewing a Better Future."

Strategic priority: Heineken Cares (respectively, Zagorka Cares)

Zagorka AD helps people and society in which it operates through its donation program. The old donation practice of the firm from 2011 has been upgraded and implemented within the CSR strategy of Zagorka AD "Brewing a Better Future". It helps to achieve the strategic priority Heineken Cares (respectively, Zagorka cares).

The remarkable thing about Zagorka AD's donation program compared to the other firms in the industry is the competition principle of funding projects in fields within the scope of the company corporate values as well as those that are relevant for the local community and residents. For instance, in 2011 such fields are environment, education and health care. In 2012, through donation programs environmental protection projects were implemented, which is fully in line with the company's goal to carry out its business in a responsible and sustainable way and stand out as the greenest brewer in the country. According to the CEO of Zagorka AD, Ruud van den Eijnden, "the contest principle helps the firm guarantee that the investment will be used for a well thought-out and important project. It will also help monitor project implementation".

Strategic priority: Responsible Consumption.

The main stakeholder group for Zagorka AD are its consumers and the company's commitment to this group is clearly expressed in the Responsible Consumption strategic initiative/priority. In compliance with the corporate principles and in the spirit of responsible commercial consumption of the Brewers Union in Bulgaria, Zagorka AD implements its CSR projects. The firm strictly adheres to the rules for responsible commercial communication for all its brands at advertising, sponsorship and beer promotion events, which promote responsible beer consumption. It is necessary to highlight that CSR initiatives

addressed to consumers include ones that go beyond regulatory requirements.

To promote responsible beer consumption and minimize alcohol abuse, especially among young people, the firm works in collaboration with different organizations and institutions. An example is the pilot campaign "Parents, you have influence. Talk to your child about alcohol" has been carried out in collaboration with the Solidarity Foundation. With regard to the Partnerships for Progress strategic initiative the firm will launch two new projects.

Second, developing the right CSR strategy requires an understanding of what differentiates an organization – its mission, values and core business activities.

According to Smith, "developing the right CSR strategy requires an understanding of what differentiates an organization – its mission, values, and core business activities" (2003, p. 68). That view is also shared by Porter & Kramer. As the latter claim, "The more closely tied a social issue is to the company's business, the greater the opportunity to leverage the firm's resources and capabilities, and benefit society" (Porter & Kramer, 2007, p. 12).

Relation to mission, values and core activity

The main goal of Heineken is to be the best brewer in the world. Reaching the long-term goal, set by the CSR and sustainable development strategy, namely to be the greenest international brewer in the world, will differentiate it from other similar firms.

Heineken's vision for sustainable development as envisaged in "Brewing a Better Future" is based on three core values: "aspiration for quality, fun through consumption of products with pleasure and within reason, respect to the individual, environment and society in which we live and work". As part of the Heineken family and in the spirit of the traditions, Zagorka has always been committed to the continuous improvement of its environmental impact, to support for the communities in which it runs its business, and to enhancing the positive image of beer in the society. Zagorka AD realizes its role in creating better future along any of those lines to ensure the effective development of the program at the regional level.

In compliance with the strategic goal and vision of the global company, Zagorka AD is striving to run its business in a responsible and sustainable way and to be the greenest brewer in the country. Zagorka's goal is to be among Heineken's 10 most successful breweries for 2013 (out of 43 in total) in Europe. "Several years ago, we were in the last place in terms of energy efficiency, but now we are 11th and next year we will try to reach 10th place," the firm's CEO says. The three-year target of Zagorka is to go up to the Top 25 of Heineken's ranking of its 165 breweries located in 71 countries worldwide.

Alignment of CSR strategy with the firm's core activities

An alignment of business strategy, social responsibility action and core business activities should occur in order to achieve

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efficient corporate social strategies. (Filho et al. 2010). Zagorka AD's main activity is directly related to the *Green Brewer*, *Green Commerce* strategic priorities/initiatives, through which the strategic imperative has been achieved to "continuously improve the environmental impact of our brands and business". Through the realization of a number of projects under these strategic initiatives, Zagorka has considerably improved its energy efficiency and its environmental impact parameters. Strategic priorities are directly related both to stakeholders and to the firm's main activity.

Green Brewer. The effective use of energy and water in the manufacturing processes, as well as reduction of the carbon footprint are measured with particular indicators. This will be achieved through the implementation of a number of projects covering the entire process of production and realization as well as by setting "green" requirements for partners.

Green Commerce. Zagorka AD is Bulgaria's most successful brewery when it comes to carbon emission reduction, considering that it uses "green" coolers only, which consume 35-40% less electricity. Furthermore distribution is optimized (fewer product shipments to clients) so as to reduce the emission of carbon dioxide.

By taking up CSR environment-related activities the company increases productivity and reduces the costs of compliance with legislation, and as a result improves its performance. What is more, CSR environment-related activities can

minimise costs by using resources more efficiently, reducing waste or by recycling (Branco and Rodriguez, 2006; Hart, 1995).

These activities can also attract better employees and better managers, thus increasing productivity and efficiency (Russo and Fouts, 1997) and reducing the overall costs, which contributes to the firm's cost advantage and enhance growth.

Relation to the competitive strategy

The company's competitive strategy shows the route to creating and maintaining the firm's competitive advantage (Porter, 1998), by helping firms create and manage effectively resources (Branco and Rodrigues, 2006) different CSR activities contribute to different types of competitive advantage, facilitating the company's expansion and growth. We thus argue that CSR activities are more likely to contribute to the firm's growth if they are brought in line with the firm's competitive strategy, no matter whether it involves cost leadership or differentiation.

Zagorka AD's strategy of differentiation is further expressed in the way it develops its brands and in the way CSR initiatives are incorporated in the differentiation. The firm has achieved and preserved its leadership on the Bulgarian beer market thanks to its brand development capabilities. Zagorka maintains good communication with consumers and creates an emotional relationship between the brand and the consumer, which are invariably combined with CSR initiatives, such are, for instance, Ariana's *Amateurs vs. professionals* initiative; the sponsorship of

the *Mission London* movie, and other events. The firm's CEO defines the development of Zagorka's brands in two ways.

"We develop Zagorka's brands in two key ways. First, there is the uniqueness of our portfolio. We are searching for the best way for the Zagorka brand to stand out on the market, in a way that will help people recognize it growingly better among other beers. We aspire to establish an emotional relation between the brand and the consumer. For this reason, we launch ever more innovations on the market, not in terms of new products; rather, in terms of finding new channels we communicate well with our clients and consumers. We aspire to meet the requirements of our consumers. Such is, for example, the purpose of the Ariana initiative "Amateurs vs. professionals" which we started at the national level. More than 12,000 people participated in the tournament, which gave it great publicity. This platform is a specific example of how we connect the consumer with the individual brand. Similarly, our decision to sponsor the Bulgarian movie "Mission London" came after thorough marketing research which showed us that cinema going is directly related to the consumers of Zagorka beer.

The second thing that we do for the development of our brands is the update of our portfolio"

Third, implementation of CSR programs

Achieving strategic initiatives/priorities at the corporate level is realized by means of CSR programs. Once the CSR strategy

is formulated, the CSR programs need to be defined. These programs specify all possible abstract visions for CSR.

The words "Brewing a Better Future" are given life through the 23 programs created to be implemented over a period of 10 years. Focus on efforts at all company levels (including operational firms) are the priorities identified in the six strategic initiatives, on the basis of which the programs are developed. Projects included in each program shall be implemented by the various operational firms over the period 2010-2020. For each strategic initiative, Zagorka AD develops and implements specific projects.

Fourth, measurement of social and environmental performance

Defining clear metrics or key performance indicators for the implementation of a CSR strategy is an important element of the overall strategic process. Formulating a CSR strategy also requires an understanding of current corporate social performance which in turn suggests developing appropriate metrics to measure the outcomes of the social and environmental initiatives. For each year, Zagorka AD sets specific measurable targets which allow it to guide the improvement of its activities and develop independent indicators to monitor progress with regard to clearly defined goals. These indicators are: reduced emissions, energy consumption, water, improvement of packaging, distribution optimization (it measures the amount of carbon dioxide emitted during product shipment to customers), etc.

Fifth. complete integration of CSR in the culture, leadership, strategic and operational development efforts of the firm - integration in all structures of the firm.

Within the scope of the CSR strategy and the strategy of Heineken for sustainable development are the participation of all company units at the various levels of the organizational hierarchy.

Our governance process enables us to respond coherently at our corporate centre to real concerns raised by our stakeholders, taking into account the opinions of all relevant departments and operating companies. The process also allows us to embed corporate responsibility initiatives in our Group functional agenda.

There are structures for coordination at corporate, program and operational levels. Some of these structures are local sustainability committees established in each operational company responsible for the development and implementation of a local sustainable development strategy within the Heineken strategy. For the development and implementation of its local strategy, Zagorka AD carries out coordination of engagement with all stakeholders, coordination and alignment of all activities related to the agenda for sustainability in all relevant departments, implementation of the agenda for sustainability in all business processes and a continuous review and evaluation of a CSR strategy.

3. Conclusion

In recent years the debate of CSR has shifted away from whether firms should

adopt socially responsible behaviour to how companies should engage in such activities (Smith, 2003) and how organisations can benefit from CSR (Branco and Rodrigues, 2006).

In the academic literature, there is evidence that CSR initiatives should be approached proactively and strategically. Most of the researchers suggests that by being strategic in its use of CSR, a company will be able to gain an advantage at least at a public relations level. To fully capture this advantage, the company must be, or at least appear to be engaging in CSR for the right reasons and approach decisions about CSR initiatives strategically as it would other core business decisions. The case study Zagorka AD as part of the global company Heineken NV. shows how strategic development of CSR is applied in practice. The main findings of the case study are:

First, CSR strategy is based on a combination of theoretical approaches (the agent theory, theory of stakeholder, theory of the firm).

Second, there is no universal CSR strategy, but there are several main components, most of which are similar to those in the formulation of the business strategy.

Third, a firm's social responsibility strategy should be at once unique and appropriate to the industry characteristics. Furthermore it should incorporate the company's mission and values. Thus the company differs from its main competitors. The CSR "Brewing a Better Future" strategy exposes this uniqueness and the Zagorka AD case shows how this can be achieved.

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