

# Research Proposal on Corporate Social Responsibility and Sustainability in International Business

## **Problem Description**

This research seeks to investigate how multinational companies can use CSR as part of their overall business strategy, in order to receive financial returns to be used to sustain their responsible actions. For responsible actions to have financial returns, a firm will have to use CSR as a means to achieving competitive advantage and creating a Blue Ocean. Profitability being the goal of most of the companies, it has been hard to convince them of the importance of Corporate Social Responsibility. Many companies are reluctant to participate in CSR as they are of the view that it's an additional cost with no returns. As most of the time, these companies pose problem to the environment by their production mechanisms, it is of imminent importance that they take responsibility of their work and take Corporate Social Responsibility as one of its more important and integral part.

## **Abstract**

Various global issues of social, economic, and cultural characters are being witnessed across the world, and are ever increasing in scale. Companies that engage in International Business (IB), Multinational Corporations (MNCs), are contributing to these problems and at the same time, they are a big part of the solution. As a result, the pressure being exerted on MNCs to take up responsibility for their operations is ever increasing. For managers of MNCs, Corporate Social Responsibility (CSR) has emerged as an inescapable priority. However, most MNCs invest moderately in CSR programs mainly because such initiatives are a cost factor only. A literature review of CSR within international business showed that studies researching the financial returns of CSR initiatives to MNCs are limited.

Most MNCs avoid CSR as it is only a cost factor. To sustain such initiatives, a company needs to cut into its profits. In this research, the concept of sustainability of CSR will be evaluated on the basis of how companies can use CSR to record financial returns, which will be used to fund and sustain the CSR activities. As such, sustainability is how firms create value and competitive advantage in the market through CSR, and in the process, record financial returns which will be used to fund their responsible actions.

This research responds to the limited number of studies in this area by studying how MNCs can use CSR projects to create shared value, and in the process benefit both the company and the society. The focus of the research is on whether and how shared value can be created by creating a blue ocean or competitive advantage in the market. To carry out a comprehensive research, a case study of two MNCs that have incorporated CSR in the business strategies will be carried out.

## **The Research Proposal**

The world is experiencing various problems of social, economic, and cultural characteristics. Many people still live in poverty, one in eight people are undernourished, and many more live in unsatisfactory conditions (United Nations, 2018). At the same time, climate change is a big problem affecting the whole world. The number of problems affecting the world is just too high, and the list is endless. As IB increases and the world becomes more globalized, individual national problems end up having a global effect. For example, political instability in an agricultural country can affect food production hence affecting the food supply in another country. As these global issues continue to increase, different perspectives and opinions are being raised concerning the role of MNCs in these problems. As a result, CSR has emerged as an inescapable option for MNCs.

On one spectrum, MNCs are the source and contribute to these problems. The operations of many MNCs demand heavy investment of resources. As history shows, the operations of MNCs can be termed as greedy because most have made huge profits at the expense of communities, and have ignored the consequences of their operations. For example, it's evident that workers in underdeveloped nations are paid poorly by MNCs just so to save on production costs. Also, MNCs have exploited raw materials without caring about the effects on the environment (Korngold, 2014). However, on the other spectrum, MNCs can greatly contribute to solving these problems. Economically speaking, as well as regarding resources and knowledge, MNCs are better placed to solve these societal problems. Compared to normal citizens and NGOs, and at times governments, MNCs as corporate citizens, are better placed to solve these problems. They have adequate resources, technological know-how, and can act like the "big brother" in getting other firms, NGOs, governments, and citizens to engage in CSR (Korngold, 2014).

It can be seen that MNCs represent both the source and solution to these problems. As it is, many MNCs have already invested in responsible actions. However, these initiatives are not enough to solve the many global problems being witnessed. Furthermore, many MNCs don't agree and understand why they should engage in CSR. Many view CSR as an expenditure that cuts into the company's profits. Consequently, most MNCs only engage in CSRS to please stakeholders and to gain legitimacy.

Taking a totally different view, CSR can be viewed as a business opportunity to MNCs. Such programs can benefit the society while contributing to the company's profits at the same time. As such, CSR programs can generate financial reruns which can be used to sustain such initiatives (Korngold, 2014). Examples of MNCs that have incorporated CSR as part of their business strategy so as to sustain their responsible actions include The Body Shop and Toms. The Body Shop- manufactures makeup products from natural ingredients and guarantees its customers that none of their products are tested on animals. On the other hand, Toms donates a pair of shoes for every pair the company sells. These two MNCs have managed to introduce CSR, as a competitive strategy in their industries.

## **Research Questions and Hypothesis**

What do MNCs get in return for their CSR programs? This is a question that's largely unexplored. As pressure for CSR increases, it's important to evaluate what returns these

programs have for MNCs and whether they can increase the competitive advantage of the company. As such, the aim of this study is to understand how MNCs can use CSR to benefit both the society and the company itself and use the financial returns to sustain their initiatives. The benefit to both the firm and the society is what Michelini (2012) defines as shared value.

**Hypothesis:** Michelini (2012) *argues that by using CSR, companies can create shared value and achieve competitive advantage in their industries. Aside from benefiting the society, CSR can improve a company's market position by improving its business operations and competitive environment (Michelini, 2012). However, this hypothesis has never been tested in IB literature.*

### **Research Question 1: *How can MNCs use CSR as part of their business strategy to achieve competitive advantage?***

This question is based on the theory of competitive advantage which assumes that the marketplace is a constant environment neither changing in scope nor size. As such, competition is stiff because firms are competing to get a bigger slice of the market. The competitive forces affecting players in the market are very much the same (Porter, 2008). It can be argued that in such markets, CSR can be used to achieve more than just a competitive advantage. Companies that view CSR as an opportunity may use CSR to beat competition. According to the Blue Ocean Strategy, a firm can add value for its customers by adjusting competitive forces and adding new ones that no other firm has previously offered. By offering differentiation and high value based on CSR, companies may reconstruct the competitive environment in their industries (Kim & Mauborgne, 2015). Such a firm may attract new consumers who value responsibility and old competition becomes irrelevant. This new market is referred to as a Blue ocean. As such, the next research question poses;

### **Research Question 2: *By engaging in CSR, how can MNCs create Blue Oceans?***

The Blue Ocean Strategy is a set of concepts, frameworks, and tools that help companies in value innovation and hence, create a new market (demand) (Kim & Mauborgne, 2015). It can be argued that MNCs engagement in CSR can create value innovation. As such, it's important to evaluate whether the elements of Blue Ocean Strategy can be used to achieve shared value. Hence the next research question asks;

### **Research Question 3: *How can MNCs use the Blue Ocean Strategy to create shared value?***

To answer these questions, it will be imperative to carry out a case study on two MNCs: Marine Harvest, the world's largest producer of Salmon, and Storm Berg, a clothing company, are the two MNCs evaluated in this research. These MNCs have been chosen because of their responsible business profile and huge investments in CSR.

## **Literature Review**

The aim of this study is to evaluate how MNCs can use CSR to benefit both the society and the firm. Porter and Kramer (2006) define this benefit to both the society and a company as shared value. They argue that by using CSR, a company can achieve a competitive advantage. Apart from positively contributing to the society, CSR actions can have a positive effect on a company's competitive environment as well as its business operations (Porter & Kramer, 2006).

Kim & Mauborgne (2015) built on this thesis and argued that not only can CSR increase shared value, but it can also be used to beat competition in the market (Kim & Mauborgne, 2015). The competitive factors affecting players in an industry are more or likely the same. According to the Blue Ocean Strategy, as discussed by Kim & Mauborgne (2015), a company can create value by adjusting and introducing new competitive factors that no other player had offered before. As such, it can be argued that MNCs can rely on CSR to achieve competitive advantage by attracting customers who value responsibility. In the process, the company will create an unexplored and uncontested market referred to as a Blue Ocean.

Aspelund, Fjell, & Rodland (2015) extensively evaluated CSR within IB literature. The authors argue that majority of the literature in IB take either an institutional view or stakeholder view, and they only aim to under the motivations and drivers of CSR (Aspelund, Fjell, & Rodland, 2015). From their analysis, it's evident that a majority of MNCs, only engage in MNCs because of external pressures, to obtain legitimacy, and to improve reputation. According to the authors, no research has evaluated the financial returns that accrue to MNCs as a result of their responsible actions (Aspelund, Fjell, & Rodland, 2015).

Porter (1996) discusses the concept of CSR in-depth. In particular, he evaluates how CSR can be used as a business strategy to achieve competitive advantage. He proposes a framework based on three generic strategies which MNCs can use to create a competitive advantage. A firm can either pursue differentiation, cost leadership, or focus. His theory of sustainable competitive advantage has been extensively used within the field of IB literature (Porter M. , 1996). As such, the framework will be a helpful tool when evaluating RQ1.

Porter and Kramer (2006) discussed the concept of shared value. The researchers argued that a firm could create a competitive advantage by incorporating CSR into their business strategies (Porter & Kramer, 2006). However, they failed to show how a company can financially benefit from its CSR programs. All that the researchers proved is that CSR can improve a company's market position by creating value.

Kim & Mauborgne (2015) researched the concept of the Blue Ocean Strategy. They investigated how a company can use CSR to break from stiff competition in the red ocean and create a blue ocean (Kim & Mauborgne, 2015). This concept is all about exploiting untapped demand, but the demand must first be created. As such, the company's focus should be on what the customers value rather than the differences between them. By using CSR, a firm can create a new market of customers who value responsibility (Kim & Mauborgne, 2015).

Data regarding the two companies' operations will be mainly sourced from the company's websites and other websites. Stomberg focuses on four main corporate responsible elements; fair trade, environmental issues, donating 1% of turnover to humanitarian purpose, and creating an

inclusive working environment (Bloomberg, 2018). Data from the website will be used to evaluate the impact of its CSR activities on its financial returns. On the other hand, Marine Harvest's website highlights various responsible actions that the company has engaged in, and the impact of such actions on the company (Marine Harvest, 2018).

Urip (2010) expounded on the concept of financial returns that accrue to companies because of their CSR initiatives. The author evaluated various cases among them how Toms and The Body Shop have managed to create value, competitive advantage, and put themselves in unique positions in their markets through CSR. Toms donates one pair of shoes for every single pair sold while The Body Shop only uses natural ingredients in the production of their products (Urip, 2010).

Yin (2014) suggests three conditions for selecting a research method. The first condition is the research questions of the study. The second condition is the extent of control over actual behavioral events, and the last one is the degree of emphasis on contemporary rather than the historical events (Yin, 2014). This information is important when deciding on the type of research method to be used.

## **Assumption**

The main assumption of this research is based on the theory of competitive advantage which assumes that the marketplace is a constant environment neither changing in scope nor size. As such, competition is stiff because firms are competing to get a bigger slice of the market. The competitive forces affecting players in the market are very much the same (Porter, 2008)

## **Methodology**

### ***1. Research Questions***

The questions that this research addresses are:

- a. How can MNCs use CSR as part of their business strategy to achieve competitive advantage?
- b. By engaging in CSR, how can MNCs create Blue Oceans?
- c. How can MNCs use the Blue Ocean Strategy to create shared value?

As stated earlier the aspect of CSR within IB, has not been empirically investigated that much. As such, this research will depend on an extensive insight into the companies' operations, business strategies, motivations, market characteristics, and drivers of their competitive factors, as well as other variables. Most of this information will be found in the companies' records, statements, releases, and documents from the mass media, all of which will be sourced from the internet. To correctly answer the 3 research questions, the study will evaluate contemporary events rather than historical ones. The MNCs' factors that will be evaluated will be recent events, present, and ongoing changes.

## **2. *Research Method***

Because of the demands of the research, the research method to be used will be a case study. A case study is preferred because of its ability to deal with an array of evidence, both contemporary and historical, and its ability to give an in-depth evaluation of components in the research questions.

## **3. *Case Study Design***

With regards to the case study design, a multiple case study design will be used rather than a single case study design. A multiple case study design will be used because of its many advantages. According to Yin (2014), evidence from multiple cases is more compelling and more robust. By evaluating more than a single case, there is a chance for replication, where it can be determined whether different cases have deviating or similar results or they create a pattern. Furthermore, the chance that the study's result will be of an extreme or unusual case is reduced. Single case study designs are usually limited as the research depends only on one case (Yin, 2014).

## **4. *Selection of the Cases***

It was hard to select two suitable cases for this research mainly because of the newness of the field. As stated earlier, only a few firms have acknowledged CSR as part of their business strategies. However, two companies were identified that proved to meet the needs of this research. Of importance to note is that few researchers have evaluated the relation between CSRS, competitiveness, shared values, and the Blue Ocean strategy. As such no rival conclusion needs to be challenged. The two MNCs selected are Stormberg and Marine Harvest. These MNCs were selected because their business operations are constituted in such a way to benefit both the society and contribute to the firm's profitability. Returns from the CSR program are used to fund and sustain their responsible actions.

## **5. *Research Techniques***

Because of the nature of this research, quantitative techniques will not be used only qualitative logic. The qualitative technique will be used because the research is not concerned about the number of cases, but rather it aims at identifying processes common to the two companies, and generalize them to all MNCs.

## **6. *Data Collection***

Data collection will be mainly from documents, such as company releases, media articles, and reports from other researchers, all of which will be sourced from the internet. These documents were used to provide an in-depth understanding of the two MNCs responsible business strategy, operations, mindset, market conditions, and other variables.

## **7. *Data Analysis***

The strategy to be used in the analysis of the data collected will be the grounded theory. This strategy is mostly used when analyzing qualitative data. Grounded theory is iterative meaning that there is a repetitive interplay between the collection of data and analysis (Birks & Mills, 2010). The iterative strategy will be used to prove that the data is in context, and will help when linking different concepts together.

## **Limitations**

### **A. Research Method**

The case study to be used is not vigorous enough, and the researcher may be sloppy. The possibility of the subjectivity of researchers cannot be ignored as well as wrong interpretation of the data. Also, a case study only gives analytical generalizations instead of statistical ones or both. Analytical generalization is a generalization about a single case but transmitted to other cases as well. Lastly, there is the issue of time. Will the time frame has given be adequate enough to perform the multiple case study?

### **B. Data Collection**

The collection of data was based on secondary sources; documents mostly sourced from the internet. Information on the internet may be difficult to find and may also be deliberately withheld. At the same time, due to unlimited information, it may be hard to get the exact information needed. There is also the issue of credibility. Most of the documents to be relied on have been availed by companies and the mass media. Although they are considered reliable sources, it should not be forgotten that such documents were meant for a specific audience and purpose, and not this research.

## **Expected Results**

It's expected that the research will prove that indeed CSR activities can be integrated into a firm's business strategy. Rather than just being beneficial to the society, CSR can be a business opportunity for a company that engages in responsible actions. It being considered as business opportunity means that a firm's CSR activities can have financial returns which can be used to fund and sustain their responsible actions.

After evaluating the two companies, Stormberg and Marine Harvest, it will be possible to clearly point out how CSR has been incorporated into these companies' business strategies. From this evaluation, the study will able to explain how other MNCs can incorporate CSR into their business strategies, an in the process, generate funds to sustain their initiatives.

## **Conclusion**

The increasing numbers of societal and global problems have increased the pressure on MNCs to engage in CSR. However, most companies overlook such initiatives mainly because they are a cost factor cutting into the company's profits. This makes it hard for MNCs to sustain

responsible actions. This research aims to demonstrate how MNCs can incorporate CSR into their business strategies and in the end earn financial returns for their responsible actions. These returns can be used to fund and sustain their CSR initiatives. There is abundant literature on the aspect of CSR in IB. However, few researchers evaluate how CSR can be a business opportunity to a firm and in the process generate funds to sustain the initiatives.

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