

Chapter 6.6

Managing Corporate Responsibility to Foster Intangibles: A Convergence Model

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ABSTRACT

This paper presents a model for the integrated management of Corporate Responsibility (CR) initiatives and intangible resources. The model defines an approach for structuring a company's social efforts (stakeholder management) in such a way as to increase competitiveness through the development of the intangible resources. After having presented an analysis of the studies conducted on the benefits of CR initiatives on the development of intangible resources, the text proposes a protocol to evaluating each CR initiative according to the model.

DOI: 10.4018/978-1-60960-783-8.ch6.6

INTRODUCTION

The growing importance of Corporate Responsibility (CR) dates back to the 1970s, a time in which debate surrounding it began to gradually involve society as a whole.

Initially the conflict of interests was between believers in an economic formula that limited the responsibility of corporations solely to the maximization of profit (Friedman 1962) and promoters of a new business concept that extended the responsibility of corporations to results of a social nature, an idea which was only completely codified in time (Freeman 1984). Springing from that idea, over time the following schools of thought were established:

- *the sustainable development* spread globally by way of the Bruntland Report (1987) and was affirmed in the successive UN summit held in Rio de Janeiro (1992). In particular, studies to that end attempted to comprehend how corporations could operate in order to guarantee that “the needs of current generations are met without comprising the ability of future generations to meet their own needs” (World Commission on Environment & Development 1987, p. 43);
- *the corporate citizenship* theorized the recognition of corporate responsibilities in line with the role that a company plays as distributor of civil and social rights not to mention facilitator of the diffusion of rights of a political nature (Matten, Crane 2005);
- *the corporate responsiveness* claims that «being responsive enables organizations to act on their social responsibilities without getting bogged down in the quagmire of definitional problems that can so easily occur if organizations try to get a precise fix on what their true responsibilities are before acting» (Carroll 1979, p. 502);
- *the social contract* is based on the hypothesized existence of a contract between a corporation and society, in which the company concerns itself with responding to social pressures receiving in exchange society’s approval to operate (Seconi, 2006). The company therefore must demonstrate that its operation: «reflects a positive normative evaluation of the organization and its activities, a prosocial logic that differs fundamentally from narrow self interest» (Suchman 1995, p. 579);
- *the corporate social performance* considers business performance in the light of the existence of responsibility (Wood 1991). Such a model appeared incapable of fully merging the existence of ethic and moral values in corporate decisions with respect

for the principles of economic rationality into a single theory (Swanson 1995).

It is the aim of this paper to supply a contribution to the last school of thought: corporate social performance. It suggests a new approach to the study of social performance, in particular to the analysis of the existing connection between it and the financial performance of a company. The intention is therefore to demonstrate how the adoption of an instrumental approach to CR initiatives results in a competitive advantage that results in financial improvement.

BACKGROUND

The relationship that exists between the protection of the shareholders’ economic interests (bottom line) and the extension of corporate responsibility to other stakeholder has been widely investigated, so much so that in time a mass of empirical studies was constructed having been accumulated in the attempt to respond to a twofold question: what relationship binds the social and financial performances of a company? Is the relationship negative, neutral, or positive?

Lee E. Preston and Douglas P. O’Bannon (1997), referring to the mass of studies conducted, identified four different categories of interpretation for such a relationship: (1) financial performance as an independent variable; (2) social performance as an independent variable; (3) the existence of a relationship of reciprocal influence; (4) the absence of a relationship.

1. The first group of studies concluded that CR initiatives positively influence financial performance, suggesting that the financial performance was subject to a dependent relationship. These studies pointed out a positive connection in certain cases and a negative one in others. Two distinct motives were given in support of the existence of a posi-

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