

# Social Responsibility Used as a Source for Competitive Advantage in Mexico's Companies

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**Abstract**—Large, medium and small companies create and sustain relationships with their investors, stakeholders, employees and community in a different way; conditions by means of which the executives take decisions related to the enterprise's social responsibility changes [1]. There is wide debate, between investigators of the area, about the enterprise's participation of the Social Corporate Environment, as well as the discussion about the success and limitations of their participation.

**Index Terms**—competitive advantage, social responsibility, stakeholders

## I. INTRODUCTION

Corporate Social Responsibility's first interest resides in achieving an adequate relationship between the environment and the organization. [2] In other words, is to cause the company to properly function with its surroundings, and taking special attention to the necessities.

Rajat Panwar [3] considers that the companies tend to expose numerous motivations when adopting a policy of Social Responsibility. These motivations range from meeting the legal requirements to be used as a tool that increases productivity and improves financial performance. The above mentioned makes the Social Responsibility a key element for the fulfillment on legal obligations, labor, and ambient environment; it influence the maximization of profits and productivity extrapolation productivity.

By using Social Responsibility as a tool to enhance development activities, it also enhances the efficiency of internal processes. It is hoped that in the future companies will assume responsibilities that go past the economic implicates or considerations. Therefore, it is necessary for organizations to seek in a proactively way environmental and social issues with the purpose of minimizing the consequences and damages for the environment.

Accordingly, the Social Responsibility can be identified as an inclusive practice of the modern company without acting only for gain utilities, but to look after the interests of the ones who participate in them. (stakeholders).

The present work tries, in one hand, to identify and analyze the implications that social responsibility has

among companies, and for that matter the role that these play in front of others as a result of said implications; in the other hand, it intends to analyze the behavior of large corporations, with well-structured formal organizations, versus small companies, with insipid or nonexistent systems, in Social Responsibility. Lastly it urges companies to make conscience about the benefits linked of the politics follow-up, aligned with Social Responsibility, independently of their classification.

## II. METHODOLOGY

A biographical and documental analysis of the Social Responsibility was done, analyzing the pertinent theories, to compare the commitment degree and activities destined to the Social responsibility fulfillment of large companies in regards to small companies. We started with a field research that allowed determining how a small group of companies, inside an specific sector but with different characteristics (size, organization, corporate structure, etc.) interact with the interested parts. (Shareholders-stakeholders). This field research was constituted in some sort of social auditory. It reunites relevant information to evaluate range and depth of the activities generated in this matter, besides it examines how these companies with different characteristics if well inside the same concept, they take different choices related to their intern relationship management and administration for their investors and employees, as well as external relations with providers- costumers and community in general [4], [5].

### A. Objectives

This works pretends, for one side, to identify the benefits derived of the Social Responsibility's aligned politics follow-up, to recognize if the companies are achieving the obligations inherent to the relationship with their workers, interested parts or stakeholders and the community in general; independently of their size; to make conscience at the same time about the importance and the benefits that can be obtained from them.

### B. Hypothesis

Small and medium companies not only have to apply the politics that are aligned with their investors interests, but also with a better practices scheme, that leads to a social sense; those small and medium companies that do it will

verify that when adopting this kind of measurements not only they are avoiding risks, it also increases their competitive advantage.

### III. SOCIAL RESPONSIBILITY AND THE COMPANY

Social Corporate Responsibility is focused on not only on the wellbeing of the companies' actionists but in respect of the ethics, people, communities and environment, as an integral strategy increases the added worth and improves the companies' competitive position.

Traditionally it has been given a tendentious separation between the economic aim and the social end of the small and medium company, leaving behind the organization's social responsibility aspect. Nevertheless, the application inside the company of an adequate Corporate Social Responsibility may even be seen as a competitive advantage for itself. The feasibility of a project is sustained by three main principals: technical, market and financial viability, without undermining the social responsibility that the project itself contemplates. In this sense, this work tries to discuss the corporate social responsibility concept taking in account the own competitive advantage of the small and medium company. The costs associated with these programs are clear but their correlation with a better financial performance is hard to prove, especially because the Corporate Social Responsibility programs go or try to go beyond the short term profit.

We can say that in order to do well is not contrary to being good; the Corporate Government and Corporate Social Responsibility are extremely important for the small and medium company; but this leads to a long term return of investment, and for big entrepreneurs it usually represents more than an investment an unnecessary expense.

However, today investors take in account aspects as the environment, social impact and practices of the very same Social Government itself, when it comes to take decisions about an investment. Consequently small and medium companies that worry about their reputation also worry for their Corporate Government structure. Corporate Social Responsibility has a sense not only on the small and medium enterprise as a sustainable development strategy at a national level, but as well as a future competitive advantage to new markets and to create better businesses.

### IV. THE ETHICS OF SOCIAL RESPONSIBILITY

The World Bank as Multilateral Institution considers that the Social Responsibility is the commitment of the companies in order to behave ethically with the goal of contribute to the economic progress and sustainable, working with the stakeholders to improve their lives in a significant way for the company, the agenda of sustainable progress and the society in general.

The Interamerican Bank of development considers that social responsibility is a vision about how the company conceives respect to the ethical values, the people, community and their environment as an integral strategy

that increments the add value, to improve the competitive situation of the company.

The European Community in their green book considers a company that is socially responsible when it's not only fulfilling with the juridical obligations, in fact, they go beyond of their commitment investing in the human capital, surroundings and the relationships with interlocutors.

Social Responsibility is an obligation and it is not limited to the fulfillment of moral or legal requirements attributed to legal persons. It is the ethical act of companies before, during and after the process of their activities.

Financial scandals at the beginning of the century affected clients, customers and shareholders, exposing the honesty and ethics of managers and business leaders of large corporations. Scandals like Enron and Worldcom in the United States, affecting everyone; workers, private investors, political figures and even other multinational companies such as the case of the firm Andersen.

Where did the moral and ethical commitment of corporations to their community, employees, stakeholders, customers and the environment go?

But how do we understand the concept "ethic"? The concept of ethical uses "correct action parameters" from moral behavior from the perspective of various ethical traditions, as endpoints and guidance in making decisions in particular cases of each community.

Since the notion of social responsibility is viewed from businesses and / or organizations as ethical agents, as there is neither a legal entity nor the sum of individuals but communities bound by values, common habits and attitudes, defined in a mission that must be legitimate for society.

It is the obligation of every business to comply with the regulations of the law. Laws represent a "codified ethic", which formalizes certain expectations about decisions, actions and organizational practices. From an ethical perspective, the fulfillment of the law is the minimum that should be required.

However, the laws indicate the allowed limits on the actions of corporations, they are signals that could persuade, but they do not help prevent it.

Law does not change people or institutions, however it is necessary to promote processes of change in the culture of institutions, creating new habits oriented towards the common good and increasing the quality of life of the entire society.

Ethical principles are basic responsibilities of the company, which define the relationship between the company and society.

The company has ethical principles expressing its philosophy; they define its role and social and economic commitment. Also, the principles should be clear from the perspective of the human being, of the Organization and its project to society. Any conception of social activity is a vision of society and therefore of human life.

An institution is socially responsible holistically, when aware of its place in society. It takes its responsibility to the social and economic environment. It is a commitment to the building of the country.

There are three main elements in the construction of the ethical principles of a company:

- Legitimacy: Is the social value of the company, in terms of an analytical view of its relations with society.
- Public Responsibility: It is the responsibility of the company, its processes and final results in the context of its own principles and implementation of them.
- Transparency: Managers are moral actors. They are required to act with transparency in each of their decisions.

It is important to consider that ethics in business and business practices emerges as a new paradigm where transnational assume in their business strategies the objective of making the development of its business in the countries where they settle sustainable. Ethical issues are inherent processes to the performance of any company, institution, or agent, not only because it makes decisions and acts, but because it always does it with a certain conception of the good.

Business ethics are the foundation of strong relationships between the company, suppliers, customers, stakeholders and other audiences; it allows interpretation and dispute settlement in accordance with the principles that guide decision-making, training and evaluation of staff, and how they should conduct business.

However, companies must be concerned about balancing profits with Social Responsibility; for example, when considering the costs that some companies make to withdraw from places where environmental authorities prohibit operating or adjusting their plants to allow the reduction of pollutants discharged to the environment.

In every organization decisions are made on matters that are not defined in advance, and on which they have real competition. Ethics help to clarify the terms of the discussion and reach reasonable agreements.

## V. SOCIAL RESPONSIBILITY MANAGEMENT

In the day to day operation of companies, competitiveness spreads from the product towards their surrounding environment, even if it is not widespread, we can see an increase in attention to Social Responsibility, particularly large companies, either local or international; but still more common in advanced emerging economies.

This, in response to the same environment begins to demand accountability from the company about their behavior; from consumers who consciously choose between one product and another, considering the damage it does to the environment, to the investor responsible for determining the course of its investments according to the criteria of transparency that the company follows one or another company in caring for the environment, among other factors.

In this sense, and in an effort to not only to implement measures to promote the Social Responsibility, but also to follow up on these actions, the companies have been seen the need to establish mechanism or management tools for such activities.

There are various management tools on Social Responsibility that can help the companies, so based on the framework of its singularity and from objective expectations, fits with corporate values.

Taking into account the above, and given that in companies belonging on the tourism sector, the management of Social Responsibility is presented in a particular way; managers must accurately select the suitable management tools for giving a proper monitoring.

According to this a company should take into account the following instruments as basic tools, regardless of its size:

- Corporate statements.
- Corporate conduct codes.
- Corporate Social Responsibility policy.
- Social reports.
- Social Responsibility Policy for users.

## VI. SOCIAL ACCOUNTING

The self-regulation of Corporate Social Responsibility comes from the social and environmental risks. The lack of Social Responsibility can be translated to requests, fines, and excessive government regulation, the loss of image and sales, affects directly to the companies. To deal with this situation, there are regulations to accomplish, internally and externally, just as ethical principles are considered; the compliance of international regulation in the matter of Social Responsibility considers the companies should accept the responsibility of voluntary commitments.

In the Davos Forum of 1973, the "Ethical Code of Conduct for Management of Companies" was proposed, which function is "to serve the interest of the consumers, workers, investors and society", in "the balance of its antagonistic interests."

International initiatives join their effort of Social Responsibility that agrees in human rights, worker rights, environment, and corruption, based on the building of standards for the international compliance.

With the purpose of helping campaigns to implement the Social Responsibility in a global environment, some guides and international standards have been developed, like the OECD Guidelines for Multinational Enterprises, OIT Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, or the United Nations Global Pact.

The construction of ethical principles for companies or for inter-institutional consensus, involve the beginning of the ethical self-regulation for companies. The ethical reflection is the process to decide what should be done.

The ethic considers the company as a moral community because it has legitimate purposes with a defined value system that incorporate in the organizational culture of the company as a self-regulation measure.

Nevertheless, the change of the organizational culture during the process of the building of principles and values of the company, adjusted accordingly to their requirements, influence in the change of the people and in the quality of the internal and external interactions of the company.

In some self-regulation cases in the tourism sector, they use as instruments the codes of conduct, the guides to good

practice, audit and diagnosis, awards, corporative or sectorial programs. Those are voluntary instruments of companies that go beyond the existent legislation, with the strong obligation to improve the environmental commitments and with the society.

## VII. CORPORATE SOCIAL RESPONSIBILITY AND ITS DIFFERENT ASPECTS

The corporative answer to social and environmental matters, better known as Corporate Social Responsibility, has been studied for several authors who have seen the concept progress through the following next three stages: utilities maximization, trust administration and life's quality administration. [6]

Considering this, it is possible to identify how companies show a series of stages in transition in what social responsibility refers; the first one when it comes to this concept is that companies show a tool to improve processes, to sell or even to position themselves; the second one, by this mean they try to gain the trust of the intern factors, which is the case of the employees, for example, as well as the external, like providers, clients, among others; finally the third one by which they seek to achieve the life quality for the concept in which they interact. From then on, we will try to identify the idealities or advantages associated to these stages.

According to Rajat Panwar, companies have a tendency to show many motivations for a Social Responsibility political adoption. These motivations might go from the accomplishment of the basic obligatorily legal requirements, directed to control destructive managerial practices until considering the Social Responsibility as a tool to increase and improve the enterprise's financial performance. [7] This infers how the Social Responsibility may be considered as a key element for the enterprise's legal obligations accomplishment which goes from the labor matter to the environmental ones, as well as one of great deal of importance which refers to maximize utilities and productive efficiency.

Several administrative disciplines have recognized that Corporate Social Responsibility is appropriated for their intentions, such is the case of the quality administration, marketing, communications, finances, human resources, etc. [8]

Just as Marrewijk proposes, companies often choose Social responsibility as a tool to improve their activities development, achieving with it their intern processes. In near future, we hope that companies to assume their responsibilities beyond the considerations or implications in the economic area. As a result, it turns extremely important for organizations to try to answer proactively to social and environmental matters in order to lessen social pressures. [7]

From then on, it refers to the rest two other stages, with respect to the responsibility to the workers, themselves and the community in general.

It becomes interesting that companies are now noticing the Social Responsibility's importance to anticipate a poor ethic record that might impact on a negative way the name of the brand and the price of their actions. [9] In this way, companies increasingly agree that Corporate Social Responsibility is primarily practiced because is a good business. [10] Social Responsibility importance is recognizable on the brand and thereby its placement in the market, as well as the acceptance from their investors and the increase of the actions' price. In this sense, we can take three stages as an inclusive practice of the modern Social Responsibility, not acting concerning just for the enterprise's utilities but for also for the stakeholders.

## VIII. COMPETITIVE ADVANTAGE AND SOCIAL RESPONSIBILITY

The question now turns on how to achieve this on small and medium companies, how to incorporate on a systematic basis the principles and actions of Social Responsibility in their daily life? In this sense large companies can have a fundamental roll incorporating the links of their value chain less involved on the subject, like small and medium companies are. In fact one of the strategies to form responsible and highly competitive small and medium companies is making alliances with the large enterprise where the government, academy, associations and managerial and commerce chambers, play an important role fomenting the relationship and approximation among companies generating a business environment, understanding and mutual help.

The large enterprise can reinforce the implementation of Social Responsibility schemes from small and medium companies, supporting their participation on the chain value, getting involved in social inversion; providing financing from the seed investment to risk capital and in general, charring the "know how" and the required abilities to adopt better practices for businesses. Hence they can incorporate, through a collaborative strategy alongside other companies, weaker links in the value chain, like small and medium companies, in the Social Responsibility scheme's implementation. This leads to an awareness process, training and implementation, to execute the direction and management model that with the Quality Direction model and other factors help effectively to Corporate Social actions contribute to the competitive advantages development.

## IX. CONCLUSIONS

Companies worldwide are preoccupied with the impact their activities have in society. Many of them have created Corporate Social Responsibility programs (CSR); which seek to maintain a balance between their operations, their investor's interests and the community in general. In this sense, social and environmental consequences are compared against the enterprise's economical profits. [11]

The Mexican philanthropist Center (Centro Mexicano de Filantropía) maintains that, in our country till this moment, the Corporate Social Responsibility has been applied mostly and at least formally for mayor companies.

We can conclude the previous point because in first place, in great measurement the object of the enterprise consists in satisfying a norm of the country they are on, and in second place because the costs associated with these programs and their relation with a better financial performance is hard to prove, especially on short term.

For one side, smaller companies are more susceptible than any other to understand the benefits of managing the relationship with stakeholders and their impact [10], this very probably in virtue that it exists closeness to the community. For other hand the more companies realize the strategic opportunities of an adequate Corporate Social Responsibility politic a change will be produced from the achievement focus to an innovation one. [10]

Unfortunately, the costs for applying these type of practices, or at least most of them, are still too high for the small businesses; and even though they are aware of its importance, they won't confront them because they see improbable the short-term benefits.

Also, even though the businesses, both small and large, generally agree in acknowledging the importance of the Social Responsibility practices, it is not like that in all senses.

Small businesses, for example, usually do not consider these kinds of practices as a necessary instrument to increase their productivity, at least not in a short or medium term; nor to attract new investments. This happens basically because, in this last case, businesses generally don't recapitalize through the emission of a private debt.

On the other hand, large companies, even though they don't see Social Responsibility as a short-term tool to increase their productivity and performance, they do consider it as an investment, not as expensive as in small businesses, in medium or long-term. They also do consider it important as an instrument to attract new foreign investment.

Small companies, especially on the domestic market, do not believe the impact Social Responsibility has on the increase of preference for their products, like a commercial campaign or corporative image may have; nevertheless they recognize its importance for the enterprise's future growth in this or other markets. This changes in big companies because they have access to international markets where the implementation and fulfillment of this sort of practices have a great follow-up from the consumer and the community in general.

Where in general, if they converge is due to the importance of Social Responsibility to improve politics and relationships with the employees, increase the enterprise's production, and reduce possible conflicts and pressure with the environment, in both cases and in social commitment matter, in the case of large companies assuring its operation

and long-term sustainability. This is why Corporate Social Responsibility tries to go beyond the short-term profit. In this sense, we can be good and do well; corporative government and corporative Social Responsibility are extremely important for the enterprise; but this leads to a long-term return of investment.

In any case, both large corporations and Small or Medium ones, agree on the importance of the Social Responsibility to increase their relationship with the employees; to decrease the conflicts and stress within the environment; basically in environmental issues and social compromises; securing their operation and supporting for a long-term.

To most companies the Social Responsibility can become a tool that increases their productivity and performance, or in their case to increase the investments, declare their company's name position, increment the consumer preference, use the commercial marketing campaign and corporative image, secure their operation and sustainability in a long-term, administration of quality, improve the politics and relationships toward the human capital, reduce the conflicts with the stakeholders, and lessen the pressures of the environment.

As it can be seen, it is easier for the big companies obtain commercial gain from the application of the social responsibility, these practices can also create competitiveness to the Small and Medium Companies and, in a lot of cases, their implementation can be easy, as long as they raise the awareness about the economy virtues and benefits that can be brought. Here the importance of analyzing the competitiveness that creates the management of the Social Responsibility in the Small and Medium Companies.

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