THE INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY ON CORPORATE COMPETITIVE ADVANTAGE: A CASE OF ZIMBABWEAN STOCK EXCHANGE LISTED COMPANIES

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Abstract

The study investigated the impact of Corporate Social Responsibility on Corporate Competitive Advantage on Zimbabwean listed companies. A stratified sample of 10 participants from 10 companies listed on Zimbabwe Stock Exchange was utilised to examine the influence of corporate social responsibility on competitive advantage during a period from 1 July 2012 to 30 June 2013. The study utilised a mixed method approach and data was analysed in the form of descriptive statistics. The results show a significant influence of corporate social responsibility on competitive edge on Zimbabwe stock exchange listed companies. Results also reveal that the degree to which social responsibility is emphasized can impact a firm's credibility, ultimately influencing the ability to raise capital, retain effective and productive staff, bid for quality raw materials from reputable suppliers and even manage to secure relatively lucrative growth opportunities. All these collectively help entities build and sustain strong competitive edges against their fellow competitors.

Keywords: Corporate Social Responsibility, Competitive Advantage, Stock Exchange, Companies

1. INTRODUCTION AND BACKGROUND TO THE STUDY

Across diverse types of organizations and entities, a company's good reputation in society and among social, political, and economic decision makers has become a major source of competitive edge. Some would argue that a good reputation unquestionably forms the most precious and most fragile asset of a company. It is an asset that cannot be purchased but must be built by investing the necessary resources.

Companies can achieve competitive advantage by being seen by consumers to be innovative in areas such as environment, employee welfare, fair trading, community involvement and ethical marketing. Various studies, both commercial and academic, on the importance of these attributes suggests that a growing number of consumers are taking ethical and social issues into account when purchasing products (Aguinis & Glavas, 2013; Auger, Devinney, Louviere & Burke, 2010; Carrigan & Attalla, 2001). This confirms that the consideration of ethical issues has become a crucial function in recent business decision making and operations.

A study by Dodd and Supa (2011) found that "by 1996 in UK, 67% of adults were claiming to consider a company's ethical stance when buying a product and 55 % would not deal with a company if they disliked its ethics". More importantly, Dodd and Supa (2011) cited that in 2001, 80 percent of consumers surveyed in the UK believed that companies should attach at least as much importance to social responsibility as profitability when making business decisions. That is, whenever the decision makers make decisions (both tactical and strategic), they have to at least consider the interests of such various stakeholders to the organization in a bid towards valuing and respecting the society's interests.

One of the major corporate reputation building concepts is Corporate Social Responsibility (CSR). It is a concept that has been attacked and rejected by business leaders for decades but has suddenly become a central facet of the modern corporation: "Corporate social responsibility has been transformed from an irrelevant and often frowned-upon idea to one of the most orthodox and widely accepted concepts in the business world during the last twenty years or so" (Lee, 2008, p. 53).

Companies engage in corporate social responsibility for many reasons that include the ability to operate now and into the future by acknowledging areas of harm, risk or opportunity that affect their well-being. By effectively managing corporate social responsibility in both internal and external activities, companies benefit through improved research and development, market position, employee development, government relations and risk management (Weiser & Zadek, 2000). Often referred to as the Triple Bottom Line, corporate social responsibility calls on the corporate

sector to look at its success from financial, environmental and social perspectives (Savitz, 2012).

In support to this, Jenkins (2006) s' study revealed that society's expectations of business have increased in recent years. In the face of high levels of insecurity and poverty, the backlash against globalization, ozone depletion and mistrust of big business, there is growing pressure on business leaders and their companies to deliver wider societal value. It is now widely recognised by business leaders that their companies need to accept a broader responsibility than short-term profits (Knox, Maklan & French, 2005).

A study by Smith and Alexander (2013) also revealed that more than 80% of the Fortune 500 companies address corporate social responsibility issues. This is heightened by more extensive media reach coupled with advances in information technology, in particular the internet, which has allowed rapid and widespread exposure of alleged corporate abuses in even the most remote corners of the world (Young & Thyil, 2009; Kang, Lee & Huh, 2010). Both internal and external codes of conduct have been adopted to develop and implement such all stakeholder respecting and valuing practices towards good corporate governance.

Corporate Social Responsibility is a fundamental concept for the on-going concern of both the corporations and the society. Dating from the beginning of the twenty-first century, duties and responsibilities that companies bear towards the society have become a focus of attention in recent years (Kan, 2013; Ingley, 2008). The concept is now regarded to be at its most prevalent (Ding, Ferreira & Wongchoti, 2014), representing an important topic for research (Burton & Goldsby, 2009).

Not only has this topic received academic attention (Burton & Goldsby, 2009) but it is becoming a mainstream issue for many organisations (Kan, 2013; Sweeney, 2009). It has also gained unprecedented momentum in both organizational and managerial literature in recent years. Shell group first proposed the concept of triple-report of profitability limit. This concept scrutinizes corporate performance report in three areas of economy, society and environment. According to Saeednia and Shafeiha (2012), more than 500 multinational companies included some of the criteria pertinent to social and environmental performance in their reports.

Furthermore, corporate social responsibility affects all facets of a corporate. Carly Fiorna, the former executive head of Packard-Hewlett Company argued that successful companies are those that demonstrate their performance, prove their profitability and promote social values. Owners, customers, partners and clerks will voluntarily vote for such companies. Trust is a new phenomenon and a rudimentary element in business. Therefore it is worth to mention that corporate social responsibility is important for the success of any entity as it provides companies with ideas and strategies crucial for decision makers to employ.

Considering the most recent decades, a growing number of academics as well as top executives have been allocating a considerable amount of time and resources to Corporate Social Responsibility strategies. According to Palazzi and Starcher (1997), social responsibility is back on the agenda of many CEO's. This time it is also on the agenda of governments, both national and local, as well as NGO's, consumer groups, investors, and other actors in civil society. In reference to the latest UN Global Compact-Accenture CEO study (2010), 93% of the 766 participant CEOs from all over the world declared corporate social responsibility as an "important" or "very important" factor for their organizations' future success.

Individual nations have also shown great efforts towards corporate social responsibility as a requirement of good corporate governance practices. One of the nations is Zimbabwe. According to Maune's. (2015) publication, almost 82% of the firms listed on the ZSE have embarked themselves directly or indirectly in social responsibility. Zimbabwe's publicly listed institutions have embarked on a major revolutionary process that is reforming and revitalizing most communities. The process has its main target of increasing community participation in the economy. In turn, reducing socio-economic and socio- political inequalities created during the early great industrialization period and promotion of sound strategic environmental sustainability. Given this backdrop, it is imperative to examine the influence of social corporate responsibility on competitive advantage especially in transitional economies.

2. STATEMENT OF THE PROBLEM

Although corporate social responsibility has up to date received a reasonable amount of attention from both global, industrial, firm and individual levels, a fundamental question still remains unanswered. That is, whether corporate social responsibility leads to value creation and competitive advantage, and if so, in what ways? (Carroll & Shabana, 2010). Besides the works overviewed, not much has also been written on the influence of corporate social responsibility on competitive advantage especially in transitional economies like Zimbabwe's. Therefore the best way to deepen the knowledge is to proceed to an active theoretical and empirical study into the corporate social responsibility and competitive advantage trade-off.

3. RESEARCH OBJECTIVES

The objectives of the study were to:

- To investigate whether corporate social responsibility have any influence on competitive advantage.
- To investigate whether there are any other benefits that can be derived from corporate social responsibility other than competitive advantage
- To give recommendations on strategies that will improve corporate social responsibility behaviour to stakeholders based on the research findings.

4. RESEARCH QUESTIONS

To achieve the general objective, the following are the major questions which the study seeks to answer;

i) Can corporate social responsibility be a source of competitive advantage in Zimbabwe?

ii) What other benefits can be derived from corporate social responsibility other than competitive advantage?

5. RESEARCH METHODOLOGY

A triangulation research approach in the form of both qualitative and quantitative research design was utilised in the present study.

5.1 Research participants

The population of this study comprised of all the managers and supervisors from the companies listed on the Zimbabwe Stock Exchange during the period from 1 July 2012 to 30 June 2013. Two sampling procedures were used to select the sample. Firstly, a purposive sampling method was used to select 10 companies listed on the Zimbabwe stock exchange from 10 distinctive industrial sectors. Secondly, stratified sampling method was used to select the respondents (managers and supervisors) from the 10 companies to participate in the study. However, the economy may have more than 10 sectors but the researchers deliberately reduced the number to 10 for the purposes of feasibility and effectiveness.

The ZSE listed companies were classified according to the nature of industrial sectors that is, telecoms, mining, consumer goods, financial services, manufacturing, insurance, agriculture, retailing, tourism and property. From each sector, they were randomly selected to come up with a more representative sample as shown in Table 1.

Table 1. Companies selected based on sector

Sector	*Company selected*
Telecoms	Net One
Retailing	Edgars
Consumer goods	National foods
Mining	RioZim
Manufacturing	Astra Industries
Property	Mash Holdings
Financial services	Commercial Bank of Zimbabwe
Insurance	Fedelitv Life Assurance
Agriculture	Chemco Holdings
Tourism	Africa Sun

5.2 Data collection methods

A self-administered structured questionnaire with the help of face to face interviews were used to tap information for the participants. The questionnaire consisted of 14 items developed for the purpose of this nature of study and were administered to the respondents from the 10 sampled companies. Direct interviews were also conducted to supplement data from the questionnaires. The items in the questionnaire were partly theoretical and have partly emerged through interviews with managers and supervisors in the business of corporate social responsibility issues.

Table 2. Questionnaire and interviews response profile

Category		*Questionnaire administered*	*Completed*	*Response rate*	*Targeted interviews*	*Conducted*	*Response rate*
Position	*Manager*	7	7	100%	7	7	100%
	Supervisor	3	3	100%			

Based on research findings in Table 2, the response rate from the research participants was good. Of the 10 questionnaires administered to the participants, all questionnaires were completed and returned. This gave an effective response rate of 100%. On interviews conducted among the managers, all the respondents contributed their views to the study. This represented a 100% interviews response rate as well. Therefore targeted respondents from the leading companies (during the period from 1 July 2012 to 30 June 2013) listed on the ZSE index were well cooperative.

5.3 Data Analysis

Data was analysed using a statistical software (SPSS) version 23. The completed questionnaires were analysed using descriptive statistics and inferential statistics for the relationships of variables under study. Content analysis was also used to analyse the responses from interviews

6. RESULTS AND DISCUSSION

Table 3. "Does corporate social responsibility have an effect on competitive advantage"

Response	*Frequency (f)*	*Percentages (%)*
Strongly Agree	6	60%
Agree	3	30%
Neutral	0	0%
Disagree	1	10%
Strongly Disagree	0	0%

Results from both the questionnaires and direct interviews reflected the presence of a strong relationship between corporate social responsibility and competitive advantage. Respondents have shown greater consideration of corporate social responsibility practices when choosing companies to do business with. From the 10 questionnaires and 7 direct interviews conducted, 6(60%) of the respondents mentioned the strong effect corporate social responsibility has on gaining competitive advantage. Of the remaining 4(40%), 3(30%) agreed that corporate social responsibility has an influence on competitive advantage. However, only 1(10%) disagree that corporate social responsibility has an influence on competitive advantage.

This shows that corporate social responsibility practices are of paramount to operations of companies in this highly competitive environment especially when there is need to survive in the long run while retaining and if possible improve competitive advantage. The results also show that customers and clients highly consider the accountability and responsibility of a firm to the society before choosing to transact with it. Therefore, institutions that respect and adopt corporate social responsibility issues are more likely to be able to attract and retain a large clientele base. As a result, customers penalise such firms not engaging in corporate social responsibility.

6.1 Factors that influence Competitive Advantage

Respondents have acknowledged that gaining a competitive edge is a process and is achieved through a number of resultant factors of corporate social responsibility. The resultant factors that were cited when assessing the effect of corporate social responsibility to competitive edge included level of reputation, access to capital, market share, as well as sales volume. The results revealed that reputation is valued to be most influential aspect to competitive edge 5(50%) followed by access to capital 3(30%). Market share 1(10%) and sales volumes 1(10%) were considered equally influential as shown in Table 4.

Table 4: Sources of competitive advantage

	Frequency *(f)*	**Percentages *(%)***
Reputation	5	50%
Access to capital	3	30%
Market share	1	10%
Sales volume	1	10%

In answering the research question on whether there are other benefits that can be derived from corporate social responsibility other than competitive advantage, interviews were conducted among the mangers. Respondents indicated that corporate social responsibility help institutions to realise their strategic and corporate objectives as growth and long run profitability. One of the respondent further pointed out that "this is achieved through winning confidence and loyalty of clientele customer", thus securing a reasonable market share, growth and cost reduction. All these come as a result of being a responsible citizen.

6.2 Other benefits of corporate social responsibility

In consideration of the research findings, it was noted that high degree of commitment to corporate social responsibility issues, usually in accordance with current corporate governance issues, plays a significant role in both the current and future wellbeing of an entity. The study has shown that embarking on corporate social responsibility reflects a higher degree of accountability and responsiveness of an entity to the societal expectations and requirements and thus helps entities create and sustain good brand names as responsible citizens. Some of the benefits include:

Societal considerations

From the study results, it was noted that the society expects that firms be responsible corporate citizens and help to positively transform the wellbeing of communities. If they do so, various stakeholders do want to associate with such companies in any way possible hence create and maintain good name and reputation. All these lead to satisfactory long term performance in the form of relatively better competitive edge and profitability.

Competition

The research revealed that the Zimbabwean industry is coupled by cut throat competition and corporate social responsibility provides a firm with a competitive edge over peers by opening room for taping blue oceans. As a result, ceteris paribus, firms that have adopted corporate social responsibility usually manage to achieve their survival objectives in satisfaction of the going concern principle.

Shareholders

Research findings reviewed that corporate social responsibility results in an increase in shareholder value in the long term but may help companies enjoy some short run benefits as better access to financial resources and flexible regulation. This helps companies gain and sustain a better competitive edge against their fellow companies hence a higher likelihood of enhanced performance and profitability towards maximisation of shareholder value.

Regulation

From the research, it was also reviewed that corporate social responsibility leads to a lax in laws and policies by policy makers and regulators. Corporate social responsibility practising entities are usually able to negotiate for better terms and conditions as far as taxation and investment opportunities are concerned. By being socially responsible, such firms are usually subjected to relatively lower taxes and investment restrictions relative to non- corporate social responsibility practising firms. Being presented by

high tax benefits and many value creating investment opportunities, corporate social responsibility practising entities usually attain their growth objectives more feasibly and faster than their fellow entities (competitive edge).

Besides the various benefits noted above, the research also found out that corporate social responsibility involves investment of huge sums of funds towards the society and if not planned and managed well, corporate social responsibility becomes very costly and not effective in realising any competitive edge thus becomes an unnecessary cost centre worth avoiding.

It was also noted from the research that there are some companies that still claim to be socially responsible yet they are not. They have even included in their mission statements and financial reports, some corporate social responsibility issues yet they have done nothing to the society till recently. However, these have not seen any positive contribution of corporate social responsibility and respondents put across that corporate social responsibility is not about merely being aware of the needs and welfare of the community but to embark into actual value creation actions to effect positively to the welfare of the communities

7. CONCLUSIONS

The study revealed that there is a positive correlation between corporate social responsibility and competitive advantage. This means that the higher the commitment an entity sacrifices in addressing ever-changing societal needs and wants, the higher the competitive edge it builds up against competitors and vice versa. This seeks to educate and motivate entities to learn and practise being socially responsible while gaining and retaining a competitive edge towards a sustainable profit and wealth maximisation objective. Results also show that Corporate Social Responsibility is a very significant determinant in the achievement of firms' goals such as survival, profitability, growth and shareholder maximisation. Better access to financial resources, lax in regulation, attraction and retention of best staff and suppliers all lead to improved performance in terms of increased profitability and growth towards satisfying the prime shareholder value maximisation principle. Most companies appreciate that corporate social responsibility is one of the most important facets for the continued existence and growth of an entity. This is evidenced by the fact that most firms have adopted and put in place structures and drawn up documentation and policies on corporate social responsibility. at the same time, most firms spend substantial amounts of resources on corporate social responsibility courses and training so as to educate its staff on the importance of respecting and valuing the societal needs and wants. However, the major challenge is that trainings usually involve the senior executives only.

8. RECOMMENDATIONS

For the purpose of developing and implementing a good corporate social responsibility package towards a competitive edge gaining, the study recommends that, firms have to at least update their corporate social responsibility packages in response to ever changing needs of the society. They have to regularly update their policies and documentation according to changes in the macro-environment otherwise they can become very obsolete and void and this may lead to unnecessary wastage of resources. The study also recommends that recruitment and utilisation of experts in the corporate social responsibility program may help firms reduce costs (training and program failure costs). Utilisation of individuals with sound background and knowledge relating to the corporate social responsibility field help firms adopt and implement more productive and relevant programs that add value in both societal and economic sense

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