1. **INTRODUCTION**

1.1. **BACKGROUND**

The vision that business can and should play a part in society beyond just profit making is a general opinion and increased cooperation among business and society is adopted not only by politicians but also by business leaders (Andriof & McIntosh, 2001). Companies have begun to carefully examine their corporate responsibilities and are beginning to integrate sustainability principles into their business strategies and policies. As moving into the third millennium, business will increasingly find itself with no option but to cooperatively help to evolve the global phenomenon of corporate social responsibility (CSR) (Starkey & Welford, 2001). Altman & Vidaver-Cohen (2000) believe that CSR is not a new concept, but one whose time has come. The forces of globalisation, international trade, deregulation and privatisation, have changed the context of companies and the role of business in a global society (Post, 2000; Andriof & McIntosh, 2001). Companies are acknowledged as the most powerful social construct in today’s society (Andriof & McIntosh, 2001), and the public is now more aware of the impact companies have on humanity (Marsden, 2000). Therefore, companies are expected to take on a new role, one that signifies a broader social responsibility (Carroll, 1998).

An important driving force behind CSR is the fact that companies’ intangible values like reputation, image, identity and responsibilities, have become an important part of their comparative advantage (Post & Berman, 2001). The two authors noticed a change of attitudes among people, by being more critical against companies and their actions and caring more for business ethics and social responsible investments.

The lack of a well-developed consensus of CSR and its voluntary characteristics, have resulted in confusion among theorists and business leaders regarding which definition to
adopt and how to act as a socially responsible company (Marrewijk, 2003). In the vision of Snider, Hill & Martin (2003), CSR is about companies making a contribution to the company’s stakeholders, i.e. shareholders, employees, customers, suppliers, government, society, and other individuals and institutions which have an interest in the company’s operations. In the same spirit, Bloom & Gundlach (2001) defined CSR as “the obligation to its stakeholders – people and groups who can affect or are affected by corporate policies and practices“.

This close connection between the concepts of corporate social responsibility and corporate identity represented the focus point of what will be thoroughly studied and presented throughout this study. As it was discovered in the documentation process, there is considerable literature concerning the concept of corporate social responsibility and corporate identity in separate. In the meanwhile, only few researchers have focused on the influence that corporate social responsibility has in creating the corporate identity. Previous research focused mainly on the link between organizational strategy, corporate social responsibility strategy and corporate communication (see also the work of Brønn, 2001).

Holme and Watts (2000) identified five key issues of corporate social responsibility: human rights, employee rights, environmental protection, community involvement and supplier relations. These areas can be presented as priority areas of interest for managers, in order to create and achieve the image they would like to have in the minds of their stakeholders. The challenge lies in communicating corporate values expressed in strategies and every day procedures to stakeholders with a variety of interests and expectations (Whitehouse, 2006).

This research is based on a case study of two of the largest companies in Portugal. The two companies are representative actors in two important industries – footwear industry and construction industry. The objective of this study is to provide an illustrative picture of how large corporations handle CSR issues, as well as how these types of actions impact their identities.
1.2. PROBLEM DISCUSSION

Jones (1980, p. 59) defined corporate social responsibility as: “the notion that corporations have an obligation to constituent groups in society other than stockholders and may go beyond mere ownership”. Modern stakeholders work with managers to improve their own benefits while also enhancing corporate profitability. So, the wealth-creating role of business arises directly out of integrating stakeholders into companies’ activities and vision. Riel’s opinion is that companies that have not thought seriously about their corporate identity – “to how an organization expresses and differentiates itself in relation to external stakeholders (Balmer 1995)”, may suffer from a disconnect with their stakeholders. There is a great deal of evidence to show that organizations have become more interested in the benefits that management of the corporate identity might bring (Riel, 1995) and the impact that a strong corporate brand might have on stakeholder loyalty (Balmer, 1995).

Abratt & Shee (1989) and also Olins (1990) asserted that all organizations have a corporate identity. The difference between organizations is represented by the fact that some organizations actively seek to manage their identities while others take less care, confuse their audiences, underperform in their markets and unconsciously contribute to the formation of negative reputations (Fill, 1995).

Nowadays, corporate identity and CSR practices are regarded as strategic resources for building credibility and support amongst a variety of stakeholders and gaining competitive advantage in the new business environment (Dowling, 1986 and Miles & Covin, 2000). It is widely accepted that corporate audiences rely on reputations of firms in making investment decisions, career decisions and product choices (Dowling, 1986). Cushman (1989) asserted that employees gain satisfaction and improved moral when the company participates in societal issues. Also Carroll (1989) presented that engaging in CSR activities aimed at the society generates a positive image of the company. Furthermore, companies gain prestige and greater acceptance when contributing to the society (Carroll, 1989).
The literature specifies a number of corporate social activities that a company can make use of and these activities should be oriented towards the company’s stakeholders. Freeman (1984) argues that a company’s relationships with stakeholders is core to understanding how it operates and adds value as a business, that stakeholder relationships are the very basis of value added and strategic initiative. Scholars recognize that it is through a company’s decisions, actions, and impacts on stakeholders and the natural environment that a company’s corporate responsibility is manifested (Waddock, 2004).

This dissertation examines the concept of corporate social responsibility and corporate identity within two Portuguese corporations, exploring the extent to which CSR practices are revealed in the corporations’ identities.

1.3. RESEARCH QUESTION AND OBJECTIVES

This work intends to present a synthesis of what has been recently developed at corporate social responsibility and corporate identity level in order to contribute for a better understanding of these relevant subjects as well as illustrating the relationship between them. The thesis will present and discuss two case studies that could be used by professors and trainers while teaching corporate social responsibility and corporate identity concepts, illustrating in the same time the way CSR practices reveal in corporation’s identity.

The objectives of this dissertation are to:

- Present the corporate social responsibility concept;
- Describe and analyze the stakeholder perspective;
- Depict the importance attributed to corporate social responsibility by the interrogated managers.
✓ Sketch the corporate identity concept;

✓ Present two case studies and discuss the relationship between corporate social responsibility practices and corporation’s identity.

This dissertation should contribute to further dialogue about CSR related issues. Naturally, this thesis is of certain interest for managers, helping them to better understand the corporate social responsibility and corporate identity concepts.

1.4. STRUCTURAL BODY OF THE THESIS

In order to provide a clear understanding of the thesis and facilitate its reading, this subchapter will try to make an outlook of the main chapters.

The dissertation is organized in six chapters.

1. **Introduction.** This chapter will present a brief background regarding the concept of corporate social responsibility and corporate identity familiarizing the reader with the matters studied here.

2. **Literature Review.** The theoretical framework is divided into two parts: the first part discusses the concept of CSR and its evolution, stakeholder theory, and the second part concentrates on the concept of corporate identity.

3. **Methodology.** The third chapter introduces the reader with the strategies used to conduct this study: a case study research. This chapter includes a discussion of the research methods used in this thesis.
4. **Case Studies Presentation.** This chapter illustrates the corporate social responsibilities practices and the corporate identity components within the analysed study cases.

5. **Teaching Note of the Study Cases.** This chapter presents the reader the pedagogical topics that might be considered in the classroom.

6. **Conclusions.** The last chapter of the thesis presents the study’s main contributions as well as the limitations of the study and some directions for further research.

By making a short graphical description, the structural body of the thesis is presented on the next page (Figure 1).
2. REVIEW OF LITERATURE

2.1 THE CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY

The objective of this chapter is to provide information about the evolution of the concept of Corporate Social Responsibility (CSR) and CSR related concepts. The first sections go in search of a definition of the concept. The chapter continues with a description of the stakeholder theory.

2.1.1 The Evolution of Corporate Social Responsibility, Definition and Perspectives

The author who is considered the man who introduced the modern debate about CSR is H. R. Bowen. In 1953 he initially proposed the term CSR, suggesting that business should take into accordance the objectives and values of the society (Wartick & Cochran, 1985).

Since the introduction of the term CSR in the 1950s and onwards, the concept has gained considerable acceptance and broader meaning (Carroll, 1989). Windsor (2001) argues that CSR gave business a role to play when confronting serious social problems.

The notion of CSR as seen today, is one of ethical and moral issues surrounding corporate decision making and behaviour (Branco and Rodrigues, 2007). In principle, the term corporate social responsibility CSR refers to the obligations of companies to society; more specifically, it refers to a company’s stakeholders and those affected by corporate policies and practices.
More and more, CSR is analysed as a source of competitive advantage and not as an end in itself (Branco and Rodrigues, 2006). The concept of CSR has evolved from being regarded as detrimental to a company’s profitability, to being considered as somehow benefiting the company as a whole, at least in the long run (Branco and Rodrigues, 2007, Hess et al., 2002; Porter and Kramer, 2002).

There are many definitions of CSR among academics, consultants and business executives (Marrewijk, 2003). This section will present some of the most relevant definitions given to CSR and the next section will go further and illustrate some of the most important concepts related to CSR.

The European Commission defines corporate social responsibility as “a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment.”\(^1\) It is related to complex issues such as environmental protection, human resources management, health and safety at work, relations with local communities, relations with suppliers and consumers. This holistic approach to business practically views organizations as being full partners in their communities, rather than seeing them as being primarily in business to make profits and serve the needs of their shareholders.

Companies that embrace CSR recognise that their social and environmental impact has to be managed in just the same way as their economic or commercial performance. It is important to distinguish CSR from charitable donations and "good works". CSR goes beyond charity and requires that a responsible company take into full account its impact on all stakeholders and on the environment when making decisions. This requires the company to balance the needs of all stakeholders with its need to make a profit and reward shareholders adequately.

The notion of CSR has been presented in a number of different ways which are related to differing views regarding the role of business in society (Branco & Rodrigues, 2007;  

---

Lantos, 2001). There are two dominant perspectives that have been identified by the academic literature: the “shareholder perspective” and the “stakeholder perspective”.

The “shareholder perspective” is based on the idea that the only responsibility of managers is to serve the interests of shareholders in the best possible way, using corporate resources to increase their wealth by seeking profits (Friedman, 1998; Jensen, 2001). This perspective is grounded on the neoclassical economic theory, which is the “classical view” on the role of business in society. This theory defines the role of business in society as purely economic profit making terms, focusing on the profit of the shareholders.

In contrast, the “stakeholder perspective” suggests that besides shareholders, other groups or constituents are affected by a company’s activities (such as employees or the local community), and have to be considered in managers’ decisions, possibly equally with shareholders (Freeman, 1998; Werhane & Freeman, 1999).

TABLE 1: VIEWPOINTS ON THE ROLE OF BUSINESS IN THE SOCIETY

<table>
<thead>
<tr>
<th>View</th>
<th>Position on Business’ Role in Society</th>
</tr>
</thead>
<tbody>
<tr>
<td>Classical</td>
<td>Pure profit-making view: business has lower standards of ethics than society and no social responsibility other than obedience to the law.</td>
</tr>
<tr>
<td></td>
<td>Constrained profit-making view: business should maximize shareholder wealth, obey the law, and be ethical.</td>
</tr>
<tr>
<td>Stakeholder</td>
<td>Socially aware view: business should be sensitive to potential harms of its actions on various stakeholder groups.</td>
</tr>
<tr>
<td></td>
<td>Social activism: business must use its vast resources for social good.</td>
</tr>
</tbody>
</table>

Source: Adapted from Lantos (2001, p. 602)

The stakeholder perspective will be presented in more detail in the next sections because stakeholder theory is considered to be “a necessary process in the operationalisation of corporate social responsibility, as a complimentary rather than conflicting body of literature.” (Matten et al., 2003, p. 111).
Among the scholars, CSR is the most frequently used term to describe business engagement in social activities. According to Marrewijk (2003), CSR refers to company activities, involving economic, social and environmental concerns in business operations. These three elements are often referred to as the triple bottom line (Zadek, 2001), and are illustrated below (Figure 2).

**FIGURE 2: CORPORATE SOCIAL RESPONSIBILITY**

![Diagram](https://example.com/triple-bottom-line-diagram)

Source: Adapted from Glazebrook (2001, p. 164)

The **Triple Bottom Line** model is also known as: "**People, Planet, Profit**" and captures an expanded spectrum of values and criteria for measuring organizational (and societal) success; economic, environmental and social. “People, Planet and Profit" are used to succinctly describe the triple bottom lines and the goal of sustainability.

The three elements - economic, social and environmental - constitute the components of CSR and can be presented as follows:

- **Economic**: The economic element relates to the creation of material wealth, including financial income and assets for the company (Zadek, 2001).
• **Social**: The social element refers to the quality of people’s lives, particularly about equity between people, communities and nations (Zadek, 2001). This element is connected to the organisation’s impact on society, including employees, customers, community, supply chain and business partners.

• **Environment**: The environmental element can be defined as the protection and conservation of our natural environment (Zadek, 2001). Organisations create environmental impacts locally, nationally and internationally, and these impacts occur in relation to air, water, land and biodiversity resources.

Zadek (2001) emphasises the importance of understanding the ways these dimensions affect each other. The three elements do not stand alone, they can mutually reinforce each other, or cause trade-offs between or within the elements.

### 2.1.2 Array of Terminology: CSR – Related Concepts

Over the years an array of terminology has been used for what is now broadly called corporate citizenship, or corporate responsibility. Table 2 highlights some of the confusion in determining the progress of corporate citizenship, but it also illustrates its evolution, both in practice and in theory. So, corporate citizenship (CC) has been variously termed “corporate social responsibility”, “corporate responsibility”, “corporate social performance” and “business citizenship”, as well as “business ethics” and “stakeholder management, relationships and engagement” (Waddock, 2004).

Table 2 aims helping researchers to easily identify in the literature certain CSR concepts often specified just by their codes (e.g., corporate social responsiveness identified by CSR2 code).
TABLE 2: KEY TERMS/COMPETING IDEAS IN THE EVOLUTION OF CORPORATE CITIZENSHIP

<table>
<thead>
<tr>
<th>Key Terms/ Competing Ideas in the Evolution of Corporate Citizenship</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Corporate social responsibility (CSR – CSR1)</td>
</tr>
<tr>
<td>a. Corporate social responsiveness (CSR2)</td>
</tr>
<tr>
<td>b. Carroll’s pyramid of corporate social responsibilities</td>
</tr>
<tr>
<td>c. Corporate social rectitude/ ethics (CSR3)</td>
</tr>
<tr>
<td>d. Corporate social religion (CSR4)</td>
</tr>
<tr>
<td>• Corporate social performance (CSP)</td>
</tr>
<tr>
<td>• Alternative CSR3s</td>
</tr>
<tr>
<td>a. Corporate social relationships</td>
</tr>
<tr>
<td>b. Corporate social reputation</td>
</tr>
<tr>
<td>• Corporate responsibility (CR)</td>
</tr>
<tr>
<td>• Stakeholder approach/ theory</td>
</tr>
<tr>
<td>a. Instrumental, descriptive, normative, narrative</td>
</tr>
<tr>
<td>b. Stakeholder management</td>
</tr>
<tr>
<td>c. Stakeholder relationships</td>
</tr>
<tr>
<td>d. Stakeholder engagement</td>
</tr>
<tr>
<td>• Business ethics and values, including nature-based values</td>
</tr>
<tr>
<td>a. Economizing</td>
</tr>
<tr>
<td>b. Power aggrandizing</td>
</tr>
<tr>
<td>c. Ecologizing</td>
</tr>
<tr>
<td>d. Attunement</td>
</tr>
<tr>
<td>• Boundary-spanning functions including:</td>
</tr>
<tr>
<td>a. Issues management</td>
</tr>
<tr>
<td>b. Public affairs</td>
</tr>
<tr>
<td>c. Investor relations</td>
</tr>
<tr>
<td>d. Employee relations</td>
</tr>
<tr>
<td>e. Public relations</td>
</tr>
<tr>
<td>f. Customer relations</td>
</tr>
<tr>
<td>g. Supplier relations</td>
</tr>
<tr>
<td>h. Corporate community relations (CCR)</td>
</tr>
<tr>
<td>i. etc.</td>
</tr>
<tr>
<td>• Corporate community involvement (CCI)</td>
</tr>
<tr>
<td>• Corporate Citizenship (CC)</td>
</tr>
<tr>
<td>Business citizenship</td>
</tr>
</tbody>
</table>

Source: Waddock (2004, p. 6)

*Corporate Citizenship (CC)* is manifested in the strategies and operating practices a company develops in operationalizing its relationships with and impacts on stakeholders and the natural environment (Waddock, 2002). Some degree of corporate citizenship is
present in all of these relationships and in the ways companies treat stakeholders. This definition attempts to integrate two separate streams of thinking: corporate (social) responsibility/ performance and stakeholder theory (in various iterations to be discussed below in this work). Corporate citizenship is an increasingly popular term in business practices, even though there is considerable controversy about whether a corporation can or should act as a citizen (Waddock, 2004).

**Business Citizenship** involves the broader perspective on business rights and duties, stakeholder relationships, opportunities, and challenges that accompany the global economy (Logsdon & Wood, 2002).

**Corporate Responsibility (CR)** is the degree of (ir)responsibility manifested in a company’s strategies and operating practices as they impact stakeholders and the natural environment on a daily basis. Some level of responsibility is integral to any corporate action or decision that has impacts. Corporate responsibility cannot be avoided because it is integral to action, and thus forms the root or foundation of corporate citizenship. This term is progressively more being used in business practice as a substitute or alternative for corporate citizenship, so the definitions are used interchangeably (Waddock, 2004).

**Corporate Social Responsibility (CSR or CSR1)** is the subset of corporate responsibilities that deals with a company’s voluntary/ discretionary relationships with its societal and community stakeholders. CSR is typically undertaken with some intent to improve an important aspect of society or relationships with communities or nongovernmental organizations (nonprofits) (Waddock, 2004). CSR as generally used falls in what Carroll (1979) termed as “discretionary and ethical responsibilities of business”. He created then a three-dimensional model consisting of philosophies of social responsiveness, social responsibility categories and social issues (Figure 3).
In 1991, Carroll revisited his initial model and depicted “The Pyramid of Corporate Social Responsibility” consisting of economic, legal, ethical dimension and philanthropic responsibilities. The model will be presented in the next section.

*Corporate Social Performance (CSP)* (Waddock, 2004) provides a framework by which a company’s relationship with and activities in society, with respect to stakeholders and the natural environment, can be assessed, taken into account the principles of social responsibility, the processes of responsiveness and outcomes (see Table 3).
TABLE 3: THE CORPORATE SOCIAL PERFORMANCE MODEL

<table>
<thead>
<tr>
<th>The Corporate Social Performance Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principles of corporate social responsibility:</td>
</tr>
<tr>
<td>• economic</td>
</tr>
<tr>
<td>• legal</td>
</tr>
<tr>
<td>• ethical</td>
</tr>
<tr>
<td>• discretionary</td>
</tr>
<tr>
<td>Processes of corporate social responsiveness:</td>
</tr>
<tr>
<td>• reactive</td>
</tr>
<tr>
<td>• defensive</td>
</tr>
<tr>
<td>• responsive</td>
</tr>
<tr>
<td>• interactive</td>
</tr>
<tr>
<td>Programs &amp; policies for managing social issues:</td>
</tr>
<tr>
<td>• issues management</td>
</tr>
<tr>
<td></td>
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<td></td>
</tr>
</tbody>
</table>


Stakeholder Theory\(^2\) (Freeman, 1984) essentially argues that a company’s relationships with stakeholders (and treatment of the natural environment) is core to understanding how it operates and adds value as a business, that stakeholder relationships are the very basis of value added and strategic initiative. Stakeholder language has been widely adopted in practice and is being integrated into concepts of corporate responsibility by scholars who recognize that it is through a company’s decisions, actions, and impacts on stakeholders and the natural environment that a company’s corporate responsibility is manifested (Waddock, 2004).

\(^2\) See also Section 2.1.4
Corporate Community Relations (CCR) or Corporate Community Involvement (CCI) is a corporate function that typically encompasses corporate practices that enable the company to form relationships with members of communities in which it operates (or with which it has relationships), and with “society” at various levels (local, regional, national and global) (Waddock, 2004).

In contrast, Corporate Reputation (Fombrun & Shanley, 1990) covers the perceptions that companies’ external and internal stakeholders have about their strategies, practices, and products/services, corporate responsibility/corporate citizenship, and performance across a broad range of stakeholder and environmental measures, not just financial measures.

Corporate Citizenship is embedded integrally in the day-to-day operating practices that companies develop as a way of relating to their important stakeholders, which embody, but go well beyond, the more discretionary activities sometimes referred to as “corporate social responsibility”. Corporations are unavoidable embedded in a network of stakeholder relationships within the societies where they operate, necessitating the development of positive and constructive corporate practices with respect to each stakeholder group. Companies intent on treating their stakeholders with respect have moved away from reactive postures and developed proactive boundary spanning functions to engage with stakeholders interactively (Waddock, 2001).

**2.1.3 Pyramid of CSR**

In trying to conceptualise CSR, Carroll (1979) has proposed a comprehensive definition embracing four kinds of social responsibilities for business: economic, legal, ethical and philanthropic. The CSR literature often refers to Carroll’s definition when capturing the basics of CSR (e.g. Wartick & Cochran, 1985; Andriof & McIntosh, 2001; Snider, Hill & Martin, 2003).
Carroll (1991) has illustrated these responsibilities in a pyramid (Figure 4) with the foundation being represented by economic responsibilities, since business’s principal role has been to produce goods and services that consumers demand, and to make a profit in the process.

**FIGURE 4: THE PYRAMID OF CORPORATE SOCIAL RESPONSIBILITY**

![Pyramid of Corporate Social Responsibility Diagram](source)

Source: Adapted from Carroll (1991, p. 42)

Business has been expected to pursue the profit motive while complying with laws and regulations instituted by the government. Together with the economic responsibilities these legal responsibilities serve as fundamental for business operations and they constitute the second layer of the pyramid of CSR (Carroll, 1991).

*Ethical responsibilities* embrace those activities that are expected by society even though they are not embodied in law. They reflect a concern for what is regarded by customers,
employees, society etc., as fair and just, and go beyond mere compliance with laws and regulations (Carroll, 1991). According to Carroll (1989; 1991), the ethical responsibilities constitute the driving force behind the very creation of laws and regulations, thus indicating a dynamic interplay with the layer of legal responsibilities.

The **philanthropic responsibilities** include business contributions of financial and human resources, facilities or executive time to education, arts or community, and activities improving quality of life in general (Carroll, 1991). Such philanthropic activities constitute a response to society’s expectations of business being a good corporate citizen. The distinguishing feature between philanthropic and ethical responsibilities is that the former are not expected in an ethical sense, instead they are desired by the society. If companies however do not contribute with their resources as mentioned above, they are not regarded as unethical. Philanthropy is more voluntary, even though there are societal expectations for business providing contributions (Carroll, 1991).

Carroll (1989) adds to the discussion that when people generally speak about CSR they often refer to ethical and philanthropic responsibilities.

It is important to stress that even though the four components of the pyramid have been described separately and they might be seen as independent, they are rather intimately related (Carroll, 1989; 1998). The total concept of CSR entails the simultaneous fulfilment of the business’s economic, legal, ethical and philanthropic responsibilities (Carroll, 1991), and there is a frequent tension for business executives between especially economic and legal, economic and ethical, and economic and philanthropic responsibilities (Carroll, 1991; 1998).

Due to CSR pyramid’s acceptance and impact, Schwartz & Carroll (2003), decided to modify and improve it, so they created a Venn diagram (Figure 5) constituted by the economical, legal and ethical domain, treating the philanthropic category separately. The limitations that carried out to this new model were: a) the pyramid framework suggested a hierarchy of CSR domain, so one may be led to conclude that the domain at the top of the pyramid, philanthropic responsibilities, is the most important one, so that should be strived
for by all corporations, while the economic domain at the base of the pyramid is the least valued CSR domain (certainly, Carroll didn’t intend that, since he stipulates the contrary within the text); b) a pyramid framework cannot fully capture the overlapping nature of the CSR domains. The Venn framework yields seven CSR categories resulting from the overlap of the three core domains (Schwartz & Carroll, 2003).

FIGURE 5: THE THREE – DOMAIN MODEL OF CORPORATE SOCIAL RESPONSIBILITY

Source: Adapted from Schwartz & Carroll (2003, p. 519)
2.1.4 The Stakeholder Perspective

Stakeholder theory attempts to articulate a fundamental question: which groups are stakeholders deserving or requiring management attention and which are not? The objective of this chapter is to examine how scholars have so far answered these questions and provide some relevant inside on this theory. It basically helps to identify concrete groups in the society to which a firm has responsibilities, and specifically provides a basis for legitimizing and prioritizing stakeholder influence on corporate decisions. As a result, stakeholder theory is seen as a necessary process in the operationalization of corporate citizenship (Matten, Crane, & Chapple, 2003).

2.1.4.1 Stakeholder Definition

According to Mitchell & Wood (1997), there is not much disagreement on what kind of entity can be a stakeholder. Persons, groups, neighbourhoods, organizations, institutions, societies and even the natural environment are generally thought to qualify as actual or potential stakeholders.

In an early statement, Jones defined corporate social responsibility as: “the notion that corporations have an obligation to constituent groups in society other that stockholders and may go beyond mere ownership” (1980, p. 59). Direct connected to this issue, stakeholder theory seeks to identify: What are these groups? How many of these groups must be served? Which of their interests are most important and how can they be balanced? How much of corporate money should be allocated to serve these interests? These questions are being explored in stakeholder literature and management thinking.

According to many authors, stakeholder theory has its origins in management literature (Freeman, 1984, Preston, 1990). Preston (1990) traces the notion of stakeholders back to the Great Depression in the United States (1929–1941), when General Electric Company defined four major stakeholder groups: shareholders, employees, customers, and the general public. Freeman (1984), by contrast, traces mention of the word “stakeholder” back to research conducted by the Stanford Research Institute (SRI), which defined it in 1963 as
“those groups without whose support the organization would cease to exist” (Freeman 1984, p. 31).

Although the SRI mainly saw shareholders as stakeholders, Freeman expands on this definition and for the first time a stakeholder approach to strategic management was proposed in his book: “Strategic management: A stakeholder approach” (1984). Freeman stated that corporations must consider the needs and demands not only of their shareholders but also those of a wide range of other external constituencies, or “stakeholders”. Freeman defined a stakeholder as: “Any group or individual who can affect or is affected by the achievement of the firm's objectives” (1984, p. 25). These actors have direct or indirect interest in the company. Freeman was the first author in the area of management that clearly pointed out the strategic importance of groups and individuals beyond not only the firm's stockholders, but also its employees, customers, and suppliers.

Freeman’s classic definition presented above is certainly one of the broadest definitions in the literature, for it leaves the notion of stake and the fields of possible stakeholders unambiguously open to include virtually anyone that can affect or is affected by the firm.


The first perspective, descriptive stakeholder theory is rooted in organizational behaviour literature and describes the characteristics and behaviour of stakeholders involved in a system and how an organization interacts with its stakeholders (Brenner & Cochran, 1991; Jawahar & McLaughlin, 2001).

The second perspective on stakeholder theory is a normative one. Grounded in business ethics and corporate social responsibility literature (Freeman, 1984; Clarkson, 1995; Reed, 2002), normative stakeholder theory is concerned with stakeholders as an end in themselves (Mellahi & Wood 2003). It is based on the principle of fairness (Phillips, 1997), in that all human beings are ultimately affected by any decision and, because we all have an
equal and legitimate interest in a safe and stable life, we should all have equality of opportunity and consideration.

The third, instrumental perspective on stakeholder theory, addresses this more openly on the hypothesis that organizations that take care of their key stakeholders will gain competitive advantage over those that do not (Clarkson 1995; Jones 1995). Jones writes that “trusting, trustworthy, and cooperative behaviour will get better results than opportunistic and selfish behaviour because it improves trust, lowers transaction costs and therefore increases revenue” (Jones, 1995, p. 432). This perspective is aligned with the idea that, without interactions and transactions with critical groups, an organization will fail (Pfeffer & Salancik, 1978). Moreover, Porter & Kramer (2002) have put forward a strong argument that strategic corporate philanthropy (i.e., attending to a firm’s external stakeholders) is beneficial for an organization, because social and economic goals are connected.

As presented above, the descriptive, normative, and instrumental approaches are a common categorization in stakeholder literature. Table 4 summarizes the three perspectives.

**TABLE 4: SYNTHESIS – STAKEHOLDER THEORY APPROACHES**

<table>
<thead>
<tr>
<th>Stakeholder Approach</th>
<th>Theoretical Aspects</th>
<th>Authors</th>
</tr>
</thead>
</table>
| **Descriptive:** understanding the relationship between an organization and its stakeholders. | Organizational behaviour. | - Brenner & Cochran, 1991  
- Jawahar & McLaughlin, 2001 |
| **Normative:** organizations should take all stakeholders into consideration, as a moral responsibility. | Corporate social responsibility; theory of common good. | - Freeman 1984  
- Clarkson 1995  
- Reed 2002  
- Mellahi & Wood, 2003  
- Phillips, 1997 |
| **Instrumental:** organizations should take key stakeholders into consideration as this leads to success and competitive advantage. | Utilitarianism; Business and management. | - Clarkson, 1995  
- Jones, 1995  
- Pfeffer & Salancik, 1978  
- Porter & Kramer, 2002 |

Source: own elaboration
Under these premises, the basic principle of stakeholder theory is that the stronger your relationships are with other external parties, the easier it will be to meet your corporate business objectives; the worse your relationships, the harder it will be. Strong relationships with stakeholders are those based on trust, respect, and cooperation.

In this more than twenty years since Freeman’s first stakeholder approach to strategic management, an extensive body of research has been developed in this area. It is important to state that this extended research included not only the efforts of manager researchers but also, and very important, the views of corporate executives who have used the stakeholder approach in their strategic planning (Clement, 2004). According to Clement (2004) there are five important characteristics of the stakeholder model that can be used by today's business leaders. The author underlined the direct connection between stakeholder theory and managers’ actions. These characteristics are particularly important today, taking into consideration the inappropriate behaviour that has occurred in the business world in recent years. The five characteristics are summarized below:

- Corporations are facing increasing pressures to respond to their stakeholders.
- Corporations have a legal basis for responding to a wide range of stakeholders.
- Corporations are being led by executives no longer guided by the principles of their professions.
- Corporations respond to powerful stakeholders with legitimate, urgent claims.
- Corporations can improve the bottom line by responding to stakeholder concerns.

These five characteristics actually underline the fact that corporations are facing increased pressures to respond to their stakeholders through a more responsible strategy. As a result, one of the goals of stakeholder theory is to help corporations strengthen relationships with external groups in order to develop a competitive advantage.
2.1.4.2 Stakeholder Differentiation

Another definition of stakeholders, was given by Clarkson (1995), in whose view, stakeholders are persons or groups that have, or claim, ownership, rights, or interests in a corporation and its activities - past, present, or future. On the basis of their necessity for corporate survival, Clarkson (1995) divided stakeholders into two main groups: primary and secondary stakeholders.

- **A primary stakeholder group** is one without whose continuing participation the corporation cannot survive as a going concern. This group is usually composed of shareholders as well as investors, employees, customers, and suppliers. If any primary stakeholder group becomes dissatisfied and withdraws from the corporate system, in whole or in part, the corporation will be seriously damaged or unable to continue. In 1995, Starik considered the environment as a primary stakeholder as it supplies the raw materials necessary to the company’s existence.

- **A secondary stakeholder group** is one that influences, or is influenced by the corporation, but is not engaged in transactions with the corporation and is not essential for its survival. A company’s responsibilities extend to secondary involvement arenas. Although the secondary stakeholders may not be in direct transactions with the corporation or necessary to its survival, their needs are interests likewise and should be taken into consideration (Waddock, 2002). For example, the government (considered by many to be a secondary stakeholder) can shut down a business in a matter of hour, whereas it takes much longer for displeased customers (primary stakeholders) to have such a drastic effect (Thomas, Schermerhorn, & Dienhart, 2004).

Another division between stakeholders was made by Charkham (1994). He identified three possibilities of distinction between stakeholders. A first distinction, similar with the one proposed by Clarkson (1995), separates primary from secondary stakeholders:
- The primary stakeholders are the shareholders, the board of directors and management. These stakeholders can influence the companies’ policy and decision-making.

- The secondary stakeholders are all the other groups or individuals who are affected by or can affect indirectly the achievement of the organization’s objectives. They are represented by employees, suppliers, customers, media, interest organizations and competitors.

A second distinction can be made between the internal and external stakeholders:

- Internal stakeholders are those stakeholders for whom the organization’s management takes responsibility.

- External stakeholders influence the organization from outside: customers, suppliers, governments, special interest groups, media, trade unions, financial institutions and competitors.

A third distinction can be also made between contracting and public stakeholders:

- Contracting stakeholders are managers, shareholders, employees, customers, suppliers, creditors etc.

- The group of public stakeholders includes consumers, the government, environment action groups, local residents, press and media, universities etc.

Stakeholder management attempts to achieve an efficient combination of contributions, risks and benefits of the different stakeholders that have an interest in the company.

2.1.4.3 Stakeholder Identification and Prioritization

Mintzberg (1999, p. 46) proposed a useful model with the purpose to visualize the stakeholder environment as a set of inner and outer circles (Figure 6). The inner circles stand for the most important stakeholders who have the highest influence. His taught was
that when identifying stakeholders it is not enough to focus on the formal structure of the organization. Rather it is necessary to have a look at informal and indirect relationships too.

**FIGURE 6: IDENTIFICATION OF STAKEHOLDERS**

![Diagram of stakeholder identification]

Source: Mintzberg (1999, p. 46)

According to the same author, the formation and management of stakeholder groups depends on the individual situation of each corporation. As a result, different types of strategies can apply to different groups of stakeholders, given each company’s reality.

Within this line of reasoning, academicians argue that the great challenge of corporate managers is to develop strategies for dealing with the company’s stakeholders. This is a challenge because different stakeholder groups can, and often do, have different goals, priorities, and demands (Wilson, 2003). According to Wilson (2003), shareholders and investors want optimum return on their investments; employees want safe workplaces, competitive salaries and job security; customers want quality goods and services at fair prices; local communities want community investment; regulators want full compliance with applicable regulations. However, there is a general acknowledgement that the goals of economic stability, environmental protection, and social justice are common across many
stakeholder groups. Few groups would argue against these goals, although they may debate the level of priority or urgency.

Another important question that has been addressed by both academic literature (Phillips, 2004) as well as corporate managers is: How should managers prioritize among stakeholders? This question is about how managers should allocate their limited time, energy and other scarce resources to stakeholders. Since it is such an extended area and there is no determinate algorithm, stakeholder theory can provide some broad direction on making these decisions.

There is no definite way in which stakeholder theory can provide some managerial guidance in prioritizing stakeholders. According to Phillips (2004), there is no easy prescription for how a manager can evaluate the relative contributions of financier capital, employee effort and expertise, and customer loyalty when making allocation decisions. But meritocracy and the equitable distribution of organizational input and resources are perfectly consistent with managing for stakeholders.

As a general consensus, primary involvement arenas for stakeholder theory are those that affect primary stakeholders - those stakeholders without whom the company cannot stay in business (Carroll, 1999; Clarkson, 1995). Normally these consist of owners, customers, employees, suppliers, and allies.

### 2.1.4.4 Stakeholder Theory and Corporate Sustainability

"Corporate social responsibility is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life." (Holme & Watts, 2000, p. 10)

The concept of corporate social responsibility is closely linked to the sustainable development concept, according to which enterprises must make decisions based not only
on financial and economic factors, but also on short-term and long-term social, ecological and other consequences of their activity.

One of the most important characteristics of resources is that they are limited. Therefore, since corporate organizations have limited resources, strategic responses to stakeholders based upon power and necessity, may provide sorting criteria for identifying and prioritizing stakeholders. According to Mellahi & Wood (2003) managing stakeholders strategically is seen as a means of increasing the likelihood of achieving the ends of the corporation, or, of greater financial performance (Mellahi & Wood, 2003).

Corporate sustainability encompasses strategies and practices that aim to meet the needs of stakeholders today while seeking to protect, support and enhance the human and natural resources that will be needed in the future. According to Wilson (2003) corporate sustainability recognizes that corporate growth and profitability are important, but it also requires the corporation to pursue societal goals, specifically those relating to sustainable development - environmental protection, social justice and equity, and economic development.

The contribution of stakeholder theory to the corporate sustainability is the addition of business arguments as to why companies should work toward sustainable development. Stakeholder theory suggests that it is in the company’s own best economic interest to work in this direction because doing so will strengthen its relationship with stakeholders, which in turn will help the company meet its business objectives.

On the same stream of theory, Berman et al. (1999) empirically examined the connection between strategic stakeholder management and financial performance. The study revealed that when corporations foster connections with key stakeholders and ensure that they are allocated resources, it contributes to their profitability.

An alternative CSR framework was developed by Miles & Covin (2000). It created a connection between social responsible management and competitive advantage. It proposed that firms tend to relate to environmental management either by (1) mere compliance or (2)
strategically leveraging CSR as a means to create and renew competitive advantage. As a result, CSR practice can be used from a strategic perspective, as a foundation for building competitive advantage (Miles & Covin, 2000).

**TABLE 5: CSR CONTINUUM**

<table>
<thead>
<tr>
<th>CSR continuum</th>
<th>Source of competitive advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance</td>
<td>CSR expenditures perceived as a cost of doing business.</td>
</tr>
<tr>
<td>Strategic</td>
<td>CSR expenditures perceived as an investment in the firm’s set of distinctive competencies.</td>
</tr>
<tr>
<td>Forced</td>
<td>CSR expenditures perceived as a “tax” being mandated by NGOs or other external stakeholders that will diminish the firm’s ability to create value for other relevant stakeholders.</td>
</tr>
</tbody>
</table>

Source: Adapted from Miles & Covin (2000, p. 303)

The importance of corporate citizenship initiatives in enhancing stakeholder relationships has been debated from many different perspectives. Many business managers view such programs as costly activities that provide rewards only to society at the expense of the bottom line. Another view holds that a company simply cannot be a good corporate citizen and nurture and develop an ethical organizational culture unless it has achieved financial performance in terms of profits (Maignan, Ferrell, & Hult, 1999). Those corporations which commit to responsible behaviour and emphasize compliance with codes of conduct have been shown to reap better financial performance (Verschoor, 2002).

Table 6 offers different perspectives along the CSR continuum impact a corporation’s stakeholders (Munilla & Miles, 2005; Miles & Covin, 2000).
TABLE 6: STAKEHOLDER PERSPECTIVE ALONG THE CSR CONTINUUM

<table>
<thead>
<tr>
<th>Stakeholder group</th>
<th>Compliance CSR perspective</th>
<th>Strategic CSR perspective</th>
<th>Forced CSR perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners</td>
<td>Perceives CSR as a cost or tax to do business.</td>
<td>Perceives CSR as a mechanism to potentially create value more effectively and efficiently, create competitive advantage, hence enhance the economic value of the firm.</td>
<td>Result in lower returns to the owners due to the potentially higher cost structure and damage to the corporation’s reputation.</td>
</tr>
<tr>
<td>Creditors</td>
<td>No impact on cost of credit.</td>
<td>Credit ratings are impacted by social and environmental risks and how the firm manages these risks. Superior CSR management tends to lower levels of social and environmental risks and lowers the probability of default, therefore reducing the cost of capital.</td>
<td>Cost of credit may be adversely impacted if creditors perceive that firm costs are increased or revenues reduced due to a “forced” CSR—may be associated with higher financial risk.</td>
</tr>
<tr>
<td>Customers</td>
<td>No impact on target market, marketing mix, or marketing strategy.</td>
<td>A superior environmental and social reputation could allow the firm to target more socially and/or environmentally oriented segments, creating additional value for the customers and superior returns for the firm.</td>
<td>May result in alienation of specific customer segments, loss of brand equity, and negative impact on corporate reputation.</td>
</tr>
<tr>
<td>Employees</td>
<td>No impact - unless employees feel that the firm has no concern for the employees, the community, or the</td>
<td>Positive impact on employee morale. In addition, tends to enhance any process innovations, or TQM3</td>
<td>Could be very negative, with employees being less motivated, and with lower morale due to the incongruence between</td>
</tr>
</tbody>
</table>

3 Total Quality Management is a management strategy aimed at embedding awareness of quality in all organizational processes.
environment and then there may be significant negative impact.

Suppliers | No impact. | Could result in suppliers being asked to work towards SA 8000\(^4\) and ISO 14000\(^5\) compliance. | No impact
---|---|---|---
NGOs | Results in a weak, or at best neutral, reputation with NGOs. | Could result in strategic alliances with NGOs with positive economic outcomes for the firm. | NGOs, as a vocal minority of stakeholders, have more input on decisions than the majority of stakeholders, including the owners.
Regional/ national community | No impact. | May become a corporate citizen “role model” - may enhance regional/national reputation for social and environmental management. SA 8000, EMAS\(^6\), and ISO 14000 have become standards for global market access. | May result in an increase in regulatory scrutiny.
Local community | No impact. | Tends to result in a superior reputation in the community, with many positive consequences. | Tends to result in a very negative reputation in the community, with many negative consequences.

Source: Adapted from Munilla & Miles (2005) and Miles & Covin (2000).

Stakeholder theory recognizes stakeholders as partners who create value through collaborative problem solving. Rather than passive recipients, modern stakeholders work with managers to improve their own benefits while also enhancing corporate profitability.

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\(^4\) The SA 8000 Standard is an auditable certification standard based on international workplace norms of International Labour Organisation (ILO) conventions, the Universal Declaration of Human Rights and the UN Convention on the Rights of the Child.

\(^5\) ISO 14000 is a series of international standards on environmental management. It provides a framework for the development of an environmental management system and the supporting audit programme.

\(^6\) The Eco-Management and Audit Scheme is an EU instrument which acknowledges organizations to improve their environmental performance on a continuous basis.
So, the wealth-creating role of business arises directly out of integrating stakeholders into companies’ activities and vision.

2.1.5 Application of CSR Practices

This section intends to introduce some CSR practices. With this purpose, the characteristics of different industries and how these relate to CSR are discussed. The levels of engagement in CSR activities as well as the motives for engaging in these activities will be also presented. It is important to present the different approaches to CSR, corresponding to various contexts in which companies are operating, each company’s objectives and strategies. Marrewijk (2003, p.95) argues that the attempt to obtain a “one solution fits all” definition of CSR should be abandoned.

2.1.5.1 CSR and Industry Characteristics

Companies are different and they act differently on the market. This section intends to make a connection between the nature of the industry where a company is operating and the strategies that the company designs involving the community and their implementation. Post (2000) classifies different industries with particular characteristics that influence companies’ community relations and CSR practices.

**Industrial/Manufacturing Industry:** According to Post & Berman (2001), companies operating in the industrial/manufacturing industry have a significant impact on the local community. One of the characteristics of industry activities is that they are often accompanied by pollution, heavy traffic and environmental risks. As a result, companies operating in this type of industries have to make a commitment to protect the local community from unacceptable risk and earn the approval and confidence of the local community (Post & Berman, 2001). By becoming socially involved, a company acting in such an industry, earns its social licence to operate (Post & Berman, 2001).
Natural Resources Industry: Companies involved in the extraction, development or heavy use of natural resources, face similar community issues as those faced by industrial/manufacturing industries. This is due to the high dependence between the companies and the local community, which provokes the earning of a social licence to operate. Post & Berman (2001) particularly stress that companies in the natural resources industry actively should diminish all negative effects of their operations. In the same time, they should actively support community activities as well as the improvement of needed services for employees and local residents (Post & Berman, 2001).

Service Industry: Companies involved in the service industry, such as banks, insurers, or telecommunications, face very different community issues than those illustrated in the two examples above. According to the same authors quoted earlier, these companies must meet community standards and address the community’s expectations of corporate involvement, but their social licence to operate is rarely questioned. In the same time, intangible assets such as image, identity and reputation are extremely important in the service industry (Post & Berman, 2001).

Retailing Industry: Companies operating in the retailing industry are characterized by a particular closeness and higher degree of involvement with consumers and communities. As in the service industry a company’s brand and identity are of great importance (Post & Berman, 2001).

2.1.5.2 Stages of CSR Development

At the beginning of this subsection, it is important to define the concept of engagement. Throughout this thesis, we will view engagement, as “a personal state of authentic involvement, contribution and ownership”. This concept is connected closely both to individuals as well as companies. Marrewijk (2003) emphasises that as companies accept their new position in society, they develop new values, new strategies and policies, and new institutional arrangements which support areas that were once left to other entities.
As a result of this new era of corporate responsibility, companies redefine their roles and their relationships with their communities (Marrewijk, 2003). Furthermore, Rischard (2002) adds that business has begun to complement the effort of ineffective governments, and that partnerships between state, business and civil society is necessary to solve social, political, and environmental problems (Rischard, 2002). And for this, all these reasons harmonizing with the development of a new general conscience, companies are becoming more and more involved in their communities.

In order to better understand the levels of company engagement in CSR activities, this section will present relevant literature through which companies can pass when becoming socially involved. This analysis will be of assistance in capturing the characteristics of companies’ CSR engagements aimed at the society.

According to Rischard (2002), a pattern has evolved, regarding how companies deal with the increasing demands for CSR. According to the author, a company goes through five stages of development that are presented below:

**Stage 1:** Charity and sponsoring.

**Stage 2:** Defensive CSR, main objective for action is protection of brand.

**Stage 3:** Offensive CSR, the objective is to be recognised as a world leading company in the CSR field.

**Stage 4:** Works for development and reduction of poverty, the objective is to make a contribution where governments have failed.

**Stage 5:** Global problem solver, the objective is to discover new solutions to critical global problems.

Rischard (2002) discovered that most companies are found at one of the early stages, while some companies are operating simultaneously at all stages. Rischard (2002) further stresses the need for developing new forms of cooperation concerning the last three stages.
2.1.5.3 CSR Continuum - Levels of Engagement in CSR

Another proposal for how to study companies’ engagement in CSR was provided by Johnson (2003). He views CSR as a continuum, involving all stages of the development of a company, ranging from companies engaged in illegal activities to those striving for social change.

Johnson’s (2003) continuum has five different levels and is illustrated in Figure 7.

**FIGURE 7: CSR CONTINUUM**

![CSR Continuum Diagram]

Source: Adapted from Johnson (2003, p. 36)

**Level 1: Illegal/Irresponsible.** At this level, companies generally do not comply with the normal or legal standards established by society (Johnson, 2003).

**Level 2: Compliant.** At this level, companies are in minimal compliance with all local and national laws, e.g. product safety, minimum wage, employee health. Beyond this legal compliance, they engage in few or no activities that might be labelled CSR (Johnson, 2003).

**Level 3: Fragmented.** At this level, companies engage in a limited number of additional activities considered to represent CSR, such as: charity, community activity, environmental certification. The CSR activities of these companies are fragmented rather than strategic, and the social commitment is minimal and of mixed motives (e.g. profit-oriented or personal) (Johnson, 2003).
Level 4: Strategic. Companies at this level specifically target those areas they believe will enhance financial performance. These companies generally have strong ethics policies and want to be environmentally friendly and support local communities, e.g. with roads, traffic, school assistance and health care (Johnson, 2003). At this level, companies are aware of the impact that a good image of the companies could have on the financial performance.

Level 5: Social Advocacy. At this level CSR is a moral initiative based on the belief that a company should be good regardless of the financial consequences, positive or negative. The profit making is a necessary condition for a company’s survival, but it cannot be the sole purpose of their existence. According to Johnson (2003), business must exist for a higher purpose than just to make money (Johnson, 2003).

When companies are at level 3 and at level 4, they can be called socially responsible companies. But only at level 5, companies go beyond that and become an instrument for improving the society (Johnson, 2003). Commitment to social change and improvement of the human life, are the distinguishing characteristics of companies at level 5.

2.1.5.4 Motives for CSR

The literature on CSR has taken always into consideration the implications of such a policy on business. As a result, CSR decision-making frameworks contribute to management thought by explicitly classifying strategic options and their potential outcomes. Up to now, there is no literature presenting potential negative consequences resulted from being a responsible company and adopting a CSR managerial philosophy.

Early in 1989, Cushman emphasized a number of motives for companies to become engaged in society activities. First, he pointed out business people’s capacity as efficient problem solvers. He continued, asserting that employees gain satisfaction and improved moral when the company participates in societal issues. Finally, Cushman (1989; in Carroll, 1989) claimed that business helps itself by supporting institutions that are essential to the continuation of business.
Another motive for engaging in CSR activities aimed at the society is that it generates a positive image of the company (Carroll, 1989). Moreover, companies gain prestige and greater acceptance when contributing to the society (Carroll, 1989).

As it was presented in the previous subsections, Carroll (1991) developed a stakeholder-based framework that delineates and ranks four forms of CSR. Carroll’s (1991, p. 41) requirements of CSR include: (1) the economic responsibilities of the firm, without whom the company couldn’t survive; (2) to comply with regulatory and legal requirements; (3) to act in accordance with the societies’ ethics; and (4) to be a good corporate citizen by contributing to the community’s quality of life. These requirements resulted in a “pyramid” that prioritizes the responsibilities of the firm to its relevant stakeholders (see Section 2.1.3).

A more comprehensive framework was proposed by van Marrewijk (2003), consisting of five “ambition levels” of CSR grounded on how a corporation’s management relates to its social, economic, and environmental responsibility. All perspectives offered imply that a stakeholder primacy focus of CSR is a philosophy that all firms should adopt, and most saliently, that there are never negative consequences that may result from its adoption. According to Marrewijk (2003), there are five types of CSR philosophies that a firm can adopt, and they are:

1. **Compliance driven.** This interpretation of CSR consists of providing welfare to society, while acting in agreement with regulations. The motive for CSR at this level is that it is perceived as a duty or correct behaviour.

2. **Profit driven.** This interpretation of CSR consists of the integration of social, ethical and environmental aspects into business operations, seen from the perspective that it contributes to the firm’s financial performance. At this level, the motive for CSR is financial contribution, i.e. profitability.
3. **Driven by caring.** Caring CSR constitutes of balancing economic, social and environmental concerns. The motive is above legal compliance and profitability; focusing on the importance of social responsibility and caring for the planet.

4. **Synergistic.** This interpretation of CSR involves a search for functional, value-creating solutions in the economic, social and environmental fields, taking into accordance all relevant stakeholders. The motive behind this action is that sustainability in itself is important.

5. **Holistic.** At this level CSR is fully integrated into every aspect of the company, aiming at contribution to the quality and continuation of life. The motive is that each person or organisation has a universal responsibility towards all other beings.

Marrewijk (2003) concludes his point of view by pointing out the right of every organisation to choose a philosophy from one to five, in accordance with outside challenges and individual abilities.


<table>
<thead>
<tr>
<th>CSR Ambition level</th>
<th>Motives (Marrewijk, 2003)</th>
<th>CSR Category (Carroll, 1991)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance driven</td>
<td>- CSR is seen as social obligation; the perception of CSR’s expenditures is that of simply a cost; - Economic responsibility is paramount.</td>
<td>Legal</td>
</tr>
<tr>
<td>Profit driven</td>
<td>- CSR is seen as a strategic initiative - using CSR to create competitive advantage and superior financial performance; - CSR’s expenditure is perceived as an investment in the</td>
<td>Economic</td>
</tr>
<tr>
<td><strong>Caring</strong></td>
<td>Creation and renewal of competitive advantage – resulting in an enhanced stream of future profits; - Economic responsibility is paramount.</td>
<td></td>
</tr>
<tr>
<td>-------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- CSR is used to balance the triple bottom line of: Profits, People, Planet; - Explicitly stating that the corporation will manage for social welfare, not simply to create wealth for shareholders; - Social and/or environmental responsibility trumps economic responsibility.</td>
<td></td>
</tr>
<tr>
<td><strong>Synergistic</strong></td>
<td>Use of CSR to attempt to create a “sustainable corporation”- that will be able to be an ongoing concern over the long run; - Social and/or environmental responsibility is strategically used to create competitive advantage and meet the corporation’s economic responsibilities.</td>
<td></td>
</tr>
<tr>
<td><strong>Holistic</strong></td>
<td>CSR is seen as a corporate culture - similar to when firm adopts a marketing, entrepreneurial, or quality orientation - Social and/or environmental responsibility is strategically used to create competitive advantage and meet the corporation’s economic responsibilities.</td>
<td></td>
</tr>
</tbody>
</table>

Source: Munilla & Miles (2005, p. 377)

### 2.1.6 European Union Regulations regarding Corporate Social Responsibility

Corporate Social Responsibility continues to grow in significance and the European Commission attributes great importance to creating policies and rules of conduct for companies. As a result, sustainable development and responsible business behaviour and ethics are high on the policy agenda. Through the debate initiated by the Commission Green Paper: “Promoting a European Framework for Corporate Social Responsibility” and the subsequent Communication “Corporate Social Responsibility - A Business Contribution”

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to Sustainable Development⁸, the interest for understanding and managing CSR and all its multiple facets has increased rapidly. The 2002 Commission Communication introduced a European Multi-stakeholder Forum on Corporate Social Responsibility as a part of its strategy for promoting innovation, transparency and convergence of CSR practices and instruments.

As societal expectations for CSR become more defined, CSR-related instruments fulfil a vital need in providing robust process guidance and indicators of both historic and future environmental, social and financial performance. CSR-related instruments have the potential to enhance performance of whole companies, significantly advancing the realisation of CSR across sectors, industries and whole economic regions.

The ultimate aim of CSR is to reduce social “bads” such as poverty, human rights abuse and environmental degradation and to increase social “goods” such as sustainable livelihoods, education and biodiversity.

In recent times, the activity in the area of CSR instrument generation has increased a lot, as a wider array of mechanisms for measuring, evaluating, improving and communicating corporate performance in relation to social environmental and ethical criteria are currently being developed. They include both auditable instruments as well as broad guidelines, codes of conduct, charters, investment screening mechanisms and benchmarks. Instruments by which organisations can be measured are vitally important for at least two reasons: (1) in order to compare and contrast levels of performance; (2) they also help organisations to manage the quality of their processes or systems.

As concern about the broad impacts of business on society has increased, there has been an explosion in the development of instruments to measure, evaluate, improve and communicate corporate performance in relation to social, environmental and ethical

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criteria. Some of the CSR-related instruments as proposed by the European Union Commission are:

- Simple statements of principles that an individual company might (whether or not in alliance with other companies) subscribe to;

- Industry-led initiatives in which groups of companies collectively implement agreed codes of practice;

- Instruments which are voluntarily adopted by companies and regulated by a system of 3rd party accredited bodies;

- Process frameworks that give guidance on demonstrating responsibility and accountability.

There are various CSR instruments and they can be broadly grouped into four key ways of working:

- Aspirational principles and codes of practice: guidelines which provide broadly agreed methods of substantive performance for companies but which lack external audit mechanisms. Some may include a self-reporting element (for example companies which sign up to the UN Global Compact\(^9\), the Ethical Trading Initiative\(^{10}\) and the Global Sullivan Principles\(^{11}\)), while others are subject to external supervision either informally (as with the public monitoring of the WHO/ UNICEF code by NGOs) or formally (as with the system of National Contact Points which try to resolve cases where violations of the OECD guidelines are brought to their attention.)

\(^9\) United Nations Global Compact is an initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and report on them.

\(^{10}\) The Ethical trading Initiative is an alliance of companies, non-governmental organizations and trade union organizations promoting ethical consumerism.

\(^{11}\) The Global Sullivan Principles are a well-intentioned set of guidelines for corporations and other institutions that seek to behave in a responsible way.
- Guidelines for management systems and certification schemes: auditable guidelines for implementing, reviewing and external certification compliance to the standard. Some instruments of this type are organisation based (such as EMAS), some are site based (such as SA 8000) and some are product based (such as the FSC\textsuperscript{12} criteria). These instruments enable business to enhance its internal processes for CSR-related activities as well as establishing credibility with consumers or other user groups through certification or verification.

- Rating indices typically used by socially responsible investment agencies: sets of criteria used by rating indices and social investment funds to identify companies considered acceptable for “socially responsible investment”.

- Accountability and reporting frameworks: process guidelines which cover reporting and accountability mechanisms (such as AA 1000\textsuperscript{13} and GRI – Global Reporting Initiative\textsuperscript{14}). These instruments do not specify substantive levels of performance which must be met, but provide a framework for communicating and responding to stakeholder concerns in relation to social, environmental and economic performance.

Most CSR-related instruments tend to address only one of the three pillars of sustainable development: social, environmental or economic. Many, such as SA 8000 which concentrates on labour issues, are topic specific within a particular area. With the exception of the GRI, those that do address all aspects of the triple bottom line tend to privilege one

\textsuperscript{12} The Forest Stewardship Council (FSC) is an international body which’s goal is to promote environmentally responsible, socially beneficial and economically viable management of the world’s forests, by establishing a worldwide standard of recognized and respected Principles of Forest Stewardship.

\textsuperscript{13} AccountAbility AA 1000 assurance standard.

\textsuperscript{14} The Global Reporting Initiative aims to develop a common global framework for “sustainability reporting” (the action where an organization publicly communicates their economic, environmental, and social performance). The objective is to elevate sustainability reporting to the same level of rigor and credibility expected of financial reporting.
area depending on their overarching aim to address either social or environmental issues, with other areas receiving less coverage.

With regard to issues such as human rights, employee relations, labour issues, and corporate community investment, there are a number of specialised instruments which cover individual issues, other instruments combine a limited number of issues in a single.

### 2.1.7 Corporate Social Responsibility’s Key Issues

Holme and Watts (2000) consider that CSR includes the next key issues: employee rights, human rights, environmental protection, community involvement, supplier relations.

**Human Rights**

Some authors interpret the term to mean child or slave labor. Others see human rights as an umbrella covering almost all social and environmental issues starting with the right to breathe clean air and drink clean water. Holme and Watts (2000) see by human rights a way of respect for local cultural differences and economic situations. The same authors advocate that companies should contribute to improving human rights by building local capacity and increasing the use of local goods and services in their operations.

**Employee Rights**

The well-being of employees represents the paramount of corporate social responsibility. Employee rights should include the rights to enhance skills and capacity and companies have an obligation to provide training to help ensure future employment be it with that company or with another (Holme and Watts, 2000). The importance of respecting cultural differences was also stressed in their study, particularly with regard to cultural issues in the workplace. Issues of pay equity and fair compensation were considered critical.
Environmental Protection
Holme and Watts (2000) asserted that environmental stewardship is an important component of corporate social responsibility and that compliance with environmental legislation and regulations is fundamental. However, it was emphasized that while in many parts of the world such compliance is a given, in some areas this is still not the case. Poor enforcement capacity of some governments and the heavy economic burdens of upgrading old plants and cleaner technology are barriers to better environmental performance. The authors encouraged self-monitoring as a means of improving environmental performance.

Community Involvement
Company involvement and investment in the local community is regarded by Holme and Watts (2000) as a very important issue of CSR. This involvement is defined to include such things as responsibility for skills training and ensuring that proper health and safety systems were in place to protect the community. Partnerships are seen as an important part of corporate social responsibility, particularly partnerships involving the local community. Philanthropy and charity were mentioned frequently, but the authors emphasized their preference for collaborative projects and placed greater stress on mutuality than on simply giving. Regular contact with the local community and ample opportunity for dialogue are extremely important. “Companies may feel as if they are part of the community but until the rest of the community accepts them, there is much work to be done” (Holme and Watts, 2000).

Supplier Relations
Regarding company relations with suppliers and contractors Holme and Watts (2000) recommend the exchange of knowledge, technology and ideas between suppliers and companies.
2.2 THE CONCEPT OF CORPORATE IDENTITY

The purpose of this chapter is to provide a clear understanding of corporate identity and to propose, specify and define the components of the corporate identity concept through a review of the literature. Identity is a subject which evokes images of persistence and stability through time. Organizations in different industrial sectors are increasingly turning their attention to ontological issues and addressing questions such as "Who are we?" and "What do we want to be?".

Nowadays, corporate identity is regarded as a strategic resource for building credibility and support amongst a variety of stakeholders and gaining competitive advantage in the new business environment. It is widely accepted that corporate audiences rely on reputations of firms in making investment decisions, career decisions and product choices (Dowling, 1986). The communication practitioners understand that identity, or “what the company is and stands for”, is one of the cornerstones of stakeholder engagement.

2.2.1 Defining Identity and its Related Concepts

Over the last 25 years, there has been a growing interest in the corporate identity concept, mainly due to the changes in technology, market dynamics, consumer values and consumer behaviour. Corporate identity emerged as a design concept and started to attract managerial interest as a design issue in the 1970s. This led to corporate identity being regarded as a strategic tool and a source for competitive advantage (Downey, 1987; Bickerton, 1999).

Companies that have not thought seriously about their corporate identity may suffer from a disconnection with their stakeholders. There is a great deal of evidence to show that organizations have become more interested in the benefits that management of the corporate identity might bring (Riel, 1995) and the impact that a strong corporate brand might have on stakeholder loyalty (Balmer, 1995).
As pointed out by several authors, (Belt & Paolillo, 1982; Gray & Smeltzer, 1985; Milgrom & Roberts, 1986; Downey, 1987; Lippincott & Margulies, 1988; Olins, 1990; Melewar, 2003), there are several advantages of corporate identity:

- It can act as a central force that motivates employees. By better understanding the purpose, direction and speciality of their organization, the staff will show greater pride and support for it.

- Corporate identity can help companies to recruit high-calibre executives.

- A company’s stakeholders become aware of the organization’s business capabilities, management strengths, competitive distinction and product and service diversity by the reflection of its identity.

- Consumers can be informed about product quality and this in turn will provide support for a company’s products and brands.

- Corporate identity enables the formation of a strong corporate brand that brings on stakeholder loyalty (Balmer, 1995; Markwick & Fill, 1997).

- The financial community can better comprehend a company, which in turn attracts investors.

The multidisciplinary nature of the corporate identity field has led to various definitions of corporate identity proposed by the academic literature. Building on Albert and Whetten's conceptualization, some authors define corporate identity as “the organization's presentation of itself to its various stakeholders and the means by which it distinguishes itself from all other organizations” (Markwick & Fill, 1997); that is, “it is what the company communicates about itself, and it represents how the company wants to be perceived” (Zinkhan et al. 2001). The corporate identity concept suggests that each company has its own personality, uniqueness, and individuality (Bernstein, 1984). Corporate identity is the articulation of what the organization is, what it does, and how it does it, and is linked to the way in which an organization does business and the strategies it
adopts. The definition given by Abratt & Shee (1989) puts even more body to the concept: “The corporate identity is the «personality» and «soul» of the corporation”.

A conceptualization of identity is provided by Albert & Whetten (1985). These two authors indicate that a statement of organizational identity provides an answer to the question "Who are we as an organization?" Identity becomes investigated with more thoroughness, referring to what is of centrality, distinctiveness, and temporal continuity for an organization (Albert & Whetten, 1985).

All organizations have a corporate identity (Abratt & Shee, 1989; Bernstein, 1984; Olins, 1990). The difference between organizations is represented by the fact that some organizations actively seek to manage their identities while others take less care, confuse their audiences, under perform in their markets and unconsciously contribute to the formation of negative reputations (Fill, 1995).

In the literature on corporate identity, concepts such as corporate image and corporate reputation are frequently used. The distinction between corporate identity and corporate image is necessary to be made: corporate identity refers to how an organization perceives itself and wants to be seen by its stakeholders, and corporate image is dealing with the actual perception of the organization by external stakeholders. The ideal situation is when the corporate image is identical to the corporate identity (Hatch & Schultz, 1997; Stuart, 1999).

Margulies (1977, p. 66) makes as well a distinction between the two concepts: corporate identity is “the sum of all the ways a company chooses to identify itself to all its publics - the community, customers, employees, the press, present and potential stockholders, security analysts, and investment bankers” - and image, is “the perception of the company by these publics.”

Although there is a clear distinction between these concepts, Abratt & Shee (1989) talks about the obvious relationship between: corporate image, corporate identity and corporate personality concept. Every company has a personality, which is defined as “the total sum of
the characteristics of the organization”. These characteristics serve to distinguish one organization from another. This personality is projected by means of conscious cues which constitute an identity. The overall impression formed by these cues in the minds of audiences constitutes an image. Corporate personality refers to the values held by personnel within the organization. It is defined as the collective, commonly shared understanding of the organization’s distinctive values and characteristics (Baker & Balmer, 1997; Cornelissen & Harris, 1999). Encompassing corporate philosophy, mission, vision, strategy and principles, corporate personality constitutes a main subset of corporate identity.

Having defined the concept of corporate identity, it is necessary to make a distinction between its aspects. In his review of the literature, Riel (1995) found that, like organizational studies, the corporate identity literature does not produce a single definition of corporate identity. The literature does, however, make a distinction between the visual and strategic aspects of corporate identity (Balmer, 1997).

The strategic approach to corporate identity is concerned with how the vision, values, mission, and philosophy of a company are linked to image and reputation (Riel, 1995). On the other hand, the visual school concentrates in symbolic manifestations of the business and is concerned with creating outward manifestations of identity, such as graphic design, logos, package design, building design, and other symbols of the organization (Balmer, 1995, Olins, 1989). The common trait characteristic is that both schools focus on influencing the stakeholder’s image of the organization. The related discipline of corporate communications, most often found in the public relations functions of an organization, is concerned with issues management. It, like the strategic and visual approaches, seeks to manage corporate image and reputation.

However, a corporation’s actions are inseparable: “how it behaves”, “what it says”, “how it treats people” and “what it makes and sells” are all parts of a single whole. Everything within the company has an effect on everything else and everyone has an effect on everyone else (Olins, 1978). This means that corporate identity “is built up from the
physical, operational and human characteristics of an organization, which are closely interrelated” (Topalian, 1984). Corporate identity and corporate image are intangible assets which bring more value to the company. The value of corporate identity and/or corporate image is its ability to enhance business performance directly or indirectly (Riel, 1995). This is because it becomes a potential source of differentiation and competitive advantage (Gray & Smeltzer 1987; Olins 1991; Riel & Balmer 1997).

### 2.2.2 Corporate Identity versus Organizational Identity

Identity today, is a concept which is typically associated with the individual person (Christensen & Cheney, 1994) and which provides an answer to the question "Who am I?" (Ashforth & Mael, 1989). Like other terms that describe an individual’s activities or attributes, it has been appropriated by organizational scholars to denote particular aspects of the organization. In the same sense that we have come to speak about organizations as acting, transacting, owning, planning and communicating, we have come to see organizations as having identities. Levitt & Nass (1994) indicate that societies are anxious to assign an identity or identities to the entities they deal with, whether these entities are of an individual or of a collective nature. The same authors argue that the assignment of an identity allows placement of the entity within a social category which enables prediction of behaviour and definition of what constitutes legitimate conduct.

The discussion of identity within the organizational literature has developed around the concept of organizational identity, while the marketing literature focuses on corporate identity.

*Organizational identity* refers broadly to what members perceive, feel and think about their organizations. It is assumed to be a collective, commonly-shared understanding of the organization’s distinctive values and characteristics. Albert & Whetten (1985) offered an
influential definition of organizational identity as: “that which is central, enduring, and distinctive about an organization’s character”.

Corporate identity differs from organizational identity in the degree to which it is conceptualized as a function of leadership and by its focus on the visual (Abratt & Shee, 1989; Balmer, 1995; Olins, 1989).

According to Balmer (1995, p. 25), both concepts build on an idea of what the organization is. But the strong links with company vision and strategy emphasize the explicit role of top management in the formulation of corporate identity (e.g. Abratt & Shee, 1989). The marketing approach has focused more on the ways in which management expresses this key idea to external audiences (e.g. through products, communications, behaviour and environment (Olins, 1989), while the organizational literature has been more concerned with the relationship between employees and their organization (e.g. studies of organizational commitment and identification (Ashforth & Mael, 1989; Dutton, Dukerich and Harquail, 1994).

The concept of corporate identity refers to how an organization expresses and differentiates itself in relation to external stakeholders (Balmer, 1995). Hatch and Schultz define the concepts of corporate identity and organizational identity by their relational differences (Hatch & Schultz, 1997). First of all, there is a contrast of perspective knowing that corporate identity is typically formulated by the top management through their choices of symbols (logos, slogans, vision, mission etc.) requiring therefore a managerial perspective. On the other hand, organizational identity consists of the multiple ways that organizational members perceive and think of themselves as an organization, which requires taking an organizational perspective (Hatch & Schultz, 1997). The two perspectives are, however, interdependent because the top management’s contributions to identity become part of organizational identity, when it is interpreted and incorporated into the every day life of organizational members. Secondly, organizational identity focuses on how organizational members perceive themselves as an organization and how that influences their identification with the organization. Thus the recipients of identity messages are internal
stakeholders. In contrast *corporate identity* was originally focused on enhancing the external visibility and attractiveness of the organization and therefore the target of corporate identity programmes were external stakeholders such as customers and investors.

### TABLE 8: DEFINITIONS OF ORGANIZATIONAL AND CORPORATE IDENTITY CONSTRUCTS

<table>
<thead>
<tr>
<th>Construct</th>
<th>Primary definition</th>
<th>Secondary definition</th>
<th>Illustrations of (1) primary and (2) secondary definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Identity</td>
<td>The shared meaning that an organizational entity is understood to have that arises from its members’ (and others’ ) awareness that they belong to it.</td>
<td>Individuals’ knowledge that they belong to particular organizational groups together with the emotional and value significance of that group membership.</td>
<td>(1) Department X is good at C but bad at D. &lt;br&gt;(2) I am proud to be in Department X.</td>
</tr>
<tr>
<td>Corporate Identity</td>
<td>The distinctive public image that a corporate entity communicates that structures people’s engagement with it.</td>
<td>The shared meaning that a corporate entity is understood to have that arises from its members’ (and others’ ) awareness that they belong to it.</td>
<td>(1) Bank X is good at E. &lt;br&gt;(2) Bank X is good at E but bad at F.</td>
</tr>
</tbody>
</table>

Source: Cornelissen, Haslam and Balmer (2007, p. S3)

As it can be seen in the table presented before (Table 8), the identity concept can be applied with a multitude of options for theoretical development and revelation. In other words, the theoretical development surrounding the constructs of organizational identity and corporate identity is characterized by an “amazing theoretical diversity”. This means that the term “identity” has been conceptualized from very different theoretical perspectives and that has contributed to the concept’s rapid and wide promulgation across different literatures as it resonated with, and hence was incorporated into, other meanings in existing academic schools and research traditions.
Although there is a strong interdependency between the two concepts, the present research will focus on the concept of corporate identity.

### 2.2.3 Models of Corporate Identity

Based on the conceptual and operational definitions of corporate identity developed, this section will present some models revealing how corporate identity works in the context of the related concepts of corporate mission, corporate image and corporate reputation.

The *corporate mission* is assumed to be the firm’s philosophy (Abratt & Shee, 1989; Leuthesser & Kohli, 1997).

*Corporate image* represents the way stakeholders perceive an organization’s identity cues, shapes an image which is formed in their minds (Bernstein, 1984; Margulies, 1977). Corporate image can be said to be the totality of a stakeholders’ perceptions of the way an organization presents itself, either deliberately (for example, through planned public relations activities) or accidentally, (for example, through comments made by staff or media comment). Images form through encounters with the characteristics of an organization, the net result of the interaction of all the experiences, beliefs, feelings, knowledge and impressions that each stakeholder has about an organization (Bernstein, 1984; Spector, 1961; Topalian, 1984).

According to Dowling (1994), *corporate reputation* is the evaluation or esteem in which an organization’s image is held. Reputation is a reflection of the historical, accumulated impacts of previously observed identity cues and possible transactional experiences. As a result, reputations are more durable than images and may represent a relatively consistent mass of goodwill and support in favourable cases (positive reputations) or distrust and avoidance in adverse situations (negative reputations). Images may be altered relatively quickly as a result of organizational changes or communication programmes, whereas reputation requires nurturing through time and image consistency.
2.2.3.1 Alessandri (2001)

The model presented below was developed by Alessandri (2001) and assumes that every firm has a philosophy whether tacit or codified, which is personified through the behaviour of the firm as well as in the visual presentation of the firm. These two complementary parts form the corporate identity. These two elements – the corporate mission and the corporate identity – make up the lower half of the model, which encompasses the presentation of the firm in all instances.

- The firm’s presentation of itself – through visual presentation and outward behaviour – is within the firm’s control (Lambert, 1989; Leitch, 1999; Topalian, 1984) and may be manipulated or altered at the discretion of the firm.

- Moving to the upper half of the model, we cross the line of what the firm can control into the area of public perception of the firm. Directly over this “control line” (Alessandri, 2001) is the concept of corporate image, which is generally agreed by the literature to be the perception of the firm (Alessandri, 2001; Gray & Balmer, 1998; Abratt & Shee, 1989; Topalian, 1984).

This distinction proves itself to be of importance, since firms retain complete control of their identities, their presentation of themselves, but have no control over their image, what the public perceives them to be (Bronson, 1995; Topalian, 1984). Concluding the model there is the corporate reputation, which is formed over time by repeated impressions of the corporate image, whether positive or negative (Alessandri, 2001; Gray & Balmer, 1998).

The model presented here depicts corporate identity as a bottom-up process: the mission affects identity, identity affects image and image builds the reputation over time. While the bottom half of the model (the mission and identity) is within the control of the firm, the top half of the model includes the elements that go out of the company’s range of control and is the public’s perception (Figure 8).
2.2.3.2 Melewar and Wooldridge (2001)

Another model of corporate identity was proposed by Melewar & Wooldridge (2001). The model comprises more determinants, emphasizing the reciprocity between corporate identity and its determinants. In this model, there are some variables that determine and are determined by a company’s corporate identity (see Figure 9): communication and design (visual identity), market conditions, products and services and corporate behaviour. Besides
these four main variables, a company’s identity is also shaped by the environment (political, social, economical and technological) as well as its reputation on the market.

**FIGURE 9: MELEWAR AND WOOLDRIGE’S (2001) IDENTITY MODEL**

Source: Melewar & Wooldridge (2001, p. 333)

**2.2.3.3 Melewar (2003)**

According to the research developed by Melewar (2003), there are seven determinants of the corporate identity construct: corporate communication, corporate design, corporate culture, corporate behaviour, corporate structure, industry identity and corporate strategy (see Figure 10).
FIGURE 10: MELEWAR’S (2003) IDENTITY MODEL

Source: Melewar (2003, p. 198)

a. Corporate Communication

Melewar’s view is that the communicative approach regards corporate identity as the multifaceted way in which an organization communicates. Baker & Balmer (1997) stated that everything an organization says, makes and does will communicate in some way.
According to this approach corporate identity is concerned with the impressions, image and personality projected by an organization (Schmitt & Pan, 1994).

According to Olins (1991, p. 34), corporate identity “is everything that the corporation does, in every way it communicates”. In the same time, a corporation “needs to take a holistic view of communication because it is communicating all the time (even if it does not realise it) to all of its stakeholders …the communication which is taking place, even if unplanned or planned, is creating impressions and as a result images are being formed” (Bernstein, 1984, p. 57).

Haynes (1990) stated that “we define corporate communication as every form, manner and medium by which a company communicates with its various audiences” (p. 30). This is because “corporate identity is projected to the stakeholders using a variety of cues, and it represents how the organisation would like to be perceived” (Markwick & Fill, 1997, p. 396). In the author’s view these cues can be orchestrated so that deliberately planned messages are delivered to specific target audiences in order to achieve particular objectives. Typical of these planned communications are the use of corporate identity programmes, consistent content in advertising messages (British Airways), dress codes and operating procedures (McDonald’s) and policies towards customer contact (answering the telephone at TNT overnight). Markwick & Fill (1997) further argued that some of these planned cues will constitute an organization’s visual identity, which is the design and graphics associated with an organization’s symbols and elements of self-expression, whereas other cues will focus on behaviour, the actions of the organization and other forms of communication.

Schmidt (1995) ‘s corporate communication covers corporate design, the form and content of internal and external corporate communication, marketing communication, architecture, interior design and location as one of the determinants of the corporate identity construct he developed.

The corporate communication element of the corporate identity construct comprises controlled corporate communication (management communication, organizational
communication and employee communication), uncontrolled communication and indirect communication (Gray & Balmer, 1998).

**Controlled corporate communication**

Corporate communication is composed of specialized areas such as public relations, corporate advertising, media relations, financial relations, employee communication and crisis communication (Argenti, 1998; Riel, 1997a).

Markwick & Fill (1997) emphasized the cues that organizations deliberately use for presenting themselves to their stakeholders and described corporate communication as the process that translates corporate identity into image.

Riel (1995) distinguished three types of communications that are adopted and controlled by organizations: management communication, marketing communication and organizational communication.

- **Management communication**
  Management communication refers to the process of communicating the vision and mission of the company defined by its management in order to establish a favourable image and ultimately a good reputation amongst its internal and external stakeholders (Olins, 1989). Melewar & Wooldridge (2001) see it as the primary means by which top-level managers disseminate the goals and objectives of an organization.

- **Marketing communication**
  Dickson (1997) stated that the tools and techniques used for achieving an organization’s marketing communication objectives are called the ‘promotion mix’. The basic elements of the promotion mix include advertising, personal selling, public relations, direct marketing and sales promotion (Dickson, 1997).
Organizational communication

Public relations and public affairs are considered the oldest, the most common and well-known forms of organizational communication. Recently it has been separated into several functional areas such as finance and human resources, being responsible for aspects of organizational communication such as investor relations and labour relations, respectively (Melewar, 2003).

Uncontrolled communication

Moingeon & Ramanantsoa (1997) see the uncontrolled communication as involving the communication between the employees of an organization and the external stakeholders through their interaction. In many cases an organization communicates by sending signals that have not been created in a deliberate or conscious way: such a kind of communication is called uncontrolled communication. For example, the hours that a company’s switchboard is open and the way in which telephone calls are managed are the signals sent by the company to its environment (Olins, 1985; Moingeon & Ramanantsoa, 1997).

Indirect communication

Indirect communication refers to any communication about the organization initiated by external parties. It includes transmitted unintentional or emergent messages, articles in the press, news about the organization on television, comments by competitors and third-party reports about the organization (Melewar, 2003).

b. Corporate Design

Based on the works of Olins (1978), Bernstein (1984), Topalian (1984), Abratt & Shee (1989), Melewar & Saunders (1998) we can say that the visual aspect of corporate identity forms a major part of a corporation’s identity.
The model developed by Melewar (2003) presents the corporate design as a sub-construct of corporate identity covering corporate visual identity and the applications of corporate visual identity.

*Corporate visual identity*

Corporate visual identity is the graphic design at the core of a firm’s visual identity (Melewar & Saunders, 1999). In other words corporate visual identity is an assembly of visual cues by which an audience can recognize the company and distinguish it from others. The same authors constructed a corporate visual identity mix comprising name, slogan, logo type and/or symbol, typography and colour.

*Applications of corporate visual identity*

Melewar & Saunders (2000) pointed out that corporate visual identity helps a company to transmit its visual identity through a wide range of applications such as products, advertising, promotions, buildings, vehicles and other business collateral. Henrion & Parkin’s (1967) stated that visual identity can be projected by the appearance of an organization’s products, printed material (i.e. correspondence, promotional literature) and the exterior and interior design of premises (i.e. manufacturing plants, offices, warehouses, showrooms and retail outlets). Also Dowling (1994) argued that a company’s building architecture, location, interior decor of offices and the uniforms of its employees will help people recognize the company. In this way any company is continually producing materials that convey clear messages through the way they are designed. These can be product design, environmental design and other applications such as communication materials, vehicles and corporate clothing (Olins, 1985; Melewar & Saunders, 2000).

c. *Corporate Culture*

According to Bernstein (1984), the element mainly acknowledged as being part of the corporate identity construct is an organization’s core value, namely corporate culture. Many authors say that corporate culture plays an important role in corporate identity formation.
Similarly, Kiriakidou & Millward (1999) argued that culture plays an important role in the development of corporate identity. Moreover, they argued that values reflect the organization’s identity, the type and quality of its products and services, company performance and corporate behaviour.

Barley (1983, p. 396) defined corporate culture as “a complex set of values, beliefs, assumptions and symbols that define the way in which a firm conducts its business” and stated also the link between corporate culture and corporate identity. Dowling (1986) asserted that corporate culture flows from and is the consequence of corporate identity. His opinion is shared by other authors (Ambler & Barrow, 1996; Barley, 1983). Along the same lines Normann (1991) viewed corporate culture as a determinant of corporate identity by emphasizing that normative guiding principles and culture are distinguishing features and crucial success factors of an organization.

We present below (Table 9) some elements that define the corporate culture.

**TABLE 9: ELEMENTS OF CORPORATE CULTURE**

<table>
<thead>
<tr>
<th>Element</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate</td>
<td>Embodies the core values and assumptions of a company that constitute the corporate culture (Abratt &amp; Shee, 1989). Balmer (1995) defined corporate culture as the business mission and values espoused by the management board or the founder.</td>
</tr>
<tr>
<td>philosophy</td>
<td></td>
</tr>
<tr>
<td>Corporate</td>
<td>The values held by a company play a significant role in the formation of its corporate identity.</td>
</tr>
<tr>
<td>values</td>
<td>Riel &amp; Balmer (1997) defined corporate values as dominant systems of beliefs and moral principles within an organization that comprise everyday language, ideologies and rituals of personnel and form the corporate identity.</td>
</tr>
<tr>
<td>Corporate</td>
<td>Can be defined as the reason for which a company exists (Witt &amp; Meyer, 1998).</td>
</tr>
<tr>
<td>mission</td>
<td>Abratt &amp; Shee (1989) regarded corporate mission as the most important part of the corporate philosophy. He defined mission as the company purpose, ideally setting it apart from all other companies.</td>
</tr>
</tbody>
</table>
### Corporate principles
Define the mission, targets and values of a company and form the basis of and standards for all corporate actions (Schmidt, 1995).

Fritz (1999) stated that the statements of corporate principles become the basis for right and wrong.

### Corporate guidelines
Contain actualization and interpretation of the corporate principles for individual areas of business activity and functions. Schmidt (1995) stated that guidelines explain the relevance of the corporate principles to the actions and behaviour of all employees, departments and functions.

### Corporate history
Identity is the product of the history of the organization (Rowlinson & Procter, 1999). Balkaran (1995) presented the influence of a company’s history on its identity.

### The founder of the company
Olins (1978) stated that an organization’s identity tends to be inseparable from that of an organization’s founder.

Deal & Kennedy (1982) referred to the link between corporate success, corporate culture and the founder of the company.

### Country of origin
Varey (1999) considered the link between corporate identity and national identity from a particular perspective through a “country-of-origin” concept. The country of origin imagery has been defined as “the picture, the reputation, and the stereotype that consumers attach to products of a specific country” (Piron, 2000, p. 30).

When national focus conveys benefits, companies promote their national identities as part of their corporate identities: “Advanced Engineering from Germany”, “Made in Japan”, etc.

### Subcultures
Balmer (1995) argued that an organization is a composite of multiple cultures. These specific groups or subcultures were found to be related to different jobs and different levels of organizational status, gender and class.

Balmer & Wilson (1998) concluded from the results of their case studies that what is unique about a given organization’s culture is the particular mix of subcultural differences within an organization’s boundaries.

Source: own elaboration
d. Behaviour

Behaviour refers to a particular way of acting. Everything an organisation does may be perceived as an indicator of its corporate identity (Melewar, 2003). Lambert (1989) asserted that corporate identity describes all the manifestations of an organization that enable it to be distinctive.

The consensus from the literature reveals that organizational identity is shaped by the closeness of fit between the organization and the employees: the spirit with which they work and participate in the running and development of the organization (Melewar, 2003). Identity is assumed to be a collective, commonly shared understanding of the organization’s distinctive values and characteristics.

With an agreement on behalf of the literature, behaviour is generally accepted as an essential element of corporate identity. The table below presents some behaviour elements.

**TABLE 10: ELEMENTS OF BEHAVIOUR**

<table>
<thead>
<tr>
<th>Behaviour</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate behaviour</td>
<td>Corporate behaviour is the sum of all corporate actions, which results from the corporate attitudes that are planned in line with the company culture or that occur spontaneously (Melewar, 2003).</td>
</tr>
<tr>
<td></td>
<td>Northart (1980) implicitly revealed that corporate behaviour is an element of identity, stating that “corporate identity is the organisation’s products or services, its employees, its management, its attitude and work climate, and its citizenship” (Northart, 1980, p. 29).</td>
</tr>
<tr>
<td></td>
<td>According to Ludlow (1997), corporate behaviour is a dimension of identity, affecting the perceptions of a company’s stakeholders.</td>
</tr>
<tr>
<td>Employee behaviour</td>
<td>According to many academics, corporate identity refers to an organization’s unique characteristics, which are rooted in the behaviour of employees (Balmer, 1995; Riel, 1997b; Balmer &amp; Wilson, 1998).</td>
</tr>
<tr>
<td></td>
<td>Olins (1991) emphasized the crucial role of personnel and the role of behaviour in corporate identity formation.</td>
</tr>
</tbody>
</table>
Management behaviour

There is a common perception in the corporate identity literature that senior management usually drives a company’s corporate identity. They express the organization’s central idea to internal and external audiences through communication and behaviour (Hatch & Schultz, 1997).

Hatch & Schultz (1997) asserted that the actions and statements of top managers simultaneously affect organizational identity and image.

Source: own elaboration

e. Corporate Structure

According to the literature, corporate structure is also a key component of corporate identity (Melewar & Saunders, 1998; Olins, 1986). It consists of brand structure and organizational structure (Melewar & Saunders, 1998).

Brand structure

Corporate branding, at its most basic, is a composite of all the experiences, encounters and perceptions a customer has with a company. It implies that all internal and external communications are aimed at presenting a single, unified message. The underlying motivator is to build trust in the company. Corporate branding is about creating differentiation and preference (Melewar, 2003). There are some differences on how corporate identity relates to brand structure and strategy.

Olins (1989) proposed three approaches to structure corporate identities: monolithic, endorsed and branded structures:

- Monolithic structure: the corporation uses one name and a visual style throughout. In this case, the corporate identity of a company is the brand to the consumer.

- Endorsed structure: corporate identity is used in association with the name of the subsidiaries, the visual styles of which can be diverse.

- Branded structure: this type of structure has products under totally different brand names and appearances.
Organizational structure

The second component, organizational structure, is the part of corporate structure that is concerned with the lines of communication and reporting responsibilities (Melewar & Saunders, 1998). Organizational structure is concerned with the degree of centralization and decentralization (Ind, 1992), both geographically and across products.

According to Laforet & Saunders (1999), the organizational structure of a company plays a role in its corporate identity through its influence on brand structure. The authors argued that a corporate dominant structure, which leads to a monolithic identity, is more likely to be adopted in centralized companies since there are more chances for standardization. Consequently, in such a case the identity is likely to be similar in both the parent company and its subsidiaries (Melewar & Saunders, 1998). Conversely, highly decentralized companies, retain no strict control and allow their international subsidiaries to develop their own identities.

f. Industry Identity

According to Olins (1995), industry identity has a role in shaping the corporate identity of a company. According to the same author, industry identity involves the underlying economic and technical characteristics of an industry, such as industry size, growth patterns, rates of change, competitiveness and use of technology.

The identity of the industry in which a company operates influences the extent to which the company can have and develop its individual corporate identity. Balmer (1995) argued that strong generic or industry-wide identity causes companies to have similar strategic plans and mission statements.
g. Corporate Strategy

According to Gray & Balmer (1998), corporate strategy is the “master plan” of a company that defines the company’s products and market scope, its overall objectives and the policies through which the company competes in its chosen markets.

Several authors (Abratt & Shee, 1989; Stuart, 1998; Markwick & Fill, 1997) showed a link between corporate strategy and identity through a personality concept, stating that corporate strategy lies within the personality of the organization. Corporate personality is regarded as the sum of the organization’s total characteristics from which its identity is generated. Thus, strategy is a component of corporate identity (Markwick & Fill, 1997).

Balmer & Soenen (1997) also considered strategy as a part of corporate identity that they defined as encompassing the “soul”, “mind” and “voice” of an organization and delineated “what an organization is”. Morison (1997) asserted that corporate identity is contingent on the objectives of the company. Thus, identity follows strategy.

**Differentiation strategy**

The differentiation strategy is to provide a unique product/service, or do it a way that is different from the way competitors do. With manufactured goods, differentiation is simply to make a relatively unique product, or to deliver it in a different way. With services, a common way that we might differentiate is in the handling of customer inputs. We may handle customer inputs in a way that is different from the way our competitors do (e.g. the Ritz-Carlton luxury hotel chain attempted to differentiate on the basis of customization. They had a computer system which tracked a dramatic variety of customer preferences - which are customer-information inputs describing ways the customer-self input wants to be processed) (Sampson, 2006).

The link between the differentiation strategy of a company and its identity was analyzed by Simpson (1988). He defined identity as the unique capabilities of a company – the cross-functional mix of experience, skills, knowledge and talents – that distinguish the company
and determine its ability for creating value in proprietary ways. McDonald’s company was studied, namely its priority on people and people-sensitive issues before price and its complex formula of quality, service, cleanliness and value, which has helped the company in successfully differentiating itself from other fast-food restaurants. He stated that, for such companies like McDonald’s, differentiation means capitalizing on the inherent capabilities that define the organization in terms of its basic identity: ‘who it is’ and, by extension, ‘who it is not’ (Simpson, 1988). Simpson (1988) and Smith (1990) also acknowledged that corporate identity comprises ‘who is the company as an organization?’ ‘what distinguishes it from the competitors as a whole?’ and ‘what is the company really good at?’

*Positioning strategy*

Golnick (1985) defined positioning as a word that defines a company’s business identity and the type of business it seeks. A company’s position that differentiates it from its competitors is developed out of the way the company understands itself. Positioning encapsulates the aimed-for identity (Melewar, 2003). After Sampson (2006), the internal efficiencies of the company’s production process that results in lower costs of the product/service allowing the company to charge the customer less, materialise in a cost leadership positioning strategy.

### 2.2.4 The Increasing Relevance of Corporate Social Responsibility for Corporate Identity

This subsection presents some relevant views on the relationship between corporate social responsibility (CSR) and corporate identity (CI). This part will present the relationship between firm behaviour and corporate identity.
2.2.4.1 Corporate Identity as a Source of Competitive Advantage

As it was presented in the previous subsections, corporate identity deals with the impressions, image, and personality that an organization presents to its stakeholders (Schmitt & Pan 1994). Many studies have revealed that consumers’ and other audiences’ perceptions of organizations are key in determining their response to the companies’ products and services. Previous research has established a link between a favourable corporate image or identity and superior business performance.

According to many authors, the creation of a strong corporate identity helps firms develop a positive image and reputation among their stakeholders, both internal, such as boards of directors and employees, and external, such as customers, channel members, suppliers, stockholders, potential investors, and the community as a whole (Simões, Dibb and Fisk, 2005; Johnson & Zinkhan, 1990).

A strong corporate identity can lead to increased benefits for the company as it was emphasized by various authors:

- Stakeholder commitment and loyalty, causing improvement of attitudes from corporate suppliers (Brown 1995);
- Higher levels of commitment among employees (Gray & Smeltzer 1987), and
- The company’s enhanced ability to recruit new staff (Gatewood, Gowan and Lautenschlager, 1993) and investors (Fombrun & Shanley 1990).

To extend this discussion, assume that a particular organizational identity (OI) is economically valuable, in that the value of opportunities created by this identity is greater than the value of the opportunities forgone because of this identity. To be a source of sustainable competitive advantage, not only must an organization's identity be valuable, but it must also be rare and costly to imitate (Barney, 1991).
The condition of rareness is closely associated with Albert & Whetten's (1985) notion of claimed distinctiveness. To generate competitive advantages, however, OI must move beyond 'claimed' distinctiveness to actual distinctiveness. This is problematic, since many firms may think they possess a distinctive identity when, in fact, they do not (Reger et al., 1994). Indeed, research in cognitive psychology (Kahneman et al., 1982) suggests that all individuals tend to think they are more distinctive than they actually are. Just because employees in a firm think they are distinctive does not mean that they are actually distinctive.

### 2.2.4.2 CSR as an Organizational Value

The behaviour of individuals is anchored in specific values and norms (Sarup, 1996). Becoming a member of a group depends on the congruence of values and norms on an individual and a group level (Gioia, 1998). The stronger this congruence, the stronger the group will behave according to this specific and clear set of values and norms. These values and norms of the group also constitute the group’s identity. Organisational identity leads to rhetorical questions such as: who are we anyway as a group, as a department, as an organisation? What do we stand for? Organisational identity is (a) what is taken by organisational members as central to the organisation, (b) what makes the organisation distinctive from other organisations and (c) what is perceived by members to be an enduring or continuing feature linking the present organisation with the past (and presumably the future) (Albert & Whetten, 1985, p. 264). A clear organisational identity gives a group a past, present and future and shapes the borders of the group. It is this identity that creates a specific community of work (Schoemaker, 2003).

Communities of work tend to behave as flexible networks of people, where the organisational identity provides the ‘glue’. Individuals are socialised and identify with these communities of work. People belonging to a community of work permanently face a complex balancing-act across three dimensions: (1) between rights and duties, (2) between what is demanded internally and externally and (3) between personal and collective needs and expectations. This balancing act is essential in the process of socialising and
recognition and therefore key in shaping a community of work with a specific identity. It is assumed that in the end the organisational identity, based upon embedded values and norms, determines what happens in a community of work (Schoemaker, 2003).

To manage contemporary organisations means not only to pay attention to the business and its related core competences, but also to develop consciously the nature of the communities of work in order to achieve the tangible and intangible outcomes desired (Schoemaker & Jonker, 2005). New issues which organisations are confronted with are by definition (first and second order) value-driven and therefore not only first order value-driven. What is critical is the organisational capability to determine the nature of the value system they belong to and to treat them accordingly.

The deliberate development between first and second order values, thereby bridging or linking these values, leading to a recalibrated organisational identity can deliver the answer to the developments mentioned earlier. Market-driven performance and added value for customers from the perspective of core competences alone seems insufficient. Value(s)-based management reinforcing the communities of work and identity is equally important. CSR in that respect needs first of all to be embedded in the community of work and its underpinning values in order to become practical. This implies that a compliance-driven strategy for CSR is doomed to fail. Instead a strategy based on CSR as an organisational value might better help organisations to survive in a turbulent environment.

In the previous paragraphs we highlighted the distinction between first and second order values and elaborated the relationship with organisational identity. We have argued that for the contemporary organisation a strong identity becomes the second characteristic of core competences. Whether there is a bridge between the first and second order values depends on the way these second order values are perceived and managed in the actual business operations. It was also argued that second order values can be contradictory, leading to ‘as if’- behaviour. Trying to avoid this behavioural trap requires developing the capability to bring first and second order values together. This implies (a) a clearly defined and recognised set of organisational values, (b) the relevance of these values for day-to-day
business, (c) constructive behaviour of employees and management according to these values, (d) supportive dedicated competence development linking core competences and organisational identity.

What does it mean when organisations want to develop CSR as an organisational value and use this value in the business? From the perspective of the market paradigm one could state that CSR is only embedded in organisational processes when it leads to profit and customer satisfaction. To reach a situation where CSR is embedded in organisational processes, they need to develop collective competences, oriented towards CSR while connected to the market paradigm. This brings us to the statement that CSR can be embedded effectively in the organisational processes (doing business with customers) when it is developed as an organisational value anchored in the organisational identity. The starting place for implementing CSR therefore lies in the community of work where the organisational identity is “constructed”. This offers a perspective that is quite distinctive from a rational-strategic business approach. Quite a few authors have devoted attention to the implementation of CSR from a rational perspective of strategic management leading to a stepwise implementation scheme. On the basis of this approach CSR is assumed to become part of the ongoing organisational operations, embedded in the core competences and the organisational identity, while simultaneously balancing Profit, People and Planet. Still, case evidence of this approach is rare and organisations that do implement CSR along these lines often go through a turbulent period of trial and error. The question that rises here is how can CSR become an organisational value linked to the business? In other words: what drives organisations going through this turbulent period of trial and error? Competence development might provide the answer.
3. METHODOLOGY

3.1 RESEARCH APPROACH

Yin (2003) defined the case study as: “an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between the phenomenon and the context are not clearly evident”.

The essential purpose of using the case study is to understand the complexity of every individual case (Stake, 1995). Yin (2003) expressed that the case study is suitable for conducting exploratory, descriptive, and/or explanatory researches.

*Exploratory studies* are valuable means of finding out what is happening, to seek new insights, to ask questions and to assess phenomena in a new light according to Saunders and Thornhill (2000). It is a particularly useful approach if you wish to clarify your understanding of a problem. Exploratory research can be likened to the activities of the traveler or explorer. Its great advantage is that it is flexible and adaptable to change. When you are conducting exploratory research you must be willing to change your direction as a result of new data that appear and new insights that might occur (Saunders & Thornhill, 2000).

*Descriptive research* aims to portray an accurate profile of persons, events or situations. It might be an extension of a piece of the exploratory research. It is necessary to have a clear picture of the phenomenon on which you wish to collect data prior to their collection. Description in management and business research has a very clear place. Still, it should be thought of as a means to an end rather than an end in itself (Saunders & Thornhill, 2000).

*Explanatory studies* establish causal relationships between variables. The emphasis here is on studying a situation or a problem in order to explain the relationships between variables.
(Saunders & Thornhill, 2000). Explanatory studies attempt to identify factors, which motivate market behavior, and to evaluate their relationships and interaction (Chisnall, 1997).

With reference to the above definitions, the case study method was a feasible approach for conducting the present research for two important reasons. The nature of this study was exploratory and descriptive. Moreover, the objective of the study was to investigate a contemporary phenomenon, concerning how: How does corporate social responsibility practices reveal in the corporation’s identity?

These kinds of research questions demanded an in-depth examination and collection of rich information, regarding both the context and phenomenon, for analysis and interpretation (Stake, 1995; Yin, 2003).

Apart from the above, the case study method had two advantages that encouraged the researcher to use it. First, like most qualitative research methods, it is strong in interpreting the real-world context (Lindolf, 1995; Stake, 1995; Yin, 2003). Second, this method is fairly reliable, as it depends on multiple sources of evidence (Yin, 2003).

3.2 TEACHING WITH CASE STUDIES

3.2.1 Characteristics of Case Method Teaching

Waterman (1998) argued that in the case based instruction, learners are encouraged to engage with the characters and circumstances; to investigate so as to understand the facts, values, contexts, and decisions in the story; and to connect the meaning of the story to their own lives. Cases are most commonly used to teach decision-making skills to professionals. A well known model for this goal is the Harvard Business School case method (Christensen
& Hansen, 1987) in which students receive extensive case histories that they individually analyze before attending a instructor-led, large class discussion. In the business school model, cases are often a culminating activity coming last in the instructional sequence.

Corey (1980) suggested that students learn inductively through case studies in four ways:

**Learning by discovery:** the student’s task is to interpret and find meaning in the information given in the case, such as pulling together information that may be randomly distributed through the case.

**Learning through probing:** the student learns to think incisively, use evidence judiciously, recognize hidden assumptions, and follow a line of reasoning through to the end.

**Learning through practice:** the day-by-day practice leads to ways of analyzing case situations which becomes intuitive, and can then be applied to new problem situations, like a doctor, musician or athlete, without having to slowly think through each step in the process.

**Learning by contrast and comparison:** through comparing and contrasting situations in different cases, students learn that what might work in one situation will not work in another.

McQueen (1995) considered that case method teaching includes building up experience and skills. In his opinion, developing a personalized skeleton outline approach provides an initial starting point to case analysis, but that usually evolves from a simplistic check list to a flexible personal approach methodology as different situations are studied. Practice in presenting analysis in front of peers in the public forum of the classroom usually leads to increased confidence and willingness to contribute. As well as the main issues in the case, students pick up background information about the industries, functional areas and job
descriptions involved, and gain explicit experience to fold away for possible future use. The life experiences and background of those in the class further broaden these experiences, and often provide totally unexpected perspectives to the class discussion which support the notion that students are learning from each other, instead of from the instructor (McQueen, 1995).

Boyce et al. (1993) identified several advantages for using case study methodology. Some of these include:

1. the case study method provides a method of bridging the gap between theory and application;
2. the case study method enables students to analyze problems and develop solutions for situations which will be encountered in the “real world” of teaching;
3. the case study method enables students to evaluate alternatives in terms of whether or not the alternatives are feasible, have theoretical implications and what ramifications are there from selecting a particular problem.

3.2.2 How to Teach a Case

Boyce et al. (1993) considered important that when introducing the case study approach, students should be informed that the study case is based upon actual experience. Their task is to discuss all of the issues involved in the case and determine what is the best way to handle the situation. After passing out copies of the case to the students and giving them approximately 10-13 minutes to read the case, it is important as well to inform students that: 1) there are no right or wrong answers; 2) every person’s opinion is valued; and 3) in determining how best to handle the situation, they need to consider all of the dynamics involved; and 4) needs to assess each solution generated in terms of current theory, feasibility and ramifications (Boyce et al, 1993).
To assist in the facilitation of the discussion on the case, it is often helpful if the instructor prepares an outline of questions which cover the main units in the case. These thought-provoking questions can not assist the students in thinking through the problem analysis but also to help organize the student’s discussion (Boyce et al, 1993).

### 3.2.3 How to Use the Case Study

**Physical Setting**

The ideal room for a case discussion would be similar to a conference room (e.g., a U-shaped table surrounded with swivel chairs and chalk boards). Unfortunately, most classrooms settings (e.g., square or rectangular classroom with tablet-arm chair set in rows) are better suited for lectures and not for case study approach (Silverman, Welty and Lyon, 1992). If not, the effectiveness of the case study methodology will be quite limited due to the physical restraints of the environment. One way in which the instructor can help to facilitate discussions is to make sure that students know one another in the class (e.g., use name cards). Again, the environment which is more conducive to discussion will help to ensure the success of the case study method (Boyce et al, 1993).

**Chalk Board**

The chalk boards are also an important element within the physical settings because they will allow the instructor to help organize the discussion especially when the students seem to be getting off track. The instructor can use the chalk board to help to organize the student’s discussion of the case, or “the board could demonstrate how a variety of comments recorded early in the discussion in different places on the board come together as the discussion progresses” (Silverman, Welty and Lyon, 1992, p.4).

**Time**

It is very important for the instructor to give some thought to the amount of time he/she wants to spend on specific aspects of the case (e.g., identification of the issues, possible
solutions, etc.). Once these time lines have been estimated, the instructor needs to follow the time lines fairly close. A clock placed on the front of the table can be a great asset for an instructor if it has a large enough dial to see at a glance so that does not have to continuously check his or her wristwatch (Silverman, Welty and Lyon, 1992).

So, the strength of the case study approach consists of the fact that students can generate their own analysis and solutions to the problem. The instructor’s role in this process is to guide them through the decision-making process by asking questions and providing bridging statements so that the students see how all of the “parts fit into the puzzle”. It is important that the instructor not tell the students how to solve the situation and not inform the students how he/she would handle the situation. In fact, it may be necessary that the instructor constantly reminds the students that there are many possible answers to the dilemma and he/she is interested in their solutions (Boyce et al, 1993).

3.3 RESEARCH DESIGN

3.3.1 Goals and Case Study Drawing

There are two types of research approaches: qualitative and quantitative. A qualitative approach seeks to discover what may account for certain kinds of behavior. It seeks deeper understanding of factors, sometimes covert, which influence buying decisions. It observes and reflects on the complexity of human activities in satisfying many needs, intrinsically, it is subjective. For the findings of a qualitative research approach it cannot produce statistical evidence based on probability sampling but it is able to provide unique insights to inspire and guide the development of marketing strategy and tactics (Chisnall, 1997). The qualitative approach is appropriate when you want thorough information and the purpose of a qualitative approach is to receive a deeper understanding of the research problem (Yin, 2003).
Our phenomenon under investigation is the relationship created between the corporate social responsibility practices and the corporation’s identity.

The present research selected two illustrative cases in order to find answers to the following questions:

RQ (1): How do the two illustrative corporations exercise CSR?
RQ (2): Which is the stage of CSR within each one of these two corporations?
RQ (3): How much importance is attributed to CSR issue by the two corporations’ managers?
RQ (4): How do corporate social responsibility practices reflect in the corporation’s identity?

Two corporations were chosen for the analysis: Investvar from the footwear industry and MonteAdriano from the civil construction industry.

The rationale of choosing the two corporations is presented below:
First of all, we’ve looked up for two sectors with a high contribution for the Portuguese economy. Both footwear industry and civil construction industry have high significance for the national economy (the footwear sector represents around 4% of total turnover and the civil construction sector represents around 7%). Secondly, it was not the purpose of this research to come up with two relevant examples from the national market concerning CSR issue, but to offer a holistic view of how the heavy corporations for the Portuguese economy act concerning this issue. So, two corporations were on purpose selected from different industry sectors for a better exposition of cases. Both corporations occupy an important role in the country economy having consolidated positions in the Portuguese marketplace: Investvar is the leading company in the footwear industry and MonteAdriano situates on the 6th on the market of the civil construction industry.
3.3.2 Data Collection

According to Yin (2003), information for case studies may come from multiple sources: documents, archival records, interviews, direct observations, participant observation and physical artifacts. When collecting information for case studies a major strength is the opportunity to use many different sources of evidence. The use of several sources of evidence give the researcher the opportunity to obtain multiple measures of the same phenomenon and that adds validity to the scientific study. Any findings or conclusions in a case study are likely to be much more convincing and accurate if it is based on several different sources of information following a supporting form. No single source mentioned has a complete advantage over all the others (Yin, 2003).

Two sources of evidence were used for acquiring data: in-depth interviews and inspection of various documents.

The interview is one of the most important sources of case study information (Yin, 2003). It appears to be guided conversations rather than structured inquiries as in surveys. The actual stream of questions in a case study interview is likely to be fluid rather than strict. Most commonly, case study interviews are of an open-ended nature, which allows you to ask key respondents about the facts of a matter as well as their opinions about events. When a respondent assists in this manner, he or she may be considered one of an informant rather than a respondent. Key informants are often critical to the success of a case study (Yin, 2003). A second type of interview is a focused interview in which a respondent is interviewed for a short period of time, an hour for example. In such cases, the interviews may still remain open-ended and assume a conversational way, but the researcher is rather following a certain set of questions derived from the case study protocol (Yin, 2003). A third type of interview is more like a formal survey. The survey entails more structured questions, so an interview schedule is necessary (Yin, 2003). The purpose is to obtain standardised responses to a set of predestined questions. This type of interview is recommended when the researcher intends to confine as much as possible
from the interviewee’s thinking about a particular topic. The researcher follows in depth the process of thinking, asking new questions after the first answers given by the interviewee.

The in-depth interview was considered the most appropriate tool for the present research. It was seen as offering more flexibility in identifying managers’ understandings of the corporate social responsibility and corporate identity concepts as well in identifying the CSR practices exercised by the company and the corporate identity components.

Within both corporations, Investvar and MonteAdriano, the interviewed persons in charge for the CSR practices were the human resources managers. For the identity concept were interviewed the general manager (Investvar) and the communication department manager (MonteAdriano15). The interviews were conducted during May and June month of 2007 at the corporations’ headquarters. The interviews were recorded and later transcribed. A previously developed interview guide was used during the interview. The duration of interviews was between 1-2h each.

**Documentary information** is likely to be relevant to every case study topic. This type of information can take many forms and should be the object of explicit data collection plans (Yin, 2003).

The present research used diverse types of documentation like: transcript of interviews, annual reports, internal reviews, brochures, catalogues, newspaper clippings, websites documentation.

15 In the flowchart of MonteAdriano the Communication Department and the Human Resources Department are managed by the same person – Dr. Avelino Monte
3.3.3 Data Analysis

A framework of analysis based on the research questions was designed in order to explore the two illustrative cases (see Table 11).

**TABLE 11: FRAMEWORK FOR DATA ANALYSIS**

<table>
<thead>
<tr>
<th>STRUCTURE OF THE CASE STUDY</th>
<th>DIMENSIONS OF ANALYSIS</th>
</tr>
</thead>
</table>
| **General Presentation of the Case**              | The first section introduces the case by exploring general data concerning:  
  ✓ Year of establishment  
  ✓ Company brief history  
  ✓ Turnover  
  ✓ Number of employees                                                                                                                                                                                                 |
| **The Corporate Social Responsibility Practices** | The main ambition of this part is to analyze the concept of CSR. The section starts by answering the question: “who are the corporation’s stakeholders?” and continues by analyzing the CSR policy through the next topics:
  ✓ Human Rights  
  ✓ Employees  
  ✓ Environment  
  ✓ Community Involvement  
  ✓ Suppliers                                                                                                                                                                                                            |
| **Determinants of Corporate Identity**            | The third part focuses on corporate identity concept analyzing the following determinants:
  ✓ Corporate Communication  
  ✓ Corporate Design  
  ✓ Corporate Culture  
  ✓ Behaviour  
  ✓ Corporate Structure  
  ✓ Industry Identity  
  ✓ Corporate Strategy  

These determinants are analyzed just from a CSR perspective.

16 In analyzing these topics we used the Holme and Watts (2000) approach to Corporate Social Responsibility: Section 2.1 provides a broad description of the existing literature on CSR and its related issues.

17 In analyzing these topics we used the Melewar’s (2003) model on corporate identity: Section 2.2.3.3 provides a broad description of the model.
4. CASE STUDIES PRESENTATION

4.1 STUDY CASE ONE: Investvar Group

4.1.1 General Presentation of the Corporation

Investvar, the largest Portuguese footwear group\textsuperscript{18}, was born in 1985 with the setting up of Sonivar, a company which, at the time sold footwear components. In 1987, the founder and current president of the Board of Directors, Artur Borges Duarte, created the DCB company to produce shoes, following the Stiched&Turned construction system. The initial production was for sale by the Aerosoles brand.

In 1992, the group entered the second phase of its project by obtaining an exclusive sales license for the brand for Europe, Africa and the Middle East. The industrial focus developed in this way into an eminently commercial attitude.

In 1999, in a third phase, with the aim of controlling the value chain, a retail network was set up, which gave the brand higher visibility and better contact with the final customer.

From 2002, the Investvar group started its strategy of diversifying into new business areas (like the Quinta do Esquilo – a tourism resort), while design, production and sale of Aerosoles footwear remained the organisation’s core business.

Currently, with its headquarters in Esmoriz – 20 km from the city of Porto – the Investvar group is made up of 40 companies and employs around 1600 workers directly and 1000 indirectly, and is present at more than 7000 multi-brand points of sale located in more than

\textsuperscript{18} Jornal de Negócios, 21st of March, 2006
30 countries\textsuperscript{19}. The brand has 120 stores, although the group has an expansion plan that aims to have 300 Aerosoles stores by 2010.

Investvar is responsible for more than 5% of Portuguese footwear exports\textsuperscript{20} and the national market represents just 9% of the total turnover. Investvar produces around 4 millions pairs of shoes per year within 11 factories: 8 in Portugal, 2 in India and 1 in Romania. In 2006 the turnover of the group was of 150 million euros.

4.1.2 The Corporate Social Responsibility Practices within the Group

Stakeholders
The Investvar stakeholders are represented by: owners, employees, customers, partners, suppliers, local community, public authorities, governments, press, associations and organizations.

Human Rights

In 1995, for the first time, the Investvar group managers took the adoption of an ethics code into consideration. In 1998 one of their important clients rushed its adoption. The ethics code of Investvar applies to all the companies within the group, including all the subcontracted companies, suppliers and partners. It is made up of seven parts: group policy, workers safety, working conditions, facilities for employees, recruitment of young employees, including codes of conduct regarding human rights – salaries above the minimum wage, no child labour, security at the work place, consistency between the

\textsuperscript{19} The data were confirmed by D. Ana Aires Duro – Responsible of the Communication Department AEROSOLES, on June 2007
\textsuperscript{20} Jornal de Negócios, 21st of March, 2006
country legislation and the companies’ behaviour, and the conducts concerning personal safety of workers and the safety of products.

The human resources manager declared that the Ethics Code of the group is a dynamic one. It is improved with each necessity found on the field reality.

"The Ethics Code had no specifications concerning workers bedrooms. Here in Portugal, we have our plants but workers live nearby; there is no need to create workers accommodation. In China instead, we encountered a different reality: plants locate in industrial spots far away of the populated areas. Dormitories existence is compulsory. When we visited there we found almost inhuman life conditions for workers, so we needed to include this aspect in our Ethics Code.

We also made a change in our Ethics Code adopted in India. In India the legal minimal age for working is 14, in Portugal is 16."

Patricia Barge, HR manager

The president of the group, Artur Duarte has a unique view about what being socially responsible means:

"All these concerns we have, all these codes of conducts us, our partners and suppliers respect, are the ones which make our product socially worthy (dignum)!

Artur Duarte, CEO"
Employees

Training
Together with their employees the Investvar managers annually draw a training plan in accordance with the present and future charges that they may undertake. There is a training hall at the company’s headquarters available at all times for the employees’ preparation. The employees receive indoor as well as outdoor trainings with the support of the government.

Concerning the professional training, there is currently a lack of professionals available for the specialized teaching due to the big state of expansion the group undergoes. Almost all their resources are directed towards it. The human resources department declared:

“A short time ago we invested in India – we have there two big factories. It was necessary to send there as ceed-ers four specialists. Our purpose is to prepare indigenous employees, to give them autonomy.”

Patricia Barge, HR manager

Voluntary Service
Investvar employees often offer support for the Fireman Association in Esmoriz. The human resources manager asserted that the employees were free to make any suggestions regarding all kinds of social activities. The timetable has certain flexibility and those actions are possible.

Cultural Differences
The group policy respects the cultural differences: “We are interested in acknowledging the local culture in order to adjust properly our behaviour as a company. There is always a
plain respect for local differences. We are a Portuguese company, but it’s us who go there, we need to respect the local differences.” declares Patricia Barge, HR manager.

**Discrimination**

Within Investvar group there is no hierarchy. The group president frequently goes across the factories and talks with workers calling them on their first names. “We use no titles, the environment is a very familiar one.” says the human resources department manager.

**Incentives for Employees**

Every year the HR department organizes a Christmas party for the employees and their families. Children are always given gifts. Presents are also prepared for the employees – the “cabaz” (typical Portuguese food-products and wine for Christmas). There are also distributed some monetary incentives, but only for office employees.

Three years ago the group started a summer activity for young children – the *holiday camp*. The human resources manager says that during the summer holidays the parents have a problem with their children – kindergartens and schools are closed; Some of the parents took sickness absence without actually being ill, or some were too anxious while working, spending the whole day making phone calls to their sons and daughters. During the summer time the Investvar group records the maximum output and this is the time they most need the employees’ devotion. So, they decided to organize the summer holiday camp on the factory land. Children arrive in the morning with a special holiday bus, have lunch, and attend educational games according to their age with special animators. The HR manager declared: “We ascertained that this activity was very profitable for us. We win four times as much:

- parents work more happily with their children around;
- children always enjoy their parents' workplace. Who knows one day they might choose us for their workplaces – the relationship we establish with these potential employees will be stronger;
- children talk about their parents' workplace more frequently at home. That in return solidifies parents' support for the group;
- it helps increasing the brand awareness.

We gain much more than we invest in this activity!

When the two local teams Ovarense Aerosoles (basketball) – National Champion of Portugal and Esmoriz Ginásio Clube (volleyball) play in Portugal, Investvar group offers free tickets for attendance to their employees.

**Health Insurance**
Investvar group does not provide their employees with health insurances. Instead, they have a permanent doctor at the workplace. The employees are offered the company doctor’s services for the periodic health evaluations. Three nurses offer primary exams such as glycemia level, arterial tension level, electrocardiogram, vaccines, injections etc. Besides, work and life insurances are provided for those who travel abroad.

**Share of Profits**
When the group surpasses the objectives, the employees may receive a share of profits in the end of the year. The share of profits is paid in accordance with the salary grid.

**Surveys of Employee Satisfaction**
An employee satisfaction survey is carried out by the Investvar group. A new survey is to be implemented in the end of 2007. This will allow the quality assessment of the internal service to several levels.

**Policy of the Group in Case of Accident at the Workplace**
The human resources management reports that there has never been a single fatal or mortal accident within Investvar Group. The only accidents were minor with short period of recovery.
Types of Contracts
Investvar uses all forms of contracts: limited and unlimited term contracts - especially for shops employees.

Disciplinary Procedures
The human resources manager proclaims: there is no documented internal rule concerning disciplinary procedures. The Portuguese Working Code stipulates, for example, that after 5 consecutive days of absenteeism the employee can be declared unemployed. However, the Investvar managers investigate each case individually, contacting the person to find out more carefully and sympathetically the reasons behind the facts, before any decision is made. In the case of robbery, the procedure is very discreet but the person is declared unemployed.

Community Involvement
The general manager asserted that Investvar enjoys supporting cultural and philanthropic activities. Through such actions they maintain lively relationships with the community, offer solutions to many forms of appeals, and encourage the employees to participate in these activities (e.g., Investvar employees often offer support for the Firemen Association in Esmoriz). However, at the same time the Investvar general manager admits that they never plan such activities, nor is there a grid for them.

Charity and Philanthropy
Investvar exercises some charity activities but most of them are unplanned. Though, some regular charities are practised on a yearly basis. In the Christmas time the group prepares the presents not only for employees’ children but also for the children in need at a special institution in Ovar. In the Easter time they make contributions of food and/or money to the local holy houses of mercy. A long time relationship with these houses has been established
over the years. Philanthropic activities occur spontaneously, Investvar doesn’t look for them.

**Education Contributions**

Investvar is known in the area as a school education contributor. In the past their support was in the monetary form. Nowadays they provide stationery products (notebooks, pencils, schoolbags, etc.) stamped with the Aerosoles brand logotype. The donations are on demand basis for special events or school anniversaries; they don’t follow a grid.

**Collaborative Projects**

Investvar does not officially engage in collaborative projects with external NGOs. However, they have a few self-organised projects:

- Tsunami project: the employees were encouraged to make individual donations and the group doubled employees' voluntary donations to the total sum.

- X-ray films recycling project: when I visited Investvar headquarters in June, the group was in the middle of a campaign organised by AMI - collecting old X-ray films for recycling their silver powder stratum. All the companies across Portugal (including Madeira) were notified that Investvar would collect and deliver the films to the pharmacies for recycling on behalf of all.

- Special attention to public awareness events: (i) the World Environment Day (5th of June) - the display of posters and a lunch time short film screening about the environment protection; (ii) the No Smoking Day (14th of March) - “no smoking indoor” campaign for the day; (iii) the Workers Memorial Day (28th of April) - a short training by the company doctors to promote the medical precautions; (iv) the International Ozone Day (16th of September) – display of posters.

The HR manager declares that their activities are positively received by the people in the company and she feels that they are well-motivated with higher interests in the company itself: “Their voices are something like: «our company is concerned with the environment
protection, concerned with the ozone problem, concerned with us…»” (Patricia Barge, HR manager).

**Sponsorships**
Investvar helped Ovarense Aerosoles\(^{21}\) basket-ball team to set up. They have regularly provided them with sponsorships for many years and afterwards they became partners of Anonymous Sports Society (the company that owns Ovarense Aerosoles Team)

They are also a regular sponsor for Esmoriz Ginásio Clube volleyball team\(^{22}\).

**Community Dialog**
Two years ago Investvar started to invite local community groups, such as Children Chorus from Esmoriz and National Group of Mandolins, to their Christmas party. Their purpose is to encourage, support, and help them grow. In the old days their invitations were directed towards known talents, such as artists and circuses. These days they devote their investments to the local community.

Investvar pays special attentions to the physically challenged people. The group employed 8 persons with disabilities: seven with blindness and a double amputee (arm and foot). The HR manager praised with delights these employees for their efficiency and loyalty.

**Re-employment**
The group does not impose any conditions in hiring the people who worked with competitors. They rather welcome those recruitments. However, restrictions are imposed on the employees in Product Development department in case they leave the group.

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\(^{21}\) Ovarense Aerosoles is based in Ovar town and is the present Portuguese National Champion of Basketball. They are for the third time on this position.

\(^{22}\) Esmoriz Volleyball Team is the winner of a National Championship.
Supplier Relations

Know-How
There are active exchanges of know-how especially with the Investvar partners in Italy. The employees are sent to Italy for job trainings and the Italian partners make visits to Portugal for knowledge exchanges.

All the companies working with the group are required to follow the Investvar Code of Ethics. There is a department within Investvar which takes care of the correct adoption and implementation of the Ethics Code. The manager of this department makes regular visits to overseas companies to help implement the requests of the ethics code and to identify and help them solve different problems that might occur.

The general manager of the group declared that the compulsory exchange of know-how (regarding the ethics code) between Investvar and its suppliers frequently created embarrassing situations:

“At the beginning it wasn’t easy at all to tell our suppliers things like: «your bathrooms smell bad», «the factory – you need to repaint it», «the canteen nauseates». This didn’t create at all a comfortable situation. We made reports and afterwards we discussed things with the general manager of the factory; we gave them a deadline for that. The relationship created by this kind of actions wasn’t always a positive one”

Artur Duarte, CEO
**Payment Terms**

The human resources manager conceded that the payment terms might be a little delayed, but the relationships they have built with their partners are close and there are strong mutual trusts. So, problems don’t come up out of this.

**Evaluation Tests for Suppliers**

Investvar does not apply formal evaluation questionnaires to their suppliers.

**Environment Protection**

Environment protection is every employee’s concern. Using less papers, water, and electricity is a daily objective of Investvar employees.

The group is in conformity with every law requirement in the area. The Hygiene, Health and Safety at Work Place Department supervises dust emanations, noise levels and chemical products exposures. The department also deals with the recycling of specific materials required by law. The internal audits are regularly held. In addition, the external audits are led by Shoe Tecnological Center (Centro Tecnológico de Calçado). The company also recycles industrial and office used papers, whether or not it is required by law.

Investvar has a laboratory accredited by SATRA which monitors the quality level of raw materials used during the production processes and the quality of the final products. When working with a new chemical product, the department runs all the necessary tests: the deportment of certain materials to skin contact etc.
4.1.3 Determinants of Corporate Identity

Corporate Communication of Social Responsibility Activities

The Investvar group does not externally communicate their CSR’s activities. The general manager’s belief is that communicating the social responsibility actions amounts to transforming CSR in a marketing gun. However, he is well aware of the benefits such a policy might bring for the corporation.
“We don’t want to transform our social actions in a marketing gun; that’s why we don’t want to externally advertise them”.

Artur Duarte, CEO

There is, instead, an internal communication of social responsibility activities the group exercises through the group’s internal journal: Investvar Notícias (monthly publication).

Concerning the internal communication within the group, the general manager added:

“The internal magazines work as a motivation factor for our employees. They help creating the conscience that every employee is a member of a 1600 member group, a bigger group that some might think about. For somebody that works in a shop in Badalona, knowing that he or she makes part of a huge project and that he/she represent the most important piece of this project that evolves another 800 making the same thing trying to guide the company to the highest results, offers a great feeling, a great motivation. Besides receiving news about your colleagues from India, from China, from Ukraine nourishes the feeling of belonging to an international family.”

Artur Duarte, CEO
Corporate Design

Corporate Visual Identity

Logotype

FIGURE 11: LOGOTYPE OF INVESTVAR GROUP

The logotype of the Investvar group (Figure 11) is represented by a moving circle that is designed to transmit the idea of dynamism and continuous development of the group. Similar symbols with a circle appear in the logotype of other three companies within the group - Investvar Industrial, Investvar Comercial and Investvar Imobiliária (see Figure 12) in order to underline the idea of mutual completion.

FIGURE 12: LOGOTYPES WITHIN INVESTVAR GROUP

Colour

The logotype of Investvar is designed in cherry-colour. The colour represents one of the main colours of Investvar shoes in the early days of its production.

Exterior and Interior Design

The Investvar headquarters is located on the same premises as one of the first manufacturing plants of the group in Portugal. The offices are spread through the plants and
that fact creates strong communications between managements and employees. All porticoes within the yard are extremely clean and surrounded with flowers.

The interior design provides friendly working environment equipped with coffee corners, paper recycle points, a canteen and bathrooms. Informative corners regarding multiple issues (including topics like the Environment Day) are spread all over the headquarters.

The ethics code adopted by Investvar also concerns aspects like: hygiene of the factory, bathrooms and of the kitchen; as well, it regards tables’ settings and the number of employees per table in the canteen etc. All Investvar suppliers have to comply with the same rules. Before 1989 Investvar worked with companies which had lower exterior aspects and poor conditions in canteens and bathrooms. After the adoption of the ethics code all these companies were obliged to improve their working conditions.

**Corporate Culture**

*Corporate Philosophy*

*Corporate Mission*

“Deliver to our clients products with quality and innovation as a result of the excellence of our people, team work and brand.”

*Corporate Values*

Respect, passion and creativity are the cornerstones of Investvar corporate culture.

*Corporate Principles*

Investvar corporate principles are mainly included in its code of ethics. The ethics code regards issues like workers safety, working conditions, facilities for employees, recruitment of young employees, codes of conducts regarding human rights – salaries above the
minimum wage, no child labour, security at the work place, consistency between the country legislation and the companies’ behaviour, and conducts concerning personal safety of workers and the safety of products. The ethics code applies as well to Investvar’s suppliers.

Vision

Investvar group vision is to become “number one brand in the world footwear sector”.

Advantages of the Corporation

As asserted by the general manager, Investvar presents two types of advantages:

(1) Business type advantages: that come up by the fact that Investvar group has a production process that involves everything: from components production, to shoe production, wholesaling and retailing.

(2) Working environment advantages: that come up of the international working environment.

“Working with countries from all around the world (India, Romania, Portugal, China, Brazil) creates a motivating environment; as well the market dimension we have, Europe, Medium Orient, Africa offers some interesting challenges for every possible employee.”

Artur Duarte, CEO

The general manager also sees as advantage in the fact that Investvar believes in the power of its brand.
“We believe in what we are, we believe in the identity we’ve created, we believe in what we have build and in the power of our brand”.

Artur Duarte, CEO

**Country of Origin**

Investvar sees constriction in the fact that Portugal is not very developed in the area of corporate social responsibility. The human resources manager considers that when the market, the clients, and the partners have CSR as one of their values, the efforts of Investvar would be appreciated differently. Investvar believes that CSR issue receives a much higher importance outside the country and group’s managers believe is that within Investvar CSR development should however start from inside Portugal to overseas.

**Behaviour**

Investvar group practices spontaneous philanthropic activities and most of the time these activities are answers to different kind of requests. They do not specifically target those areas they believe will enhance financial performance. They make donations to holy houses of mercy, children in need institutions; they make contributions for schools in the community around.

By the ethics code policies the group adopted (hygiene of the factories, of the kitchens, the exterior aspect of the plants) Investvar contributes to the benefit of communities not just from inside but also outside the country.

By sending people to China and India in order to check quality of sub-contracted or suppliers working conditions Investvar group transmits a corporate social responsibility spirit to employees all over the world.
Corporate Structure

The Investvar group is divided in three holdings: industrial, house holding and commercial. *Investvar Industrial* holds ten industrial units, *Investvar Imobiliária* involves real estate and tourism and *ABD Investimentos e Participações* includes all commercial societies within the group. A sub-holding, Investvar Commercial, manages Aerosoles brand through distribution business and retail.

The industrial organisation of Investvar group might be translated as follows (Figure 13):

**FIGURE 13: INDUSTRIAL ORGANIZATION OF INVESTVAR**

Industry Identity

Footwear Industry in Portugal

Portugal is traditionally specialized in labour-intensive industries with just a few product differentiations as textiles, clothing and footwear.
Since the middle 1970s, footwear industry has been growing and currently gives a strong contribution to Portuguese manufacturing employment (7%) and total turnover (4%) in the year 2000. The footwear sector plays a major role in the Portuguese economy, which may be well reflected in the export figures (around 8% of total manufacturing exports by the end of 1990 (Melo and Duarte, 2001).

Melo and Duarte (2001) indicated that the footwear industry has an atomized entrepreneurial structure with a large proportion of micro and small firms in 2000 (approximately 82% of total footwear firms). However, this is a typical feature of footwear industry at European level. With a relevant participation of various foreign-owned firms, large companies are only a few (1.8%) accounting for around 28% of total employment in the sector.

There is a strong special concentration of the footwear industry in the Northern region. This region is responsible for more than 90% of total employment, firms and turnover of the industry in Portugal.

**Corporate Strategy**

Investvar strategy involves a powerful externalisation process: “We concentrate all our efforts in developing our retail network; we want to reach the number of 300 own shops till 2010, our goal in to become a great international brand”, declared Artur Duarte, CEO.

Concerning the adoption of the norm SA 8000, the general manager declared that this issue is not included in the future objectives of Investvar: “We don’t minimally think in adopting the SA 8000 norm” (Artur Duarte, CEO).
4.2 STUDY CASE TWO: MonteAdriano

4.2.1 General Presentation of the Corporation

MonteAdriano, a family owned company, was born in 2005 by the fusion of two companies: Monte&Monte Construção Civil e Obras Publicas and Sociedade de Empreitadas Adriano.

Monte&Monte Company had an experience of 25 years in the sector of Civil Construction and Public Works. From the North of Portugal, the company expanded its activity all over the country and also to Angola. It counted with 1100 employees and in 2004 had a turnover of 110 million euros.

Adriano Company (Sociedade de Empreitas Adriano) was founded in 1971, employed 732 people and in 2004 had a turnover of 125 million euros. It was present in all the Portuguese territory and also in Angola, Cape Verde, Guinea, Morocco, Romania and Tunisia.

Currently, MonteAdriano occupies the 6th place in the ranking of the Portuguese companies of the sector of Civil Construction and Public Works and has a turnover of 256 million euros (data for 2006 year). The group employs 1800 people. MonteAdriano’s brand name is responsible for the projects like: Luanda’s Library and Boys’ House (Angola), Airport in
Praia town and Saint Antonio Street (Cape Verde), “Rocade Mediterraneenne”\textsuperscript{23} (Morocco), Reconstruction of the National Road Galati-Giurgiulesti (Romania), R´Mil Dam (Tunisia).

4.2.2 The Corporate Social Responsibility Practices within the Group

The MonteAdriano group has implemented the International Quality Standard ISO 9001 in most of its companies.

Stakeholders

The MonteAdriano’s stakeholders are represented by: owners, managers, employees, customers, partners, suppliers, local community, governments, public authorities, associations and organizations, press.

Human Rights

The human resources manager of MonteAdriano considers the child labor issue as a threat, not a choice. At the same time he is confident that, for the type of their industry and clients and for the zone of works the company has, there is little possibility for this problem to arise.

\textsuperscript{23} 550 km Road between Tanger and Saidia
“In Portugal the child labor is very easy to control, but in Angola and Cape Verde we face a different situation: the lack of documents, the lack of information. Here in Portugal, every young man who wants to become employee should be subscribed to the Social Safety Service. In Africa, a lot of people don’t have any kind of identity document. They only know their names and birthdays, and sometimes they tell us the name of their mother and their father. But I am confident that this will never occur to us.”

Dr. Avelino Monte, HR manager

Employees

Training
The human resources manager declared that it is not always easy to join the people from all over the country and provide them with trainings. One of MonteAdriano’s objectives for 2007-2008 is to over cover and over supply the 35 required by law training hours.

Voluntary Service
The voluntary service has no precedent within MonteAdriano. However, the general manager specified that the group was completely open to proposals.

Cultural Differences
In their externalization process the group found not only cultural but also legal differences. The legal differences never caused serious issues and the cultural differences were embraced with respect.
Discrimination
Discrimination never existed within MonteAdriano.

Incentives for Employees
MonteAdriano group has a special tradition: if one of the employees makes an appeal to the top management in order to take a loan for purchasing a house or to solve an urgent problem that has appeared in his or his family’s life, MonteAdriano always tries to answer affirmatively. The group offers money loans or other necessary supports to help its employees. The human resources manager confesses that a large number of their employees have received these forms of assistances, but always these actions are made in silence, are not communicated anyhow either internally, either externally in order not to put those employees in a humiliated light.

Another social activity in the life of MonteAdriano’s employees is represented by the lunch before Christmas.

“For us, the Christmas lunch is like joining all the family at the same table.”
Dr. Avelino Monte, HR manager
The HR manager declared that the Christmas lunch is a means to join all the employees together. The senior employees are given small gifts as a symbol of the relationship cultivated over time with the group. They also organise a party for the employees’ children and treat them with Christmas gifts.

Every month the human resources department invites all employees to recreational events such as cart racings and football games. These activities have a purpose to break official relationships between employees, told the human resources manager.

On the employees' birthdays, MonteAdriano presents gifts to employees and/or organise dinners for them.

**Health Insurance**

The group has safety work specialists who attend all the works undertaken by the group and take all the necessary measures to prevent possible accidents.

MonteAdriano has permanent doctors at the headquarters. All the group employees have medical examinations monthly or annually (according to their affiliations, tasks, and positions within the group). Every new employee has medical checks within a three month period.

Every employee with a permanent contract has a health insurance that allows him/her to receive a certain number of medical services for free.

**Share of Profits**

The group does not share the profits with the employees. However, they may offer monetary rewards for exceptional performances. The share of profits is not a custom in MonteAdriano.
Surveys of Employee Satisfaction
In 75% of the companies within the group, the evaluation tests are applied to their employees.

Policy of the Group in Case of Accident at the Workplace
Serious accidents have never been reported at the worksite. The group does not have a policy regarding this issue. However, in the event of serious accidents MonteAdriano would offer necessary supports to the employees.

Types of Contracts
MonteAdriano provides three types of contracts - permanent, on-term, and per work – particularly in distant countries such as Angola and Cape Verde.

Disciplinary Procedures
Each case is analysed according to the gravity of facts and the position of the employee in the company.

Community Involvement

Charity and Philanthropy
On a regular basis MonteAdriano makes donations to social insertion centers and social solidarity houses located in nearby communities (Viana do Castelo, Póvoa de Varzim, Ponte de Lima). For many years they have been known as a benefactor to the Holy House of Mercy from Póvoa de Varzim (Santa Casa da Misericórdia da Póvoa de Varzim).

Education Contributions
MonteAdriano group often provides sponsorships for different local schools. Among them, Fernando Gonçalves School receives most attention. The group use to offers sponsorships for schools’ exhibitions to Serralves Foundation, different scholar trips or scholar
competitions (e.g., the last activity consisted in offering money to Fernando Gonçalves School in order to buy for children a special cycling competition suit).

*Collaborative Projects*
The group has never participated in collaborative projects with NGOs.

*Sponsorships*
MonteAdriano frequently provides sponsorships for sport teams, such as Sports Club in Póvoa de Varzim and Viana do Castelo’s football team.

*Community Dialog*
MonteAdriano constantly answers to the community’s different appeals. The outreach activities for the community are not planned ones, they occur spontaneously under request. The MonteAdriano’s managers especially offer attention to children in need request (children in need institutions or individual cases that knock on the company’s door).

*Re-employment*
The human resources manager asserted that there is high personnel fluidity in the construction sector and MonteAdriano does not impose any conditions in hiring the employees who had previously worked with other companies.

*Supplier Relations*

*Know-How*
There are active exchanges of know-hows between MonteAdriano and its partners. Sometimes MonteAdriano’s is obliged to comply with specific ethics code required by its partners.
Payment Terms

MonteAdriano has trust-based relationships with its suppliers. The group is recognized to respect the deadlines, asserted the human manager.

Evaluation Tests for Suppliers

MonteAdriano applies evaluation tests for suppliers in accordance with the ISO certification prescriptions.

Environment Protection

Some of the strategic companies within the group are certified with the International Environment Standard ISO 14001\(^{24}\). Most of the MonteAdriano works have environment specialists. In many cases the specialists are needed for the type of works, but in some cases they are required by the international ISO certification.

The group is keen to the environment protection and less consumption of natural resources. The management has implemented a special policy - the “3 R’s” policy: Reduce, Reuse, Recycle. “Reduce” denotes the reduction of residues’ productions by utilizing the products with longer endurance (for example, saving data on computers and reducing paper printouts). “Reuse” signifies the reuse of the products to reduce the consumptions (for instance, reusing plastic cups and using both sides of papers). The last R “Recycle” urges the employees to recycle every possible item. In 2006 MonteAdriano recycled about 5 tones of papers which amount to saving 70 trees, 250 liters of water and 10 oil barrels.

All the employees, regardless of their work locations, are compulsory to attend the environment protection trainings. In the trainings they learn a set of internal rules concerning the minimal usage of resources (paper, electricity, water, industrial materials

\(^{24}\) ISO 14001 is a cornerstone standard of the ISO 14000 series. It defines a framework for controlling an environmental management system for which organizations can be certified.
etc). In accordance with the policy, for example, a recycling point is found on each floor of the company buildings.

According to the type of works, the ISO certification requires MonteAdriano to collaborate with certified partners regarding the environmental issues.

### 4.2.3 Determinants of Corporate Identity

**Corporate Communication of Social Responsibility Activities**

The MonteAdriano group does not communicate their CSR actions either internally, either externally. The human resources manager contends that communicating their CSR activities firstly might create embarrassing situations for those that have been helped; secondly communication of CSR actions might multiply insomuch the requests as the group would need to decline and this would be embarrassing for those refused, but also somehow detrimental for the corporative brand image.

**Corporate Design**

*Corporate Visual Identity*

*Logotype*

**FIGURE 14: LOGOTYPE OF MONTEADRIANO**
MonteAdriano’s logotype is represented by the letter “M” overlapped with the letter “A”. The letter “M” denotes the Monte&Monte company and is the initial of the actual owners' family name (Monte family). The letter “A” symbolizes the second company, Sociedade de Empreitas Adriano, and is the initial of the old owners' family name “Adriano”.

**Colour**

The main colors of the logotype consist of black, green and white. The black and white communicate the group’s values: proficiency, seriousness, quality of work. The green underlines the group's abiding concern for the environment protection.

**Exterior and Interior Design**

MonteAdriano’s headquarters’ edifice was especially build in an ergonomic spirit oriented towards employees. The rooms are equipped with good natural lightings and a corner for coffee and breakfast is created on each floor. A recycling point is found on each level. There is an employee in the group whose job description includes the organization of spaces. The exterior of the edifice has a 21st century image; it is neatly built with a plenty of light.

**Corporate Culture**

**Corporate Philosophy**

**Corporate Mission**

MonteAdriano mission is: “to mutually develop profitable client partnerships through our corporate values: proficiency, seriousness and quality of work.”

**Corporate Values**

The values of MonteAdriano are embodied by: proficiency, seriousness and quality of work.
Corporate Principles

Vision

The vision of MonteAdriano is: “to continue to build together with our employees a premier and reputable company that will be preferred in the local and global community”.

Advantages of the Corporation

MonteAdriano’s managers strive hard to create special relationships among employees within the group - the intention is for everybody to know everybody, dissolving the existence of hierarchies. They want full transparency between employees and managers. They strive hard to involve all employees in the strategical decisions of the group. The human resources manager declared that a group of people are chosen from each department and participate in all strategical meetings together with shareholders. These people work in small groups together with the people from their departments and transmit messages to the board of directors. The human resources manager considers that this is the way to get everybody involved in the strategical decision making process.

Country of Origin

The human resources manager of MonteAdriano considers that when the CSR issue will be better developed inside Portugal the group itself would be able de better understand and assume CSR.

Behaviour

MonteAdriano’s behaviour translates in the willingness to contribute for sustainable development. By the environment policy undertaken, MonteAdriano continuously train its employees in the spirit of recycling, reuse and reduce.

MonteAdriano often offers money loans to its employees (in secret) and to special care institutions (children in need or holy houses of mercy). They make as well sponsorships for schools or different sport teams from the community around.
Within the group, a special policy prevails: involving all the employees in the strategical decisions of the group. This fact shows the existence of a full transparency within MonteAdriano.

**Corporate Structure**

MonteAdriano group is made out of 18 companies covering areas such: Services, Real Estate, Environment & Energy, Engineering & Construction, Concessions and Aggregates.

The MonteAdriano structure chart looks as follows (Figure 15):

**FIGURE 15: ORGANIZATIONAL CHART OF MONTEADRIANO GROUP**
Industry Identity

Construction Industry in Portugal

This industry encompasses architecture, engineering, construction, operation, maintenance activities, and other connected activities, products or services.

The construction industry is the world’s largest industry, accounting approximately for 4.500 billion Euros in annual investments (Engineering News-Record, 2004). In Portugal, construction accounts for 50% of gross fixed investment, 6.8% of GDP output and 11.7% of employment, according to 2004 data. The sector has been one of the main engines of economic growth in recent years, with real output rising by an average of 5.6% per year in 1996-2000, before falling back in 2001-2004 (according to the National Statistic Institute). Its activities also generate multiple effects in other economic activity sectors.

FIGURE 16: ORIGINS OF GROSS DOMESTIC PRODUCT 2004

<table>
<thead>
<tr>
<th>Origin of Gross Domestic Product - 2004</th>
<th>% Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Forestry &amp; Fishing</td>
<td>3.7</td>
</tr>
<tr>
<td>Industry &amp; Utilities</td>
<td>19.9</td>
</tr>
<tr>
<td><strong>Construction</strong></td>
<td><strong>6.8</strong></td>
</tr>
<tr>
<td>Services</td>
<td>69.6</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: National Statistic Institute

Within this context, it is important to mention that Portugal is one of the small European countries who have impressed in recent years by the dynamic improvement in innovation indicators according to the “European Innovation Scorecard 2004” (EIS), published by the European Commission.
Corporate Strategy

On the national market, MonteAdriano aspire to reach the top position among the civil construction companies. They intend to become a corporation with best working environment, where employees feel fully motivated and satisfied. They want to bring the highest contribution to the Portuguese economy. On the international market they aspire to become “an interesting reference” (Dr. Avelino Monte, HR manager).

In the future, MonteAdriano desires to be a contributor to the world welfare - starting with their own employees to the people in their community and eventually reaching to the people in all communities around the world.

Within MonteAdriano’s future objectives the adoption of SA 8000 norm is regarded.
CHAPTER 5 – TEACHING NOTE OF THE STUDY CASES

5.1 CENTRAL THEME

By the two illustrative cases descriptions (Investvar and MonteAdriano) we seek to show the way corporate social responsibility is developed within these two corporations and how its practices reflect in the corporation’s identity.

5.2 SYNOPSIS OF THE TWO CASES

Investvar is the largest Portuguese footwear group counting with 1600 workers and a turnover of 150 million euros. It is present at more than 7000 multi-brand retailers located in more than 30 countries. Investvar group is the owner of Aerosoles brand which counts with 120 own stores.

MonteAdriano occupies the 6th place in the ranking of the Portuguese companies of the sector of Civil Construction and Public Works. It has a turnover of 256 million euros and employs 1800 people. MonteAdriano's projects include countries like Angola, Cape Verde, Morocco, Tunisia and Romania.

The two analyzed cases describe the different CSR practices exercised by the groups’ managers as well as the most important components of the groups’ corporate identity and the way these components reflect the impact of CSR policy.
5.3 TEACHING OBJECTIVES

The present research aims to enable students to:

- Recognize the corporate social responsibility practices.
- Identify the motives that determine a company to exercise CSR.
- Distinguish the CSR stage of development within a corporation.
- Differentiate the level of engagement in CSR.
- Understand the corporate identity components and up to what point they reflect CSR practices.

5.4 PRELIMINARY NEEDED PREPARATION

For a proper understanding of the study cases and answering the debate questions, the students/trainees should possess general knowledge about the corporate social responsibility concept. They should have understood the five stages pattern proposed by Rischard (2002), the five levels of engagement in CSR sketched by Johnson (2003) and the Marrewijk’s (2003) five specified motives for exercising CSR. As well, they should have a general image about the corporate identity construct and know the Melewar’s (2003) CI suggested components.

5.5 POTENTIAL AUDIENCE OF THE CASES

The two case studies in question are fated especially to:
- Graduation or post-graduation students in marketing or strategy.
- Companies’ clergy with job descriptions connected to CSR or CI.
5.6 TEACHING PLAN PROPOSAL

<table>
<thead>
<tr>
<th>MOMENTS</th>
<th>STEPS</th>
<th>OBJECTIVES</th>
<th>METHOD</th>
<th>EDUCATIONAL STUFF</th>
<th>TIME</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTRODUCTION</td>
<td>Professor’s presentation and synopsis of the case studies.</td>
<td>Stimulating students’ interest in the two case studies.</td>
<td>EXPOSITIVE</td>
<td>SLIDES(^{25})</td>
<td>15 min</td>
</tr>
<tr>
<td>DEVELOPMENT</td>
<td>Forming study groups of 3 or 4 students.</td>
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<td></td>
<td>Making questions for debate.</td>
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<td>INTERROGATIVE</td>
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<td>5 min</td>
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<tr>
<td></td>
<td>Reading and identification of relevant issues within the study cases.</td>
<td>Case studies’ analysis and use of theory and knowledge in solving out the professor’s questions.</td>
<td></td>
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<td>10 min</td>
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<td></td>
<td>Solving out the two cases within group debates having as bias the professor’s orientative questions.</td>
<td></td>
<td>ACTIVE</td>
<td>WRITTEN CASE</td>
<td>40 min</td>
</tr>
<tr>
<td></td>
<td>Presentation of each group’s answers to the questions that were raised followed by a group debate.</td>
<td></td>
<td></td>
<td></td>
<td>40 min</td>
</tr>
<tr>
<td>CONCLUSION</td>
<td>Professor’s conclusions including a synopsis of different decisions undertaken by the groups.</td>
<td>Systematization and organization of case studies analysis’ results.</td>
<td>EXPOSITIVE</td>
<td>BLACKBOARD</td>
<td>55 min</td>
</tr>
</tbody>
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\(^{25}\) Slides in Power Point presentation will be used.
5.7 DEBATE QUESTIONS

(1) In the light of the literature, describe the CSR development stages within the two cases.

(2) Identify the levels of engagement in CSR for each one of the two cases.

(3) Considering Marrewijk’s (2003) five ambitions levels of CSR, depict the motives that determined each of the two corporations to exercise CSR.

(4) How do CSR practices reflect in corporations’ identities?

(5) Which is the importance ascribed upon CSR by the corporation’s managers

(6) Suggest your recommendations for improvement of CSR practices and increasing their reflection to corporations’ identities.

5.8 ANSWERS PROPOSAL FOR DEBATE QUESTIONS

Answer proposal for question (1):

In the light of the literature, describe the CSR development stages within the two cases.

Investvar

According to Richard’s (2002) pattern, we might say that Investvar’s CSR stage of development is represented by position 4. Their CSR actions are mainly nourished by the willingness to bring a contribution where governments have failed. They implemented an ethics code that regards several interesting aspects like: the estate of workers’ dormitories,

26 The answers proposals made in this study are orientative ones. As the literature on case study teaching specifies “there are no right or wrong answers” the strength of the case study approach consisting of the fact that “students can generate their own analysis and solutions to the problem” (Boyce et al, 1993).
the distribution of workers per table in the canteen, salaries always above the minimum national wage. They offer gifts and money contributions to holy houses of mercy and children in need institutions from the community around. They support different educational activities and often offer support for the Fireman Association in Esmoriz.

They don’t intend to be recognized as a world leading company in CSR field (stage 3) and are not a global problem solver (stage 5).

**MonteAdriano**

After Rischard (2002), some companies are operating simultaneously at all stages. It is the case of MonteAdriano as well. Primarily MonteAdriano stage of CSR development is the fourth one, but sometimes MonteAdriano applies a defensive CSR (stage 2) where main objective for action is protection of brand: they choose not to communicate their CSR actions for avoiding decline as thought this would create an embarrassing situation for the group and be detrimental for the corporative brand image.

MonteAdriano works out CSR for reduction of poverty trying to bring a contribution where governments have failed. The group offers money loans for their employees, makes donations to social insertion centers and social solidarity houses, they help local schools in their educational projects.

**Answer proposal for question (2):**

*Identify the levels of engagement in CSR for each one of the two cases.*

**Investvar**

Using Johnson (2003) scale proposal Investvar situates between level 3 and level 4, being closer to level 4. Investar has implemented strong ethics policies: it has an official ethics
code and there is a department within the group dedicated to its implementation and control. They have important contributions for the local community and have a good health care assistance for its employees. They didn’t reach the level of strategically targeting those areas they believe would enhance financial performance and are not fully aware of the impact that a good image of the corporation could have on the financial performance - we just remind here the fact that Investvar chooses not to externally communicate its CSR activities. The Investvar CSR policy is not minimal, but is of mixed motives: motivates employees, makes part of the corporate culture - “We’ve been doing CSR since a long time ago, but now it has a name. We’ve been always preoccupied with CSR issues. It was this type of attitude that allowed us to become what we are today; it wasn’t called Corporate Social Responsibility, it wasn’t known as a concept inside the group, but certainly it is included and constitutes a part of our identity” (Patricia Barge, Investvar’s HR manager). In the same time their philanthropic activities are not planned; they just occur spontaneously every time there is a call for them.

**MonteAdriano**

MonteAdriano’s level of engagement in CSR is mainly fragmented. The group has a relatively limited number of CSR additional activities: charity, community activity (money donations, sponsorships for sports teams). Instead they have a strong policy concerning environment protection:

- they are certified with the international norm ISO 14001;
- there is a special policy within the group that regards reducing the use of natural resources, reuse of products and recycling every possible item;
- environment protection trainings are compulsory provided to all employees;
- each floor of the headquarters building has a recycle point.

In the same time MonteAdriano has a strong health care policy for its employees.
The strong policy concerning environment protection and the health care policy situate MonteAdriano little above level 3. There is still a long way to be stepped for reaching the strategic level 4, we might just specify here the fact that MonteAdriano never plans its charity activities.

So, if it would be to choose a dot on Johnnson’s (2003) scale for each on of the two presented corporate brands, they would look as follows:

PROPOSED ILLUSTRATION OF CORPORATIONS LEVEL OF ENGAGEMENT

Answer proposal for question (3):

*Considering Marrewijk’s (2003) five ambitions levels of CSR, depict the motives that determined each of the two corporations to exercise CSR.*

**Investvar**

Investvar’s motives for exercising CSR are driven by caring. They do not simply want to create wealth for shareholders, but they want to manage for social welfare. They organize different projects like: *Recycling Project* in collaboration with AMI or *Tsunami Project*; they bring into light special days and preoccupy with their causes (e.g., World Environment Day); they care and encourage small artists groups like Children Chorus from Esmoriz and
National Group of Mandolins. Investavar employed 8 persons with disabilities (seven with blindness and a double amputee). They often offer support for different sport teams: the present basket-ball National Champion - Ovarense Aerosoles team set-up with Investvar help.

They practice CSR out of balancing economic, social and environmental concerns. They don’t see CSR from the perspective that it contributes to the firm’s financial performance. They don’t consider CSR as a source of profit. So, the motive for CSR is definitively not the financial contribution. In the same time by their CSR actions they don’t search for functional, value-creating solutions in the economic, social and environmental fields. They never look for needs, they are not proactive, they are not synergistic in CSR field, but just reactive.

After Carroll’s (1991) CSR category Investvar is rather ethical and philanthropic.

MonteAdriano

The motive for exercising CSR in MonteAdriano’s case is above legal compliance, profitability out of CSR is not even considered within the group (as CSR activities aren’t communicated neither internally, neither externally). The real motive seems to be driven by caring for people. MonteAdriano doesn’t look for charity opportunities, but always answers positively to them (as human resources managers asserted that a refuse would create an embarrassing situation for the group).

Answer proposal for question (4):

**How do CSR practices reflect in corporations’ identities?**

**Investvar**

Firstly, CSR reflects in the first component of corporate identity: *communication*. By internally communicating their CSR activities, Investvar supplies a more motivational
environment for its employees: “Their voices are something like: «our company is concerned with the environment protection, concerned with the ozone problem, concerned with us…»”, declared Patricia Barge, HR manager.

Secondly, it reflects in the corporate design (interior and exterior). The interior and exterior design of Investvar headquarters were designed especially as to insure the employees’ comfort: coffee corners are present everywhere; a canteen with a well defined number of tables is offering its services to Investvar employees; all porticos are extremely clean. The environment protection concern reveals in the interior design through displayed posters.

Thirdly, CSR reflects in Investvar culture by the ethics code that composes Investvar corporate principles (salaries above the minimum wage, no child labour, safety of products). We might say that the culture of Investvar is illustrated by the general manager’s words: “All these concerns we have, all these codes of conducts us, our partners and suppliers respect, are the ones which make our product socially worthy (dignum)!”, (Artur Duarte, CEO).

Fourthly, it reflects in Investvar’s behaviour by every action the group exercises: encouraging employees for voluntary service, offering different incentives for employees, making charity and philanthropy, contributing for education, offering sponsorships to different sport teams, having good relationships with suppliers, encouraging the environment protection.

MonteAdriano

Firstly, CSR reflects in corporate design through logotype and headquarters’ interior and exterior design. The powerful environmental concern that MonteAdriano has reflects in its corporative logotype colour: green. The headquarters were designed on purpose in an ergonomic spirit being orientated towards employees: the rooms are equipped with natural lightings and a coffee corner is present at each floor; also recycling points are found on
each floor level. There is even a person within the group that controls the interior space organization.

Secondly, CSR is revealed by the group’s culture. MonteAdriano’s managers strive hard to create such an environment as everybody to know everybody, dissolving the existence of hierarchies. They want full transparency between employees and managers and every employee is asked his/her opinion in the strategical decisions undertaken by the group.

Thirdly, CSR concern is reflected in MonteAdriano’s behaviour by all the CSR actions undertaken by the group (charity and philanthropy, sponsorships etc.) and especially by the environment protection policy the group implemented (the “3R’s” policy is compulsory transmitted through trainings to all employees).

Fourthly, CSR is revealed in the corporate strategy of the group. CSR is included and highly taken into consideration in group’s future objectives. They aim to become a corporation with best working environment, where employees feel fully motivated and satisfied. In future, MonteAdriano desires to be a contributor to the world’s welfare – starting with their own employees to the people in their community and eventually reaching to the people in all communities around the world. In the same time, as a further objective, MonteAdriano is thinking to adopt SA 8000 norm.

**Answer proposal for question (5):**

**Which is the importance ascribed upon CSR by the corporations’ managers?**

**Investvar**

By the fact that Invesvar has a broadly covering issues code of ethics and has a department whose mission is to control and help Investvar suppliers and partners to adopt it, we might say that managers of Investvar ascribe high importance to CSR issue, particularly to those
CSR activities directed toward specific stakeholders (e.g., employees and suppliers). But in the same time we find out that CSR is not included between Investvar future objectives. We can not sense from the study case that there is a concern of improving CSR level within Investvar Corporation.

**MonteAdriano**

At a direct look at the analysis we notice that MonteAdriano’s managers ascribe an increased importance to environment protection above all other components of CSR.

In the same time CSR is an issue that highly concerns the board, depicting form the fact that it is included in the group’s overall objectives. MonteAdriano made a goal out of CSR: MonteAdriano desires to become a contributor to the world’s welfare - starting with its own employees to the people in its community and reaching to all the people around the world.

**Answer proposal for question (6):**

_Suggest your recommendations for improvement of CSR practices and increasing their reflection to corporations’ identities._

Both corporations could think of creating their own social and cultural center. Such a center could have special rooms with: didactical materials about environment protection (huge maps, pictures of evanescence plants and animal breeds); aeolian energy production demonstrations; a museum hall for young artist works. Special partnerships with schools could be created in order to organize weekly thematic visits to the center. In this way the awareness of brand name would increase significantly and also special relationships would be built not only between children (future possible buyers or employees) and corporation, but even between children’s parents and close relatives and corporation, as children use to story to everyone their nice experiences.
Investvar

Investvar could start being proactively involved in CSR issues. They could make up annual grids for different areas of CSR. As well, Investvar could include CSR between its future objectives, they could play for becoming a reference in CSR field in the same way they are a reference in the footwear industry. Externally communication of CSR activities is strongly recommended.

MonteAdriano

MonteAdriano group could enlarge their range of CSR activities. They could create internal communication means and as well externally communicate their CSR actions. They could think of creating and adopting an ethics code.
6. CONCLUSIONS

6.1 MAIN CONTRIBUTIONS OF THE STUDY

The present study contributes to discuss corporate social responsibility and corporate identity concepts. It was designed, above all, to practically illustrate how corporate social responsibility is exercised by corporations and how corporate identity practically encapsulates CSR issues. There is abundant literature concerning corporate social responsibility concept but rareness of illustrative cases was signalised. In the same time, there is a strong paucity of information about the relationship that exists between CSR and corporate identity.

All of the above being said, the present research was exploratory and descriptive having as main goal to provide insight into how managers can exercise corporate social responsibility practices and how does CSR reveal in the corporation’s identity. Two Portuguese groups were chosen for analysis: Investvar from the footwear industry and MonteAdriano from the civil construction industry.

The main contributions of the study come up from the revealing findings of the research:

Firstly, the study found that managers might have different understandings and perspectives about what being socially responsible might mean: Investvar considers that a company is socially responsible when its product is “socially worthy” and in their consideration a product reaches this estate through the nature of concerns the company has, through the codes of conduct the company respects (e.g., wages always above the minimum national income, no child labour, safety of workers, safety of product, facilities for employees). By the other side, MonteAdriano understands that a company is socially responsible when it contributes for sustainable development (there is a permanent concern within
MonteAdriano for protecting the environment; the group continuously train its employees in the spirit of *recycling, reuse and reduce*).

Secondly, we found out that even by not adhering to none of European policies and rules of conduct regarding CSR (see Section 2.1.6), companies might still comply with strong CSR principles developed in a unique, personal manner. We have discovered that Investvar has a powerful ethics code that besides of the common prescriptions (no child labour) it regards as well sensible and delicate issues as the estate of worker’s dormitories in different parts of the world or the distribution of employees per table in the canteen.

Thirdly, the results show that complying with CSR issues is not always a matter depending solely of the company, but also of the society where the company underperforms: MonteAdriano experience revealed that in territories like Africa, finding out the age of an young employee in order to avoid child labour might be sort of a conundrum topic (a lot individuals don’t posses any kind of identity documents).

Fourthly, we find out that fulfilment of an ethics code doesn’t have exclusively positive consequences as might thought, but uncomfortable ones as well: Investvar had difficulties in pointing out sensitive issues as the cleanness of the suppliers’ factories, their exterior aspects, cleanness of their canteens. Embarrassing situations with suppliers were frequently created because of that.

Fifthly, we discovered that CSR might be an issue rooted in the behaviour of the company and not something driven by profit, but simply driven by caring, simply trying to bring their contribution for the needy, trying to improve the welfare of the community around: both groups practice spontaneous, unplanned philanthropic activities, not specifically targeting those areas they believe will enhance financial performance; both corporations refuse to externally communicate their CSR activities, they are not looking for the financial benefits that might come up out of it.

Sixthly, we realised that some companies are interested in motivating their employees with their CSR actions, while other might sort of hide them considering that revealing them
might be embarrassing for those helped, might put assisted people in a humiliated light: (a) Investvar designs on purpose some CSR activities for motivating their employees (the holiday camps; the special attention given to public awareness events like the World Environment Day, the International Ozone Day; the x-ray films recycling project). They organize these activities because they feel that these activities drive higher motivation of their employees and higher interests in the company itself. That’s the reason why they also internally communicate their CSR activities. (b) MonteAdriano frequently offer money loans or other necessary support for its employees, but no one within the group except those employees know about it. Communicating these facts is considered embarrassing and humiliating for those that received help. In the same stream of thinking MonteAdriano is concerned with the environment protection not because it might motivate its employees but because it is perceived as a correct behaviour: they organize compulsory for all employees trainings about the environment protection and have implemented a special policy called the “3R’s” policy.

Seventhly, we see that corporate social responsibility reflects simultaneously in different corporate identity components:

(1) CSR reflects in the corporate design: the environment protection concern is reflected in the MonteAdriano’s logotype green colour and in the presence of recycling points within both MonteAdriano and Investvar; the permanent concern for employees is reflected in the exterior and interior design of the corporations’ headquarters (MonteAdriano’s headquarters edifice was build on purpose in an ergonomic spirit with good natural lighting and breakfast corners at each floor; Investvar headquarters include canteen for employees, besides the cleanliness of factories and exterior factories aspect are issues comprised by their ethics code).

(2) CSR reflects in the corporate culture by the set of rules the corporation respects: salaries above the minimum wage, safety of products (Investvar); ask employees’ opinion when strategic decisions are undertaken within the group (MonteAdriano).
(3) CSR reflects in the *corporate behaviour* by every action the corporation exercises: training its employees, encouraging employees for voluntary service, offering different incentives for workers, making charity and philanthropy, contributing for education, offering sponsorships to different sport teams, having good relationships with suppliers, protecting the environment etc.

(4) CSR might reflect as well in the *corporate strategy* when is included in the corporation’s future objectives and concerns (MonteAdriano intends to become a contributor to the world’s welfare – starting with their own employees to the people in their community and reaching to the people in all communities around the world; they also intend to adopt SA 8000 norm).
6.2 MANAGERIAL IMPLICATIONS

During last years, corporate social responsibility and corporate identity are considered strategic resources for building credibility and support among stakeholders and for gaining competitive advantages in the new business atmosphere. It is widely known that a positive image of the company is engendered when it engages in CSR activities. Companies gain prestige and greater acceptance when contributing to the society.

The present study aims at helping managers to better understand the corporate social responsibility concept by exemplifying in a practical way how corporate social responsibility is exercised by two corporations. The CSR literature makes a brief presentation of the legal instruments and codes of conduct a company might adhere to, in case it is interested to certify its corporate social responsibility. In the same time the research aims to offer managers a better understanding upon the corporate identity concept, practically illustrating two corporative identity cases. The study offers as well an image of how CSR practices reveal in corporation’s identity.

Overall, these results suggest that when communicated CSR actions may have effects upon employees’ performance. They can help increase motivation and loyalty. In the same time when corporate social responsibility actions are directed towards the community, they help improve the community’s welfare. However, a good CSR policy is recommended to all companies in order to adapt to the new business realities and remain competitive on the market.
6.3. LIMITATIONS OF THE STUDY AND DIRECTIONS FOR FUTURE RESEARCH

As with all research, there are some limitations of this study, which at the same time open the door of further research. This research is based upon two cases that revealed the above conclusions, but other cases with different context realities might find diverse findings. Another limitation of the study is related to external validity which refers to establishing the domain to which the study’s findings can be generalised. For this reason, it would be interesting to run further research with a larger number of companies involving managers from different countries. The present study could represent the starting point in realising quantitative studies on the same premises.

However, the study was carefully designed so as to offer the possibility to extend the results to other industries. Firstly, the choice of the specific industrial settings, the footwear and the construction industry, was made carefully in order to allow a multifaceted view of the phenomena under study. Secondly, the richness of the data obtained in the present study points towards the potential to apply it to other industries.

There is still much to learn about the relationship between corporate social responsibility and corporate identity. Research results in this field would be of high interest both to business and academically.
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