Corporate Social Communication and Corporate Social Performance

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Abstract

The purpose of this paper is to provide firms in the food and agricultural sector a model that enables them to assess their corporate social initiatives in conjunction with their stakeholders. Building on the concepts of corporate social responsibility (CSR), corporate social performance (CSP) and the relational view the paper argues that firms can improve the results of their corporate social initiatives by setting up a dialogue with their stakeholders and to relate this to their internal organizational delivery system. The CSP model is based on the SERVQUAL methodology. The model addresses how a potential (mis)match between a firm’s CSR initiative and stakeholders expectations and experiences is related to four gaps in the firm’s internal organizational delivery system and how this effects the firm’s CSP. CSP measurement is a fundamental part of a firm’s strategy if one accepts the tenet that firm survival and growth depends on the ability of firms to meet the needs of their stakeholders and to manage corporate image. It is to the firm to make stakeholder’s expectations transparent and plan action in alignment with the firm’s business strategy. The paper contributes to a more comprehensive understanding of CSP measurement by linking a firm’s CSP to the firm’s delivery system. It addresses how CSP can evolve over time by putting the dialogue with stakeholders central.

Keywords: SERVQUAL; Corporate Social Responsibility, relational capabilities; Corporate Social Performance

1 Introduction

In June 2009 Greenpeace released a report alleging that top-name shoe brands, such as Adidas, Clarks, Nike, Reebok, and Timberland, were sourcing leather form illegally deforested areas of Brazil, with the complicity of the Brazilian government. Less than 3 months later this news dominated the newspaper headlines worldwide and cooperation between the activists and the industry led to a quick solution satisfying all parties involved. In fact, on the basis of collaboration with Greenpeace and suppliers, Timberland called for environmentally and socially responsible leather sourcing policies in the Amazon, requiring its leather suppliers to commit to a moratorium on purchasing any cattle raised in newly deforested areas. The statement from Timberland came less than a week after Nike announced its refusal to harvest leather from the Amazon until deforestation for the purpose of expanding cattle herds was halted (Vurro et al., 2009.). This event marks one of the many examples of how the current trend of corporate social responsibility (CSR) is expanding beyond the traditional limits of ownership and direct control (Lim and Philips, 2008). Given the increased expectations of corporate conduct, consistent with the global expansion of supply chains, a firm’s management has to respond by incorporating social and environmental concerns into their supply chain agendas. It accompanies an all-encompassing reconsideration of the governance-model underlying the relationships along the value chain. It requires the collaboration with stakeholders and their involvement in corporate decision-making (Jiang, 2009). In practice, whether it concerns cotton or soya
from Uzbekistan, leather, meat or coffee from Brazil, or mineral extraction or cocoa cultivation in West Africa, it indicates how the global pursuit of improved social and environmental standards further down the often complex supply chain have transformed cooperation from an option into a indispensable necessity (Detomasi, 2007). Yet, though the extents to which firms’ collaboration and sustainability concerns are prioritized and implemented along the supply chain vary (Cooper et al., 2000: Maignan et al., 2002). For example, nearly all Global 250 companies have a supply chain code of conduct (KPMG, 2008) to guide their suppliers’ ethical and socially responsible practices (Waddock et al., 2002), with adoption and implementation of improved standards growing at impressive rates (Roberts, 2003). However, only half of these firms disclose details of the processes and mechanisms by which they activate and monitor their codes along the supply chain.

In the light of the need for more systematic attention to the importance of sustainability along the value chain and the managerial practices underlying effective implementation the issue of relationship management is critical to foster and maintain value enhancing inter-organizational relationships (Paulraj, et al., 2008). Building on the notion that a modern firm consists of internal and external coalitions (e.g. Morgan and Hunt, 1994) effective relationship management is about the firm’s relationship with all stakeholder groups (e.g. customers, raw material suppliers, environmental advocacy groups, government agencies, labour unions) (Sirgy, 2002). Firms in the food and agricultural sector as such are therefore confronted with stakeholders that have the legitimate right and desire to influence the ongoing business of firms in order to achieve specific goals. It is the firm’s challenge and responsibility to respond appropriately to those needs and expectations and to handle the tensions caused by the often contradictory or inconsistent interests of stakeholders.

The aim of this paper is to provide an explicit understanding of the interaction of a firm with its stakeholders by comparing issues of corporate social responsible (CSR) activities in a systematic way based upon a practical approach to the field. The method is based upon the SERVQUAL methodology (Zeithaml et al., 1990). The result provides firms a model to start a dialogue with stakeholders enabling firms to develop support and mutual understanding with regard to their CSR initiatives and to assess their initiatives and how to align them to their internal organizational delivery system. In the remainder of this paper first the conceptual background will be elaborated. Here the emergence of CSR, relational capabilities and Corporate Social Performance (CSP) will be discussed to understand stakeholder management. Next the CSP assessment model will be presented. Finally, conclusions implications and will be discussed.

2 Conceptual background

2.1 The emergence of CSR

To understand the dynamics of interactions between a firm and its stakeholders it is important to analyse the social movement underlying these interactions. This movement, generally referred to as corporate social responsibility or corporate citizenship, relates to the fundamental debate on the institutional set up of society and the roles and responsibilities of public and private parties in it (Habisch et.al. 2004; Matten and Moon, 2004). Looking at social aspects is not a new phenomenon for firms. What is new, though, is the intensity and extent of the efforts made by firms as well as the increasingly strong societal demand for
behaving more ethically and responsible and the complexity and dynamics of the networks of stakeholders firms have to interact with (Elkington, 1999; SER, 2001). This line of reasoning is also expressed in the EU Green paper on promoting a European framework for CSR (EU, 2001). CSR is defined as a concept whereby firms integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. CSR is considered as above and beyond that required by law and that firms have responsibilities towards all their stakeholders and not just shareholders. This approach is maintained in the subsequent White Paper (EU, 2002). CSR requires firms to deal with increasingly complex issues, in interaction with an increasingly wide range of stakeholders. As a result the issues, number of actors involved, and the number of linked, multiple technological and social options, the innovations and new practices that need to be undertaken, and the uncertainties that have to be considered increases complexity (Roome, 2001). CSR now requires the involvement of all kinds of stakeholders that in many cases are from beyond the firm’s usual production and consumption system. This requires firms to reposition themselves in the changing interaction processes with their stakeholders through which the responsibilities are articulated.

For firms this implies that they need to extend their responsibilities, what issues to take up, how to give meaning to those issues and how to successfully combine economic, social and environmental strategies. The rationale for this lies in the necessity of a redefinition of the roles traditionally fulfilled by government and the private sector, where compliance to regulation is simply not an adequate approach in achieving sustainability (De Bruijn and Tukker, 2002). Instead a shift towards the use of the creativity of all the actors in the production and consumption system, beyond the level that has been stimulated by command-and-control strategies has to be embraced. This requires dialogue and consultation between firms and their stakeholders. (WBCSD, 2001). If CSR is to develop in the agricultural and food sector from solid ground, it is necessary to foster its development through embedding societal issues and expectations raised by legitimate stakeholders in the day-to-day strategies and operations of firms. The issues and expectations they concern should be addressed by relevant stakeholders and the firm jointly. It requires stakeholder engagement and the proper conditions for dialogue.

3 Corporate Social Performance (CSP) measurement

The basic idea of corporate social performance is that business and society are interwoven, rather than distinct entities, therefore society, represented by different stakeholders, has certain expectations for appropriate firm behaviour and outcomes (Wood, 1991). This makes social responsibility relevant to firm’s strategy and operations. A firm will attempt to protect its production processes that reflect the firm’s reason for existing from the variable influences of the external environment (Thompson, 1967). All the processes of responsiveness, i.e. the CSR activities of firms in the food and agricultural sector, are boundary spanning processes, and thus their ultimate aim is to help the firm survive by adapting to changing environmental conditions and pressures. Relevant for measurement of CSP are the roles stakeholders play. Wood and Jones (1995) distinguished at least four roles:

1) Stakeholders are the source of expectations about what constitutes desirable and undesirable firm performance;
2) Stakeholders experience the effects of firm behaviour, that is, they are the recipients of firm’s actions and output;
3) Stakeholders evaluate how well firms have met expectations and/or firms’ behaviours have affected the stakeholders in their environment;
4) Stakeholders act upon their interests, expectations, experiences, and/or evaluations.

These roles provide a large variety of measurement strategies and different stakeholders can have interests in firm behaviour and outcomes that are contradictory or inconsistent within stakeholders and across stakeholders (Wood, 2010).

It raises also the question of what criteria should be used to assess CSP. In principle any criteria can be used to assess performance. Most commonly used are criteria such as efficiency and effectiveness. However as a criterion is a norm and since it is a norm it implies that any decision about the criterion used in assessing the performance is a normative decision. Assessment criteria are elements of value not elements of facts (Simon, 1976). Elements of value are implicitly or explicit imperatives about the preferred state of a system that cannot be completely derived from the elements of fact; nor can they be proven empirically (Simon, 1976). In contrast, elements of facts are statements about the observable world and its operation. These elements can be tested empirically to determine whether they are true or false. However, for example the desirability of producing organically cannot be tested empirically. There is no scientific way to judge whether one criterion is better than one other. Effectiveness therefore is difficult to assess on one criterion (Kenis and Provan, 2009). The former implies that from a stakeholder perspective performance reflects the evaluative criteria applied by different stakeholders. However, it is arbitrary to label one criterion a priori as the correct one because each presents a valid point of view. It is to the firm to collect the information concerning the stakeholder’s judgement of performance and it is to the firm’s discretion to decide what is desirable and whether to act on it or not. The consequence of this is that firms have to understand and examine their stakeholders’ demands and expectations rather than examining some ideal criterion of conduct.

4 Relational capabilities and CSR

When firms interact, the relationships between the firm and its stakeholders lead to a whole range of results, varying form a confrontational approach based on public attack to a co-operational approach based on joint interests. Despite positive intentions, the interactions are complex and unpredictable and therefore difficult to guide in a specific direction, because the dialogue is guided and shaped by a confrontation of different world-views, risks and interests. In addition, the interaction could be blurred or distorted by correct or incorrect perceptions the stakeholders hold towards each other. As a result, confusion or distrust might occur or it may lead to fragmentation and inactivity in the participating organisations (Livesey and Crane, 2002). It requires firms to develop specific relational capabilities, implying a continuous learning process through which they learn how to deal with complex inter-organizational interactions.

The relational view of strategic management is considered as providing the relevant theoretical framework for the issue of CSR and stakeholder management. The relational view takes the inter-organizational level of analysis and addresses the extent to which relational capabilities are the basis of durable strategic advantages (Dyer and Singh, 1998;
Paulraj et al., 2008). Users of the relational view examine how relational competencies enable firms to gain and sustain collaborative advantage (Kanter, 1994). Moreover, it places a premium on behavioural phenomena, such as inter-organizational interactions on CSR, as the drivers of firm performance. A relational capability, interaction among stakeholders may foster inter-organizational learning that is crucially important to success (Powell, 1996). Firms often learn by collaborating with other organizations and especially by sharing tacit, critical information and knowledge. Open frequent interaction is essential to the maintenance of relationships and foster greater understanding of complex competitive issues related to performance (Paulraj et al., 2008). Specifically, the frequent exchange of information on strategic and operational matters may foster greater confidence, build cooperation and trust, reduce dysfunctional conflict (Anderson and Weitz, 1992), and may lead to increased behavioural transparency and reduced information asymmetry (Heide and Miner, 1992) and thus generate relational rents (Dyer and Sing, 1998).

5 A model for CSP measurement

Based on the theoretical notions in the former section a model is presented to analyse and compare stakeholder expectations with firm’s expectations and to link it with the firm’s internal organizational system. The method is derived from the SERVQUAL methodology developed by Zeithaml et al., (1990). It is a tested method for assessing the potential (mis)match between expectations of consumers and the delivered product and services. This potential (mis)match (i.e. gap 5 of the SERVQUAL model) is related to four gaps within the firm’s internal organizational delivery system. Originally it focused on the business to consumer relationship, and has been extended towards a business to business context by other research (e.g. Kong and Mayo, 1993; Parasuraman and Grewal, 2000). Because, CSR is about associations with the delivery process and the delivered product and services, rather than experiencing it (Goddijn and Ziggers, 2006), it would imply that the relevant criteria for measuring a possible (mis)match between needs and expectations of stakeholders would be quite different. Nevertheless, it is the assumption in this paper that the methodology of SERVQUAL is also applicable to expectations of corporate social performance. An important argument for this assumption is that the character of stakeholder relations are all characterised by the same kind of criteria, like power, legitimacy and urgency of stakeholder claims (Mitchell et al., 1997). Furthermore, the SERVQUAL methodology not only encompasses the actual delivery of products and services but also the perceptions and communication about these products and services. This is a crucial starting point in the interactions between a firm and its stakeholders with respect to corporate social initiatives.

Beforehand the firm and stakeholders will have expectations with respect to the corporate social initiative (Gap 5). A comparison of these expectations will reveal the degree of matching based on a number of factors that frame these expectations (i.e. perception of the issue, values and beliefs, legitimacy, willingness to collaborate; commitment; transparency; impact of the issue) (Nijhof and Jonker, 2006). This way differences will become apparent and provide an agenda for dialogue, but also for a firm to design plans and policies to respond to changing conditions. However, according to Wood’s (1991, 2010) model of a corporate social responsible firm, such a firm would monitor and assess its business environment to respond to changing conditions. Thus if these activities are insufficiently conducted, a discrepancy may occur between what stakeholders expect of the firm and what the firm perceives of what stakeholders expect (Gap 1 in the CSP model). Causes of gap 1 are
a lack of a stakeholder orientation, the extent to which firms make an effort to understand stakeholder expectations (communication: e.g. formal and informal information meetings; lack of interaction with stakeholders, lack of information gathering) and depending on the size of a firm, inadequate internal communication and too many levels of management.

In the assessment of corporate social performance the outcomes of a firm’s activities are of direct and obvious interest, because they are the only visible aspects of CSP and have to be measured and evaluated (Clarkson, 1995). These outcomes can be divided into three categories: (1) the social impact of a firm’s activities, regardless the motivation, (2) the programs a firm uses to implement responsibility and/or responsiveness issues, and (3) the policies developed by a firm to handle these issues and stakeholder interests (Wood, 1991; 2010). This requires firms to have the proper monitor and control systems and control mechanism at its disposal (Cooymans and Hintzen, 2000). Lacking these provisions will create gap 2, the discrepancy between a firm’s perception of stakeholder expectations and the actual policies and programs it establishes for effectuating a corporate social initiative. Reason for this gap can be addressed to inadequate commitment to corporate social responsibility (i.e. the extent a firm views CSR as key strategic goal), perceptions of infeasibility (e.g. lack of resources, changing policies, inadequate operational systems, high costs), inadequate task standardization (e.g. programs to improve operating procedures, certificates), and absence of clear goals (e.g. goals based on meeting stakeholder expectations rather than firm goals, having a clear goal about what to accomplish)

Next, these policies and programs should be internally aligned in the firm (Kong and Mayo, 1993; Sirsly and Larmetz, 2008) in order to be able to deliver according to specifications. If not, this will cause gap 3, which indicates a discrepancy between specifications and the actual effectuation of the corporate social initiative. Reasons for this gap can be addressed to role ambiguity (i.e. uncertainty about what stakeholders expect and how to meet these expectations), goal/role conflict (i.e. the inability to satisfy all stakeholders’ expectations), inappropriate control systems (i.e. the appropriateness of the evaluation and monitor systems, labels, certificates) and lack of collaboration (i.e. extent to which a firm and stakeholders pull together for a common goal). Finally, as communication is vital because it contributes to the firm’s creditability and legitimacy, poor communication may cause gap 4, the discrepancy between what the organisation is promising to perform and what it actually performs. Very often this is due to the propensity to over promise (i.e. the firm’s external communication does not reflect what stakeholders perceive of the corporate social initiative) or the lack of (proper) reporting of the firm’s corporate social initiatives. Figure 1 illustrates what differences and gaps are measured during the engagement of a firm with a stakeholder. Delta $\Delta 1$ aims to examine the potential (mis)match between expectations that are held between a firm and a stakeholder. This way crucial differences become apparent. Delta $\Delta 2$ and $\Delta 3$ examine the potential (mis)match between the expectations in advance at $t=0$ and the experiences during or after the corporate social initiative $t=1$. This comparison assesses the performance of the corporate social initiative as perceived. Delta $\Delta 4$ determines the (mis)match between mutual experiences. This way new insights can be gained to adapt the corporate social initiative and to adapt the firm’s internal organizational delivery system.
6 Conclusion and discussion
The aim of this paper is to provide actors in the food and agricultural sector a model to assess their CSR activities. As communication and perceptions with regard to CSR initiatives are key, a model is provided to start a dialogue with stakeholders enabling firms to develop support and mutual understanding and to adapt their internal organizational delivery system. Actors in the food and agricultural sector and their stakeholders that have the intention to start a dialogue or to form some kind of joint CSR activity can use the model to provide them with practical means to establish this collaboration in an explicit and transparent manner. It enables them to assess mutual needs and expectations and to identify the characteristics of the collaboration and to communicate about it.

However, why should one bother to measure corporate social activities? According to Sirgy (2002) firm survival and growth depends on the extent to which firms meet the needs of stakeholders and the ability to manage corporate image as perceived by stakeholders. If one accepts this tenet of firm performance, then firms would gauge their performance in these
two directions. Finding out that one is failing in any of these directions should mobilize the firm to action. Planning action designed to enhance performance in a particular area (e.g. corporate social issues) is essentially what strategy is about. This is supported by research of Husted and Salzar (2006) that showed that it is wiser to act strategically to maximize profits and social performance than to be coerced into making investments in CSR. This also means that CSP measurement becomes the basis of strategy. Although stakeholders can have interests in firm behaviour and outcomes that are contradictory or inconsistent within and across stakeholders, it is to the firm to make them transparent and plan action in alignment with its business strategy. Even if the provided models to assess corporate social performance or models based upon the SERVQUAL scales at best provide only one of the many forms of expectancy-disconfirmation they can fulfil that function (see Cronin and Taylor, 1995).

Some remarks can be made with regard to the model. The CSR assessment model is based on a subjective approach of CSP in terms of perceptions and expectations instead of observable appraisal criteria. However, any kind of CSP performance assessment is inherently value laden and makes an objective assessment almost impossible. The importance and meaning of criteria will differ between the stakeholders involved and will depend on previous experiences, business sector and the actual persons involved (Jonker and Nijhuis, 2006; Kenis and Provan, 2009). In a similar vein, whether to provide a weighing to scores for the purpose of distinctive power or not as is common in the original SERVQUAL model, will always be subject to subjectivity. On the other hand the risk might be that the provided score will not have enough distinctive power. It is to the discretion of the assessor how to deal with these issues. A final issue will be how the actors in the food and agricultural sector will perceive the usefulness of such a model leaving aside issues of reliability. The main issue remains to create added value for the parties involved, becoming apparent in consensus about the issue at hand, how it will be approached. Future research on the possibilities and restrictions of a SERVQUAL based approach of CSP is therefore warranted. Despite these remarks, actors in the food and agricultural sector can achieve important progress with their corporate social initiatives.

**Literature**


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