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CORPORATE SOCIAL RESPONSIBILITY AND ITS IMPORTANCE IN COMPANY STRATEGY

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Abstract

The thesis offers a general review about corporate social responsibility (CSR) and some related subjects like CSR strategies, relation between stakeholders and shareholders, some CSR theories, its justifications and limitations, opinions from important economists and companies. We then show a bit of what are the first 10 companies from PSI-20 doing about its CSR strategies and in what point are they focusing.

From the general public perspective, this thesis provides a preliminary study of the opinion that Portuguese people have about those 10 companies, CSR and its importance and what are the Portuguese views when confronted with the position of being different stakeholders. We focus primarily in what three different stakeholders, customers, suppliers and employees, expect from companies and their market strategies, based on existing studies outside of Portugal. After that, we use a survey made in Portugal in order to ascertain whether the idea is the same.

Finally, this research suggests about in which areas the companies should invest firstly on in order to have a good CSR strategy.

Keywords: CSR; Stakeholders expectations, CSR strategy, Company growth

Resumo

A tese apresenta uma revisão geral sobre responsabilidade social empresarial (RSE) e alguns assuntos relacionados, como estratégias de RSE, a relação entre as partes interessadas e accionistas, algumas teorias de RSE, suas justificativas e limitações, as opiniões de economistas e empresas importantes. Também é estudado um pouco daquilo que as 10 primeiras empresas do PSI-20 estão a fazer sobre as suas estratégias de RSE, e em que pontos se estão a focar.

Do ponto de vista público em geral, esta tese fornece um estudo preliminar da opinião que a população Portuguesa tem sobre as 10 empresas, a RSE e a sua importância e quais são as expectativas dos Portugueses quando confrontado com a hipótese de estarem na posição de diferentes partes interessadas. Concentramo-nos em primeiro lugar em três diferentes partes interessadas, clientes, fornecedores e trabalhadores, e o que estas esperam das empresas e das suas estratégias de mercado, com base em estudos existentes fora de Portugal. Depois disso, usamos um levantamento feito em Portugal, a fim de verificar se a opinião é a mesma.

Finalmente, esta pesquisa sugere sobre algumas áreas em que as empresas devem investir em primeiro lugar, para ter uma boa estratégia de RSE.

Palavras-chave: RSE, Expectativas das partes interessadas, Estratégia de RSE, PSI-20

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List of abbreviations

- CSR – Corporate Social Responsibility
- PT – Portugal Telecom
- JM – Jerónimo Martins
- BES – Banco Espírito Santo
- EDPR – EDP Renováveis
- R&D – Research and Development
- PR - Public Relaters

List of tables

List of graphs and figures

Corporate Social Responsibility and its importance in company strategy

Table of Contents

Chapter 1 - Introduction

1.1 Corporate Social Responsibility

1.1.1 What is Social Responsibility?

Social responsibility is the principle that companies should contribute to the welfare of society and not be solely devoted to maximizing profits. This responsibility can be "negative", meaning there is exemption from blame or liability, or it can be "positive," meaning there is a responsibility to act beneficently (proactive stance).

According to the Green Book of European Commission (2001), Social Responsibility is a concept whereby the companies decide voluntarily (not a totally voluntary act as we will further see), to contribute to a fairer society and a cleaner environment. On that basis, the company management cannot and / or should not be guided towards the fulfillment of interests of the owners of them, but also for other stakeholders such as, for example, workers, local communities , customers, suppliers, public authorities, competitors and society at large. Hence the concept of social responsibility could be understood at two levels. The *internal* relates to the workers and, more generally, to all stakeholders affected by business and, in turn, can influence their results. The *external* level takes into account the consequences of the actions of an organization on its external components, namely, the environment, their business partners and surroundings.

During the past years, CSR has been developed and implemented in most companies having a vital role not only in big but also in small and medium enterprises (SME). The majority of the companies are now developing ways to explore this new marketing scheme.

Nowadays CSR is becoming a marketing strategy more widespread as a factor of differentiation and awareness for consumers, mainly due to the lack of product differentiation and the tendency of people to choose the company that provides a better relationship with the customers and other stakeholders. The companies that embrace CSR can obtain competitive advantage over the other competitors, such as good public image, good image among employees, good profits and return of the investment, which is important for supporting events not directly related with core business.

Corporate Social Responsibility and its importance in company strategy

In a time when governments are reducing their spending, the private sector has been playing an important role by supporting sectors as culture, arts, science, sport, health, among others through a wide range of funding types as donations, sponsorships, patronage and cause related marketing (SMART Company, 2005).

Nevertheless CSR practice has also been a subject to debate and criticism considering that there is a strong business interest in this practice.

1.1.2 Business and Stakeholders

Business means every time contact with stakeholders. There are many kinds of stakeholders, from suppliers, to clients, to shareholders, and more, and each one of them needs different attention and strategy in order to make them want to work with our company.

Nevertheless, there are also many ways to try to convince them that we are the best ones to work with.

As we will see further in this work, Corporate Social Responsibility should never be neglected by company managers, since nowadays, the most attractive thing on a company for the stakeholders that make company to still in the market and with competitive capacity, is its own market reputation, and its recognition by others that they are keeping a strategy that bases on sustainable development.

Apart from that stakeholders number that poses as a company priority its contribution to a "better world" than their profitability, are, for instance, the shareholders. This leads to some constraints between stakeholders and shareholders, and also leads to stakeholder theory.

1.1.3 Aim of the study

This works aims to study and understand what companies expect from stakeholders and what stakeholders expect from companies, if CSR are important in those relations and if they have some impact on company's performances.

We'll also try to understand what the 10 best Portuguese companies from PSI-20 are doing in order to achieve more market reputation, if they are investing in CSR, and in which big areas are they investing in the last 5 years.

Corporate Social Responsibility and its importance in company strategy

The objective is to figure out if companies should have a good CSR strategy and if there is any stakeholder that they have to give a particular attention, or if they can neglect that part of the investment, what probably will be traduced in more money saved in short term, and keep a good market reputation. The stakeholders used in the Research Methodology will just be customers, employees and suppliers, because this represents a big quote of all stakeholders that a company deals with.

And in case they have a CSR strategy, if that mean a better PSI-20 position on ranking, based on some assumption and criteria that help to provide only a general basis for these conclusions.

In the end, as a conclusion, propose some metrics that will help companies to know where probably will be better to invest first.

Chapter 2   -   Literature review

2.1   Factors that led to CSR concept.

There are several factors which gave rise to the need to observe an increased responsibility of the organizations. In a context of globalization and large-scale industrial change, new concerns and expectations of citizens, consumers, public authorities and investors have emerged.

Individuals and institutions, as consumers and / or as investors take progressively social criteria in their decisions (e.g., consumers turn to social and eco labels to make decisions to purchase products).

The damage to the environment caused by economic activities (eg oil spills, radioactive leaks) has generated growing concern among citizens and various entities, pressuring companies to comply with environmental requirements and calling for regulatory bodies, laws and government production of appropriate legal frameworks and monitoring their implementation.

The media and modern information and communication technology have subjected the business and economic activity to a higher transparency. It has resulted in a fast and deeper knowledge of business activities - both socially irresponsible (negative) and the ones that represents the good examples (and, therefore, are capable of imitation) - with remarkable consequences on the reputation and image of companies.

Critics argue that Corporate social responsibility (CSR) distracts from the fundamental economic role of businesses; others argue that it is nothing more than superficial window-dressing; others argue that it is an attempt to pre-empt the role of governments as a watchdog over powerful multinational corporations (Carpenter, Bauer, & Erdogan, 2009).

2.2   Corporate Social Responsibility

2.2.1   Visions:

According to Melo Neto and Froes (2001), the best way to analyze the concept of corporate social responsibility is identifying the different views that exist. Some are the following:

Corporate Social Responsibility and its importance in company strategy

- *Corporate social responsibility as an ethical and responsible attitude and business conduct*: It is the duty and commitment of the organization to take a transparent, accountable and ethical stance, in its dealings with its stakeholders (government, customers, suppliers, community, etc.).

- *Social responsibility as a strategic business approach*: The quest for social responsibility is seen as a social action strategy that generates positive return to the business, i.e. the results are measured by revenue, sales and market share.

- *Social responsibility as a strategy of relationship*: Aimed at improving the quality of relationship with its various audiences, social responsibility is used as a strategy of relationship marketing, particularly with customers, suppliers and distributors.

- *Social responsibility as a strategy of appreciation of the company stock (aggregate of value)*: A survey by the Dow Chemical organization found that 70% of the market value of a company depends on its financial results. The other 30% depend on their reputation in the market.

- *Social responsibility as a human resources strategy*: The actions are focused on employees and their dependents, in order to satisfy them and therefore retain their top talent and increase productivity.

- *Social responsibility as a strategy for recovery of products / services*: The goal is not only to demonstrate the quality of products / services of the company but also gives them the status of "socially correct".

- *Social responsibility as a strategy for social development in the community*: Social responsibility is seen as a strategy for social development of the community. Thus, the organization takes over the role of agent of local development, along with other community organizations and government itself.

- *Corporate social responsibility as an exercise in ecological consciousness*: The social responsibility is seen as environmental responsibility. The company invests in education and environmental preservation, and therefore, becomes a disseminator of values and environmental practices.

Therefore, it becomes that there are countless interpretations and definitions of Corporate Social Responsibility, and each firm ends up acting in a way before themselves and society. In general, there isn't a precise sense of social responsibility, thus appearing, with different theoretical concepts - social responsibility and social

obligation (Friedman, 1970), social responsibility and social approval (Davis and Blomstrom, 1975) and social responsibility as a systemic approach stakeholders (Zadek, 1998).

2.2.2 Theories

Table 1 – Summary of theories and approaches to CSR by Melé and Garriga (2004)

Theories Type	**Approach**	**Brief description**	**Referencies**
ETHICAL (Based on company ethical responsibilities to society. Focused on the correct way to achieve society welfare)	*Stakeholders* Normative theory	Considers the fiduciary duties in relation to the company's stakeholders. The application supports up to some moral theory (Kant, utilitarianism, justice theory, etc.)	Evan and Freeman (1988),Freeman (1984, 1994), Donaldson and Preston (1995), Phillips et al. (2000), Freeman and Phillips (2002),
	Universal Rights	Framed and based on human rights, labor rights and environmental protection.	The Global Sullivan Principale (1999), UN Global Compact (1999)
	Sustainable development	Search human development by evaluating the present and coming generation.	World Commission on Environment and Development (Brundtland Report, 1991), Gladwin and Kennelly (1995)
	Common good	Targeted for the general welfare and progress of the community	Kaku (1997), Alford and Naughton (2002), Melé (2002)
INSTRUMENTAL (companies are considered as a driven instrument for value creation. Focuses on social activities as a way to fulfill the economic objectives)	Shareholder value maximization	Maximization of long-term value	Friedman (1970), Jesen (2000)
	Strategy to get competitive advantage	- Social investment in competitive contexts	Porter and Kramer (2002)
		- Strategy based on the perspective of natural resources company and its dynamic capabilities	Hart (1995), Lizt (1996)
		- strategy implemented based on the economic pyramid	Prahalad and Hammond (2002), Hart e Christensen (2002)
	Cause-related marketing	Altruistic activities socially recognized, used as a marketing tool	Murray and

Corporate Social Responsibility and its importance in company strategy

			Montanari (1986), Varadarajan and Menon (1998)
POLITICAL (Companies are viewed as having power in society. They focus on the responsible use of power)	Constitutionalism business	The social responsibilities of business value derive from the social power it holds.	Davis (1960, 1967)
	Corporate citizenship	The company is seen as a citizen with some involvement in society and certain obligations.	Andriof and McIntosh, Matten and Crane (2001), Wood and Logdgson (2002)
	Integrative social contract theory	Assume that there is an implicit social contract between business and society.	Donaldson and Dunfee (1994, 1999)
INTEGRATIVE (The companies are part of a network of relationships. They focus primarily on the satisfaction of social needs) Companies have responsibilities in public affairs, including participation in the formation of policies	Management of social affairs	Evaluation system and company's response to social and political issues that may have significant impacts	Ackerman (1973), Sethi (1975), Jones (1980), Vogel (1986), Wartick and Mahon (1994)
	Public Liability	The laws and responsibilities in the political affairs are taken as reference in terms of social performance	Preston and Post (1975, 1981)
	Stakeholder management	Balanced management of stakeholder interests of the company	Mitchell et al (1997), Rowley (1997), Agle and Michell (1999)
	Performance of the company	Search the legacy of social and adequate procedures for responding to social issues	Carroll (1079), Wood (1991), Swanson (1995), Wartick and Cochran (1985)

Source: *Adapted from Garriga and Melé (2004, p.63-64)*

2.2.3   Approaches

➢ Competitive Advantage

"Porter and Kramer (2006) argue that the company can use social initiatives to improve its competitive context. From their point of view, the pursuit of social and philanthropic initiatives focused on the context in which the company operates, allows to acquire and improve their capabilities, and thus cooperate with the society in a more coherent and effective way". According to "Porter and Kramer (2006), actions taken by firms must be

directly related to his mission, because this way allow you to increase your potential for wealth creation."

Later, "Porter and Kramer (2006) divide social initiatives into three categories: general social issues, social impacts of the value chain and social dimension of the competitive context. Generic social issues are important to society, but do not intervene in the normal performance of the company, nor the long-term competitiveness. The social impacts of the value chain are social issues involved significantly in the normal performance of the company. Finally, the social dimension of the competitive context refers to social issues in the external environment, which significantly affect competitiveness. "

"Porter and Kramer (2006) in his article - Strategy and Society:" The link between competitive advantage and (CSR), "originally published in Harvard Business Review in 2006, commented that the main approaches to CSR are so divided and disconnected from business and strategy, that cover up numerous opportunities for the company to support the society. If the company examine its objectives in terms of RS would conclude that CSR can be a source of opportunity, innovation and competitive advantage and not a mere cost, a barrier or a philanthropic action.

> ### Public Liability

"To Preston and Post (1975), the RS is a function of business management in public life. Managers should consider the consequences of their actions. Are not obliged to solve all the problems of society, but they are responsible in helping areas related to their operations and their interests. The principle of public responsibility goes beyond legal compliance, but does not cover all the expectations of society.

They define two areas of management of RS: the area of primary involvement and the area of secondary involvement. CSR encompasses their primary and secondary areas. The idea of public responsibility is vague and not very applicable because it is difficult to define what is public and private sectors. The contribution of the work of Preston and Post was recognized that the company and society are interdependent systems. "

> ### *Performance of the company*

In order for the SR is perceived and accepted by business leaders, "Carroll (1979) suggested a model (a pyramid) that integrates most of the arguments for CSR in a single

Corporate Social Responsibility and its importance in company strategy

model. He proposed a structure that incorporates four categories of social responsibilities: economic, legal, ethical and discretionary. "
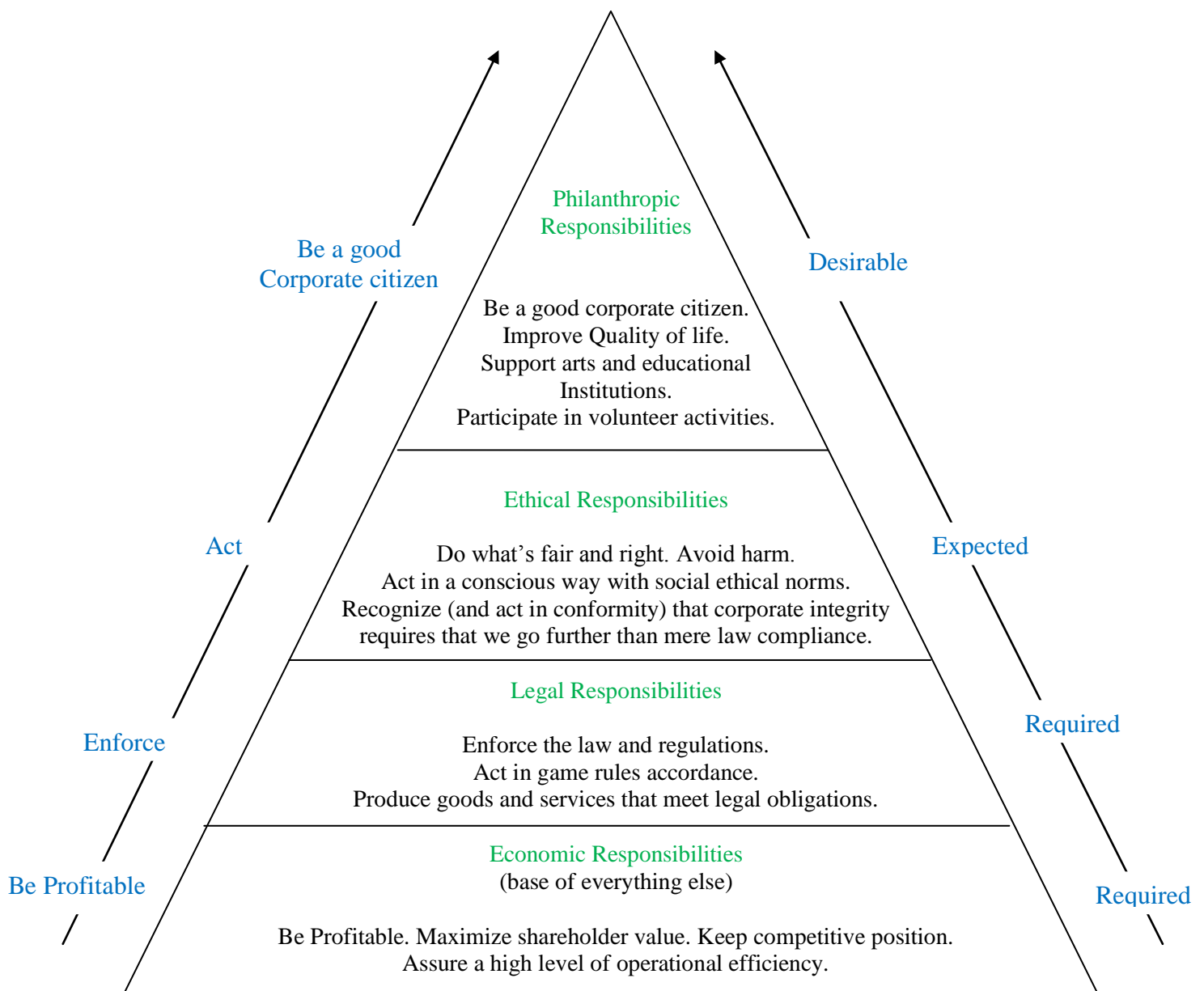
Philanthropic
Responsibilities

Be a good
Corporate citizen   Desirable

Be a good corporate citizen.
Improve Quality of life.
Support arts and educational
Institutions.
Participate in volunteer activities.

Ethical Responsibilities

Act   Expected

Do what's fair and right. Avoid harm.
Act in a conscious way with social ethical norms.
Recognize (and act in conformity) that corporate integrity
requires that we go further than mere law compliance.

Legal Responsibilities

Enforce   Required

Enforce the law and regulations.
Act in game rules accordance.
Produce goods and services that meet legal obligations.

Economic Responsibilities
(base of everything else)

Be Profitable   Required

Be Profitable. Maximize shareholder value. Keep competitive position.
Assure a high level of operational efficiency.

Figure 1 – CSR corporate pyramid
Source: *built based on Carroll (1979), p.500*

Economic responsibility: "Companies have a responsibility of an economic nature, since they have a responsibility to produce goods and services that society wants and sell them in a profitable way. The basis for the functioning of a company is producing and selling goods for profit. Carroll (1979) also notes that all the other responsibilities are impaired in the absence of economic responsibility, because without them, the others become questionable. "

Legal liability: The company expects companies to undertake their economic mission within the legal requirements established by the legal system of society. It is expected that the company complies with laws and regulations or that the products and services offered by companies have security standards and comply with existing environmental regulations.

Ethical responsibility: Represents ethical behaviors that are expected that companies have. This has become more important, because the tolerance of society against unethical behavior is dwindling. The decision should consider the consequences of their actions, honoring the rights of others, fulfilling obligations and avoiding harming others.

Philanthropic responsibility: Represents discretionary actions taken by the company in response to social expectations. They respect the activities undertaken by companies assuming a social role that goes beyond the legal and ethical obligation, assuming an increasingly strategic importance. Examples: charitable contributions, employee training, extension of benefits to employees' families.

2.2.4   Four prevailing justifications for CSR

- *Moral obligation*

The moral appeal, arguing that companies have a duty to be good citizens and to "do the right thing", is prominent in the goal of Business for Social Responsibility, the leading nonprofit CSR business association in the US. It asks that its members "achieve commercial success in ways that honor ethical values and respect people, communities and the natural environment.

- *Sustainability*

Emphasize environment and community stewardship. An excellent definition was developed in the 1980's by Norwegian Prime Minister Gro Harlem Brundtland and used by World Business Council for Sustainability Development: "Meeting the needs of the present without compromising the ability of future generations to meet their own needs.

- *License to operate*

It derives from the fact that every company needs tacit or explicit permission from governments, communities and numerous other stakeholders to do business.

- *<u>Reputation</u>*

Is used by many companies to justify CSR initiatives in the grounds that they will improve a company's image, strengthen its brand, enliven morale and even raise the value of its stock.

2.2.5   Practical limitations of each justification

The CSR field remains strongly imbued with a **moral imperative**. In some areas, such as honesty in filing financial statements and operating within the law, moral considerations are easy to understand and apply. It is the nature of moral obligations to be absolute mandates, however, while most corporate social choices involve balancing competing values, interests, and costs. Google's recent entry into China, for example, has created an irreconcilable conflict between its U.S. customers' abhorrence of censorship and the legal constraints imposed by the Chinese government. The moral calculus needed to weigh one social benefit against an- other, or against its financial costs, has yet to be developed. Moral principles do not tell a pharmaceutical company how to allocate its revenues among subsidizing care for the indigent today, developing cures for the future, and providing dividends to its investors.

The principle of **sustainability** appeals to enlightened self-interest, often invoking the so-called triple bottom line of economic, social, and environmental performance. In other words, companies should operate in ways that secure long-term economic performance by avoiding short-term behavior that is socially detrimental or environmentally wasteful. The principle works best for issues that coincide with a company's economic or regulatory interests. DuPont, for example, has saved over \$2 billion from reductions in energy use since 1990. Changes to the materials McDonald's uses to wrap its food have reduced its solid waste by 30%. These were smart business decisions entirely apart from their environmental benefits.

In other areas, however, the notion of sustainability can be- come so vague as to be meaningless. Transparency may be said to be more "sustainable" than corruption. Good employment practices are more "sustainable" than sweatshops. Philanthropy may contribute to the "sustainability" of a society. However true these assertions are, they offer little basis for balancing long-term objectives against the short-term costs they incur. The sustainability school raises questions about these trade-offs with- out offering a framework to answer them. Managers without a strategic understanding of CSR are

prone to postpone these costs, which can lead to far greater costs when the company is later judged to have violated its social obligation.

The **license-to-operate** approach, by contrast, is far more pragmatic. It offers a concrete way for a business to identify social issues that matter to its stakeholders and make decisions about them. This approach also fosters constructive dialogue with regulators, the local citizenry, and activists—one reason, perhaps, that it is especially prevalent among companies that depend on government consent, such as those in mining and other highly regulated and extractive industries. That is also why the approach is common at companies that rely on the forbearance of their neighbors, such as those, like chemical manufacturing, whose operations are noxious or environmentally hazardous. By seeking to satisfy stakeholders, how- ever, companies cede primary control of their CSR agendas to outsiders. Stakeholders' views are obviously important, but these groups can never fully understand a corporation's capabilities, competitive positioning, or the trade-offs it must make. Nor does the vehemence of a stakeholder group necessarily signify the importance of an issue — either to the company or to the world. A firm that views CSR as a way to placate pressure groups often finds that its approach devolves into a series of short-term defensive reactions — a never-ending public relations palliative with minimal value to society and no strategic benefit for the business.

Finally, the **reputation** argument seeks that strategic benefit but rarely finds it. Concerns about reputation, like license to operate, focus on satisfying external audiences. In consumer- oriented companies, it often leads to high- profile cause-related marketing campaigns. In stigmatized industries, such as chemicals and energy, a company may instead pursue social responsibility initiatives as a form of insurance, in the hope that its reputation for social consciousness will temper public criticism in the event of a crisis. This rationale once again risks confusing public relations with social and business results.

A few corporations, such as Ben & Jerry's, Newman's Own, Patagonia, and the Body Shop, have distinguished themselves through an extraordinary long-term commitment to social responsibility. But even for these companies, the social impact achieved, much less the business benefit, is hard to determine. Studies of the effect of a company's social reputation on consumer purchasing preferences or on stock market performance

have been inconclusive at best. As for the concept of CSR as insurance, the connection between the good deeds and consumer attitudes is so indirect as to be impossible to measure. Having no way to quantify the benefits of these investments puts such CSR programs on shaky ground, liable to be dislodged by a change of management or a swing in the business cycle.

All four schools of thought share the same weakness: They focus on the tension between business and society rather than on their interdependence. Each creates a generic rationale that is not tied to the strategy and operations of any specific company or the places in which it operates. Consequently, none of them is sufficient to help a company identify, prioritize, and address the social issues that matter most or the ones on which it can make the biggest impact. The result is oftentimes a hodgepodge of uncoordinated CSR and philanthropic activities disconnected from the company's strategy that neither make any meaningful social impact nor strengthen the firm's long-term competitiveness. Internally, CSR practices and initiatives are often isolated from operating units—and even separated from corporate philanthropy. Externally, the company's social impact becomes diffused among numerous unrelated efforts, each responding to a different stakeholder group or corporate pressure point.

The consequence of this fragmentation is a tremendous lost opportunity. The power of corporations to create social benefit is dissipated, and so is the potential of companies to take actions that would support both their communities and their business goals.

2.3   Stakeholder theory

A Stakeholder is any party with an interest or stake in the organization. Organization's stakeholders may include employees, suppliers, customers, trade unions and the local community, among others. Any individual may be part of multiple stakeholder groups, e.g. an employee may also live in the local community and be a member of a trade union. All possible stakeholders, internal and external, are considered in the stakeholder approach (Tench 2006).

According to this model, shareholders, afforded sole importance by Friedman, are just one group of stakeholders whose interests the corporate manager must deal with (Somerville 2006). Increasing profits is just one of many different interests that must be considered. The interests and potential impact of shareholders on the future of the

company may be very obvious, but the other groups can also have influence in different ways. An organization that damages the local environment can in turn suffer from a lack of goodwill in the local community, and employee morale will also be damaged- each factor ultimately affecting the company.

CSR is a necessary element of this approach, an integral element of the organization's responsibilities, affording social duties and maximizing profits equal importance.

Current theorists and organizations mainly reject Friedman's views, and the stakeholder approach is most popular in the modern business world. CSR is an integral part of this approach, has proved a successful strategy for many companies and is here to stay.

2.4   Types of CSR – Degrees and styles

Consistent with their views on the progress of CSR and the ability of CSR to bring about social and environmental improvements, CSR thought leaders felt there will be different degrees of commitment to and styles of applying CSR within industry in the future, much like today. Collectively they described a continuum of CSR, from CSR "lite" to deep-CSR:

Figure 2: Types of CSR
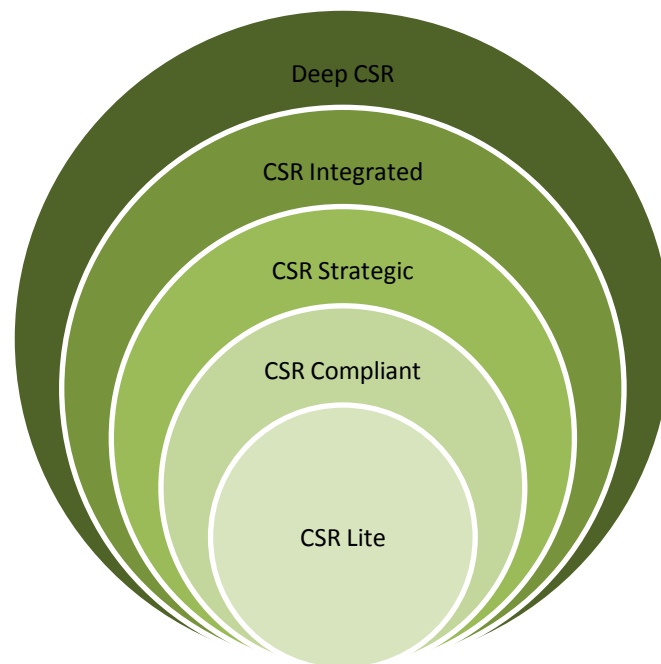
Corporate Social Responsibility and its importance in company strategy

➢ *CSR Lite*

• These companies will have a superficial or marginal commitment to meaningful social or environmental improvement

• They will be primarily concerned about responsiveness to complaints, not CSR - the business model will not be changed

• They may be using generalized standards such as the Global Reporting Initiative and as such think they have a handle on CSR when in fact they don't

• Included in this group will be those companies which have been legislated into compliance with CSR objectives, whether their transgressions have been on the environment, corrupt business practices, etc. They do not show any commitment to social or environmental progress.

➢ *CSR Compliant*

• Companies will take on voluntary environmental and social obligations to maintain their license to operate

• They will keep abreast of emerging standards and norms of CSR and ensure they are compliant with those standards

➢ *CSR Strategic*

• Companies will become strategic about different aspects of CSR

• They will become compliant with standards and then will create niches in specific areas of CSR more strategic to their companies. They will develop business strategies within one or two aspects of CSR around which they can develop a competitive advantage and have significant impact

• Companies in certain sectors will believe their key to survival is providing products and services acceptable to broad public interests or they will go out of business

➢ *CSR Integrated*

• Further along the continuum will be those companies that fully integrate CSR throughout their business model, not as a strategic advantage, but in the belief of the need to take social and environmental impacts and opportunities into account

• They will have comprehensive CSR policies covering all areas of their operations and will be operationalizing their CSR principles through rigorous performance standards, objectives, reward mechanisms, etc.

• CSR or sustainable development will inform decision-making and business strategy throughout the company

➢ *Deep CSR*

• A group of companies will adopt or be founded on business models whose mission is to improve social or environmental conditions

• Some leading companies will realize that the low-hanging benefits of CSR have been achieved and the early-stage CSR measures have been mined and exhausted. These companies will move to addressing the real tradeoffs between different elements of the triple bottom line in sustainable consumption, resource extraction, just transitions, intergenerational equity, etc.

2.5   CSR and law.

A first minimal definition of social responsibility (Becchetti, Giacomo and Pinnacchio, 2005)". is generally related to the corporate choice of not breaching laws and regulations when pursuing shareholders' wealth maximization goals. As we know, there are several laws that obligate a corporation to carry out some actions after and through its exploration activity, such as rehabilitation of the marble extraction land or do a particular event, an activity, a construction or anything else which helps the local population.

A second approach considers that CSR is more than just following the law (McWilliams & Siegel, 2001), as it also involves actions which are expected to affect positively an identifiable social stakeholder's welfare. It's also important to notice that, nowadays, despite sometimes using questionable methodologies, exists some organizations, denominated as Myriad, that rank companies on the performance of their corporate social responsibility. This led to an increased interest on this subject by business leaders from around the world.

2.6   About CSR

There are many leading economists in the world, but some have exposed their most critical about this issue than others. I chose two of them, Milton Friedman and Michael Porter. Also chose the view of one international company.

2.6.1   Friedman:

Friedman believed that "There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits" (Friedman, 1970).

He famously argued that the 'business of business is business' (Davis, 2005), reasoning that the sole responsibility of the organization was its shareholders, providing profits for them. He acknowledged legal and ethical constraints on business activity, emphasizing that the organization should not harm society, but he denied that it should assume any wider social responsibility for its maintenance and improvement.

Criticism of Friedman

Friedman's critics have argued that his own reasoning is flawed. His assertions about the difference between actively seeking to do good (which he regards as being beyond the duty of business) and merely avoiding doing harm (which he advocates) are unclear, often illustrating instead that the choice is between doing good, or by default, doing evil (Somerville, 2006).

One of Friedman's principle arguments was against the idea that the good being done must be a non-profit exercise, not undertaken for self-interest. If self-interest were the motivation, Friedman would not oppose it. (Somerville 2006).

This again suggests misunderstanding of the CSR concept, as self-interest is never necessarily excluded from these policies. CSR involves establishing all the responsibilities of the organization to its associated communities and environment, and consideration of the impact being made by the organization on society (Tench 2006).

This is not necessarily performed to the exclusion of the organization's needs; "Doing Well by Doing Good" is a frequently cited CSR slogan (CSR Europe, 2007), along with 'Enlightened self-interest' (Tench 2006). Both phrases suggest that organizations acting

to further the interests of others (or the interests of the community(ies) which they are part of), ultimately do so for their own long term self-interest.

In fact, it may be harder to pinpoint policies that never consider self- interest on some level, although often in the long term. Companies may at times receive little recognition for their actions and could be seen to be acting altruistically, but the author argues that they would not deny their involvement should the media express an interest, and certainly most companies like to receive such coverage for any CSR policies they introduce. If achieved, this immediately serves to raise their profile, with associated benefits of a short-term nature.

The alternative to Friedman's approach is Stakeholder theory- much advocated by modern-day PR practitioners and theorists.

2.6.2   Porter:

Porter was probably who the most often discussed this issue.

As previously stated, we cannot say that companies always adhere to social responsibility voluntarily. Porter confirms this view saying that *"heightened corporate attention to CSR has not been entirely voluntary"*.

There are several cases like Nike, that faced an extensive consumer boycott after the New York Times and other media outlets reported abusive labor practices at some of its Indonesian suppliers in the early 1990's, or like Pharmaceutical companies that discovered they were expected to respond to the AIDS pandemic in Africa, even though it was far removed from their primary product lines and markets.

2.6.3   Volkswagen:

CSR is the ability of a company to incorporate its responsibility into society to develop solutions for economic and social problems. These positions suggest that CSR is still a major concern among companies worldwide. CSR has also been viewed as the continuing commitment by business to behave ethically and to contribute to economic development while improving the quality of life of the workforce and their families.

2.7   What can CSR affect?

CSR could directly affect or benefit a company, either from their stakeholders or their shareholders.

2.7.1   Potential business benefits

The scale and nature of the benefits of CSR for an organization can vary depending on the nature of the enterprise, and are difficult to quantify, though there is a large body of literature exhorting business to adopt measures beyond financial ones (e.g., Deming's Fourteen Points, balanced scorecards). Orlitzky, Schmidt, and Rynes found a correlation between social/environmental performance and financial performance. However, businesses may not be looking at short-run financial returns when developing their CSR strategy.

The definition of CSR used within an organization can vary from the strict "stakeholder impacts" definition used by many CSR advocates and will often include charitable efforts and volunteering. CSR may be based within the human resources, business development or public relations departments of an organization, or may be given a separate unit reporting to the CEO or in some cases directly to the board. Some companies may implement CSR-type values without a clearly defined team or program.

The business case for CSR within a company will likely rest on one or more of these arguments:

1. Human resources

A CSR program can be an aid to recruitment and retention, particularly within the competitive graduate student market. Potential recruits often ask about a firm's CSR policy during an interview, and having a comprehensive policy can give an advantage. CSR can also help improve the perception of a company among its staff, particularly when staff can become involved through payroll giving, fundraising activities or community volunteering. See also Corporate Social Entrepreneurship, whereby CSR can also be driven by employees' personal values, in addition to the more obvious economic and governmental drivers.

Corporate Social Responsibility and its importance in company strategy

2. Risk management

Managing risk is a central part of many corporate strategies. Reputations that take decades to build up can be ruined in hours through incidents such as corruption scandals or environmental accidents. These can also draw unwanted attention from regulators, courts, governments and media. Building a genuine culture of 'doing the right thing' within a corporation can offset these risks.

3. Brand differentiation

In crowded marketplaces, companies strive for a unique selling proposition that can separate them from the competition in the minds of consumers. CSR can play a role in building customer loyalty based on distinctive ethical values. Several major brands, such as The Co-operative Group, The Body Shop and American Apparel are built on ethical values. Business service organizations can benefit too from building a reputation for integrity and best practice.

4. License to operate

Corporations are keen to avoid interference in their business through taxation or regulations. By taking substantive voluntary steps, they can persuade governments and the wider public that they are taking issues such as health and safety, diversity, or the environment seriously as good corporate citizens with respect to labor standards and impacts on the environment

2.7.2 Criticisms and concerns

Critics of CSR as well as proponents debate a number of concerns related to it. These include CSR's relationship to the fundamental purpose and nature of business and questionable motives for engaging in CSR, including concerns about insincerity and hypocrisy.

- Nature of business

Milton Friedman and others have argued that a corporation's purpose is to maximize returns to its shareholders, and that since only people can have social responsibilities, corporations are only responsible to their shareholders and not to society as a whole. Although they accept that corporations should obey the laws of the countries within

which they work, they assert that corporations have no other obligation to society. Some people perceive CSR as incongruent with the very nature and purpose of business, and indeed a hindrance to free trade. Those who assert that CSR is contrasting with capitalism and are in favor of neoliberalism argue that improvements in health, longevity and/or infant mortality have been created by economic growth attributed to free enterprise.

Critics of this argument perceive neoliberalism as opposed to the well-being of society and a hindrance to human freedom. They claim that the type of capitalism practiced in many developing countries is a form of economic and cultural imperialism, noting that these countries usually have fewer labour protections, and thus their citizens are at a higher risk of exploitation by multinational corporations.

A wide variety of individuals and organizations operate in between these poles. For example, the REALeadership Alliance asserts that the business of leadership (be it corporate or otherwise) is to change the world for the better. Many religious and cultural traditions hold that the economy exists to serve human beings, so all economic entities have an obligation to society (see for example Economic Justice for All). Moreover, as discussed above, many CSR proponents point out that CSR can significantly improve long-term corporate profitability because it reduces risks and inefficiencies while offering a host of potential benefits such as enhanced brand reputation and employee engagement.

- Motives

Some critics believe that CSR programs are undertaken by companies such as British American Tobacco (BAT), the petroleum giant BP (well-known for its high-profile advertising campaigns on environmental aspects of its operations), and McDonald's (see below) to distract the public from ethical questions posed by their core operations. They argue that some corporations start CSR programs for the commercial benefit they enjoy through raising their reputation with the public or with government. They suggest that corporations which exist solely to maximize profits are unable to advance the interests of society as a whole.

Another concern is that sometimes companies claim to promote CSR and be committed to sustainable development but simultaneously engaging in harmful business practices.

Corporate Social Responsibility and its importance in company strategy

For example, since the 1970s, the McDonald's Corporation's association with Ronald McDonald House has been viewed as CSR and relationship marketing. More recently, as CSR has become mainstream, the company has beefed up its CSR programs related to its labor, environmental and other practices. All the same, in McDonald's Restaurants v Morris & Steel, Lord Justices Pill, May and Keane ruled that it was fair comment to say that McDonald's employees worldwide 'do badly in terms of pay and conditions and true that 'if one eats enough McDonald's food, one's diet may well become high in fat etc., with the very real risk of heart disease.

Royal Dutch Shell has a much-publicized CSR policy and was a pioneer in triple bottom line reporting, but this did not prevent the 2004 scandal concerning its misreporting of oil reserves, which seriously damaged its reputation and led to charges of hypocrisy. Since then, the Shell Foundation has become involved in many projects across the world, including a partnership with Marks and Spencer (UK) in three flower and fruit growing communities across Africa.

Critics concerned with corporate hypocrisy and insincerity generally suggest that better governmental and international regulation and enforcement, rather than voluntary measures, are necessary to ensure that companies behave in a socially responsible manner. Others, such as Patricia Werhane, argue that CSR should be considered more as a corporate moral responsibility, and limit the reach of CSR by focusing more on direct impacts of the organization as viewed through a systems perspective to identify stakeholders.

- Ethical consumerism

The rise in popularity of ethical consumerism over the last two decades can be linked to the rise of CSR. As global population increases, so does the pressure on limited natural resources required to meet rising consumer demand (Grace and Cohen 2005, 147). Industrialization, in many developing countries, is booming as a result of both technology and globalization. Consumers are becoming more aware of the environmental and social implications of their day-to-day consumer decisions and are therefore beginning to make purchasing decisions related to their environmental and ethical concerns. However, this practice is far from consistent or universal.

- Globalization and market forces

Corporate Social Responsibility and its importance in company strategy

As corporations pursue growth through globalization, they have encountered new challenges that impose limits to their growth and potential profits. Government regulations, tariffs, environmental restrictions and varying standards of what constitutes "labor exploitation" are problems that can cost organizations millions of dollars. Some view ethical issues as simply a costly hindrance, while some companies use CSR methodologies as a strategic tactic to gain public support for their presence in global markets, helping them sustain a competitive advantage by using their social contributions to provide a subconscious level of advertising. (Fry, Keim, Meiners 1986, 105) Global competition places a particular pressure on multinational corporations to examine not only their own labor practices, but those of their entire supply chain, from a CSR perspective.

- Social awareness and education

The role among corporate stakeholders is to work collectively to pressure corporations that are changing. Shareholders and investors themselves, through socially responsible investing are exerting pressure on corporations to behave responsibly. Non-governmental organizations are also taking an increasing role, leveraging the power of the media and the Internet to increase their scrutiny and collective activism around corporate behavior. Through education and dialogue, the development of community in holding businesses responsible for their actions is growing (Roux 2007).

- Ethics training

The rise of ethics training inside corporations, some of it required by government regulation, is another driver credited with changing the behavior and culture of corporations. The aim of such training is to help employees make ethical decisions when the answers are unclear. Tullberg believes that humans are built with the capacity to cheat and manipulate, hence the need for learning normative values and rules in human behavior (Tullberg 1996). The most direct benefit is reducing the likelihood of "dirty hands" (Grace and Cohen 2005), fines and damaged reputations for breaching laws or moral norms. Organizations also see secondary benefit in increasing employee loyalty and pride in the organization. Caterpillar and Best Buy are examples of organizations that have taken such steps (Thilmany 2007).

Corporate Social Responsibility and its importance in company strategy

Increasingly, companies are becoming interested in processes that can add visibility to their CSR policies and activities. One method that is gaining increasing popularity is the use of well-grounded training programs, where CSR is a major issue, and business simulations can play a part in this.

One relevant documentary is The Corporation, the history of organizations and their growth in power is discussed. Corporate social responsibility, what a company does to in trying to benefit society, versus corporate moral responsibility (CMR), what a company should morally do, are both important topics to consider when looking at ethics in CSR. For example, Ray Anderson, in The Corporation, takes a CMR perspective in order to do what is moral and he begins to shift his company's focus towards the biosphere by utilizing carpets in sections so that they will sustain for longer periods. This is Anderson thinking in terms of Garret Hardin's "The Tragedy of the Commons," where if people do not pay attention to the private ways in which we use public resources, people will eventually lose those public resources.

- Laws and regulation

Another driver of CSR is the role of independent mediators, particularly the government, in ensuring that corporations are prevented from harming the broader social good, including people and the environment. CSR critics such as Robert Reich argue that governments should set the agenda for social responsibility by the way of laws and regulation that will allow a business to conduct themselves responsibly.

The issues surrounding government regulation pose several problems. Regulation in itself is unable to cover every aspect in detail of a corporation's operations. This leads to burdensome legal processes bogged down in interpretations of the law and debatable grey areas (Sacconi 2004). For example, General Electric failed to clean up the Hudson River after contaminating it with organic pollutants. The company continues to argue via the legal process on assignment of liability, while the cleanup remains stagnant. (Sullivan & Schiafo 2005).

The second issue is the financial burden that regulation can place on a nation's economy. This view shared by Bulkeley, who cites the Australian federal government's actions to avoid compliance with the Kyoto Protocol in 1997, on the concerns of economic loss and national interest. The Australian government took the position that

signing the Kyoto Pact would have caused more significant economic losses for Australia than for any other OECD nation (Bulkeley 2001, pg 436). On the change of government following the election in November 2007, Prime Minister Kevin Rudd signed the ratification immediately after assuming office on 3 December 2007, just before the meeting of the UN Framework Convention on Climate Change. Critics of CSR also point out that organizations pay taxes to government to ensure that society and the environment are not adversely affected by business activities.

Denmark has a law on CSR. On 16 December 2008, the Danish parliament adopted a bill making it mandatory for the 1100 largest Danish companies, investors and state-owned companies to include information on corporate social responsibility (CSR) in their annual financial reports. The reporting requirements became effective on 1 January 2009. The required information includes:

- information on the companies' policies for CSR or socially responsible investments (SRI)
- information on how such policies are implemented in practice, and
- Information on what results have been obtained so far and management expectations for the future with regard to CSR/SRI.

CSR/SRI is still voluntary in Denmark, but if a company has no policy on this it must state its positioning on CSR in their annual financial report. More on the Danish law can be found at CSRgov.dk

- Crises and their consequences

Often it takes a crisis to precipitate attention to CSR. One of the most active stands against environmental management is the CERES Principles that resulted after the Exxon Valdez incident in Alaska in 1989 (Grace and Cohen 2006). Other examples include the lead poisoning paint used by toy giant Mattel, which required a recall of millions of toys globally and caused the company to initiate new risk management and quality control processes. In another example, Magellan Metals in the West Australian town of Esperance was responsible for lead contamination killing thousands of birds in the area. The company had to cease business immediately and work with independent regulatory bodies to execute a cleanup. Odwalla also experienced a crisis with sales dropping 90%, and the company's stock price dropping 34% due to several cases of E.

Coli spread through Odwalla apple juice. The company ordered a recall of all apple or carrot juice products and introduced a new process called "flash pasteurization" as well as maintaining lines of communication constantly open with customers.

- Stakeholder priorities

Increasingly, corporations are motivated to become more socially responsible because their most important stakeholders expect them to understand and address the social and community issues that are relevant to them. Understanding what causes are important to employees is usually the first priority because of the many interrelated business benefits that can be derived from increased employee engagement (i.e. more loyalty, improved recruitment, increased retention, higher productivity, and so on). Key external stakeholders include customers, consumers, investors (particularly institutional investors), communities in the areas where the corporation operates its facilities, regulators, academics, and the media.

2.8   Micro and macro focus, and company growth.

When we are performing in the market, our strategy should focus in two points of views: micro and macro. Each strategy will bring different problems and different solutions. Nevertheless, the goal to achieve is always the sustainable growing of our company. However, the constant growth is sometimes a big wall to tear down by companies when faced with the fact that CSR is an important key factor to achieve that growth.

So, confronted with this problem, the companies have to think two things when defining its strategy. Should them neglect completely CSR and get more net profit, and take the chance to reduce it every year that passes and become less reputed, or should them have less net profit and get more reputation, which can be reflected in a far distance future?

This is an important question, and probably one that haunts all managers.

But the most important question should be, "*…is never-ending growth even a desirable goal for companies leading the charge towards a sustainable future? Isn't growth a big part of the problem, as our species continues to gorge itself in an orgy of overconsumption?*" (Mallen Baker, 2011: 174)

Corporate Social Responsibility and its importance in company strategy

Mallen Baker (2011: 174) keeps saying that "*It all depends on whether you're focused. on the micro or the macro.*

When individual companies grow, it can happen in two ways:

First - the company is part of a growing marketplace where consumers are buying more of the product in question and / or more consumers across the world are starting to buy the product.

Second - the company's great products encourage consumers to switch from what they were already buying before to support the newcomer instead. That is - it grows at the expense of a competitor."

Now, let's pick in the first way of growth referred above. If you have a different product or service to the norm, and you have become big enough to be noticed, you have two choices.

- Expand quickly to take a firm hold of your niche of the market
- Or grow more slowly and watch a well-resourced mainstream firm throw money at an alternative version of your product, and then be the one that achieves the public recognition.

But this growth depends many factors, and in many points of view. Let's analyze two of them:

➢ Market view:

Market is a dynamic place, but when speaking about growth, it makes no distinction between types of growth. And the main objective remains the same, maximize shareholders value, and if possible, higher than expected. That will make the market to get crazy and every market "players" will want to negotiate with that company. This is important when we want to growth.

➢ Stakeholders

Stakeholders aren't so dynamic. Here we restrict the stakeholders to customers, employees and suppliers. They want the companies with the more sustainable products to achieve the second kind of growth referred above. If they can snatch market share

from those with more polluting, less energy efficient, less healthy products - that is to society's benefit.

As we can see there are many possible strategies to growth and many factors that lead us to success or complete failure. If we want to have big profit without care the minimum social welfare, market won't give us enough credit. On the other hand, if we give too much attention to the "change the world brands", shareholders will probably be very mad with our performance, and demand the change of the CEO.

Nevertheless, CSR still an important thing to have in mind if we want to be recognized on the market. There are enough seeds in all of this to believe that the imperative to grow is the very thing that can destroy the 'change the world' brands that we love to see succeed. And it doesn't come about because they get taken over by evil companies that want to blunt their virtue - by and large that isn't the agenda when the bigger corporations step in.

But it is because the imperative for 'beyond average' growth brings with it a particular logic that conflicts with achieving change in the world of the sort that founders originally envisaged.

Chapter 3 - Research Methodology

3.2 Case introduction

The aim of this study, as we said in part 1.1.3 of this work, is to understand how the first 10 PSI-20 companies are implementing CSR in their strategies in order to achieve more market and social reputation. Each one have a different business and that makes us to try to figure it out, if they have the same or a different CSR strategy. For this, we use sustainability reports, when available, from each company, between January 2005 and December 2009, because 2010 isn't available when we did this study. When sustainability report weren't available, we search for information on company site.

Will also want to know what stakeholders expect from business, otherwise we can't define a good CSR strategy. We also restrict the stakeholders to just three, which are probably those that most affect the outcome of a company, and that without them they cannot operate in the market. Those three are customers, employees and suppliers. Here we divide in two parts. Articles and international surveys founded and one survey done in Portugal for this specific study.

The survey done in Portugal is annexed to this work.

Finally try to understand if CSR expectations are the same in Portugal and outside our borders, and if it is important to have a CSR strategy, and where should we invest first.

3.3 Where is each company investing

➢ GALP Energia:

Galp Energia business is the production and distribution of energy. His business is divided into three main activities that are Exploration & Production, Refining & Distribution and Gas & Power.

Its activities extend to various continents, making GALP a multinational worldwide renowned, and still strongly expanding on a global scale. They grow mainly in Portugal, Spain, Brazil, Angola, Venezuela, Mozambique, Cape Verde, Guinea-Bissau, Swaziland, Gambia, Timor-Leste, Uruguay, Equatorial Guinea.

The activities are divided as follows:

Corporate Social Responsibility and its importance in company strategy

- *Exploration & Production:*
- Refining & Distribution:
- *Gas & Power*

Galp associates its brand to multiple CSR activities. Each has its specific focus, but they all contributed to its recognition and reputation in the market, both domestically and internationally.

Since 2005, the Group's activities for the promotion of CSR based on four major pillars:

1. Support for education and science;
2. Commitment to environmental issues;
3. Actions of solidarity;
4. Supporting culture and sport.

➤ *Jerónimo Martins:*

JM is a Business Group, works on distribution sector, and has existed for over 215 years, beginning with the Martins Distribution of Consumer Products (JMD) in 1792, and with its origins linked to the store of Chiado, the "cradle" of JM. Their business is built on three pillars which are the Food Distribution, Industry and Services.

Jerónimo Martins is not as internationalized as GALP, being present only at Poland and only with food distribution. Yet it remains one of the most powerful business groups in Portugal, representing brands like Heinz, Kellogg's and Nestle, and lately, due to strategic change and the consequent revival of the Pingo Doce supermarket chain.

Its activities are divided as follows:

- Food Distribution
- *Industry*
- *Services*

JM associates its brand to multiple CSR activities. Each has its specific focus, but they all contributed to its recognition and reputation in the market, both domestically and internationally.

Since 2005, the Group's activities for the promotion of CSR based on five major pillars:

Corporate Social Responsibility and its importance in company strategy

1. Human Resources
2. Food Quality and Safety
3. Environmental Management
4. Patronage (social and cultural)

➢ *Semapa:*

Semapa is a conglomerate company with three business sectors that are the pulp and paper (PORTUCEL / SOPORCEL), cement (SECIL) and the generation of energy based on renewable sources (ETSA) and their growth in only 20 years didn't gone unnoticed.

Exist since 1991 and has assumed at the end of the last decade a higher interest on the topic of social responsibility.

Its business is predominantly in Europe, including subsidiaries in Portugal (Lisbon), Spain (Madrid) and Netherlands (Amsterdam).

Semapa's focus on Social Responsibility is done only in regions where the manufacturing units are installed, and each sector has its specific focus.

➢ *Portugal Telecom:*

PT is a global telecommunications operator with strategic presence in Portugal, Brazil and high growth markets, especially for sub-Saharan Africa. As an operator with a strong national and international projection, the PT has a diversified business portfolio where quality and innovation are decisive aspects, alongside the most advanced international companies in the sector.

The international presence of PT spreads to countries like Cape Verde, Mozambique, Timor, Angola, Kenya, China, Sao Tome and Principe and Namibia. Brazil is represents the strongest effort in terms of internationalization of PT, and recently announced a partnership with Oi, an integrated telecommunications operator.

The company's activity covers all segments of the telecommunications sector: fixed, mobile, multimedia, data and business solutions.

PT believes that good economic and financial performance is and will only be possible in the future if companies such as PT also invest in a conscious way and committed to social development and respect for community and environment

Corporate Social Responsibility and its importance in company strategy

CSR is an intrinsic part of its strategy, and PT hopes to keep consolidating and renewing in a systematic and cross on business activity way

Since 2005, the Group's activities for the promotion of CSR based on four major pillars:

1. Fight against info exclusion
2. Literacy and Education
3. Health
4. Volunteering

Volunteering focuses on sharing, culture, training and environment.

➢ *Brisa:*

Brisa Auto-Estradas de Portugal is a construction and operation company of highways with tolls, was founded in 1972 and in 38 years became one of the largest operators of highways with tolls in the world and the largest transport infrastructure in Portugal

Besides PSI-20, is also parto of Euronext 100 Index - the index that gathers the largest companies in France, Holland, Belgium and Portugal - **and the FTSE4Good, the benchmark index of social responsibility.**

Brisa has the following 5 key aspects to sustainability:

1. Quality and Innovation
2. Human Resources
3. Environment
4. Social Development
5. Security

➢ *Cimpor:*

CIMPOR – Cimentos de Portugal, SGPS, S.A. is a cement company, founded in 1976, which currently is quite internationalized, being present in Portugal, Spain, Morocco, Tunisia, Egypt, Turkey, South Africa, Cape Verde, India, and China. CIMPOR early supported sustainable development, being a member of the WBCSD - World Business Council for Sustainable Development since 1997 and in 1999 was part of the group of 10, among the world's leading cement companies, which initiated the project known as CSI – Cement Sustainability Initiative.

Corporate Social Responsibility and its importance in company strategy

CIMPOR has only one main area which is the cement production. Has focused on social responsibility through the following points:

1. Climate Protection and management of CO_2 emissions
2. Responsible use of raw materials and fuels
3. Security and health of workers
4. Monitoring and health of emissions
5. Impacts in terms of its usage on earth and on local communities
6. *Reporting* and communication
7. Concrete Recycling

> ### *EDP Renováveis:*

EDPR is the global leader in the renewable energy sector. Are present on the most attractive markets and continue to expand its business into new geographies. They have the same commitment to leadership in each market. They are currently the fourth largest operator in the world wind power sector.

The firm as an institution plays an important role in society, first as a source of employment and value, and secondly as an engine of development. EDPR incorporate into their business strategy, a set of commitments in certain areas:

1. Labor
2. Social
3. Environmental
4. Human Rights.

> ### *ZON Multimédia:*

PT Multimedia was founded in July 1999 as a part of the Portugal Telecom Group. On 7 November 2007, PT Multimedia underwent a spin-off from its parent company which led to a significant change in ownership structure. Prior to the spin-off, on 21 September, the new Executive Management Team was appointed and the organization entered a new phase of development as an independent company.

To mark the birth of its new independent business strategy and identity, on 31 January 2008, PT Multimedia shareholders approved a change of corporate name to ZON (ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A.).

Corporate Social Responsibility and its importance in company strategy

After this change in the county executive, the sense of social responsibility is still present in the ideas of the company.

ZON bets are mostly related with support at institutions or hospitals and prizes for creative entrepreneurs, helps in disasters, etc. We can thus assume that ZON invests in

1. Inclusion and social support
2. Support for science and education

> *Altri:*

Altri is a European producer of reference in the sector of pulp, being one of Europe's most efficient producers of bleached eucalyptus pulp. Was established in 2005 as a result of the restructuring process of Cofina, through a spin-off of the industrial assets of Cofina.

Alongside its core business, the company produces all the electricity it needs for its business of production of pulp through cogeneration.

The company is established only in Portugal but has businesses / clients outside the country.

The Altri long term activity is dependent of the balance between financial performance and its contribution to sustainable development, taking its commitment to social responsibility through:

1. Sustainable forest management, managing approximately 84,000 hectares of forest in Portugal, certified in accordance with the standards of the Forest Stewardship Council and Programme for the Endorsement of Forest Certification
2. Energy Self-sufficiency
3. Local Community development

> *Banco Espírito Santo:*

BES is a company of the banking sector. Is also the top-rated bank in the stock exchange (PSI-20), and its business is both commercial and investment banking. It was founded in 1869 as a money exchange office. BES has earned this designation only in 1999 and remained so until the present day.

Corporate Social Responsibility and its importance in company strategy

The presence of BES is felt today in 24 countries on 4 continents, through branches, representative offices or subsidiaries, making the Group Banco Espirito Santo the most international Portuguese private financial group. It is present in countries like Portugal, Spain, England, Brazil, USA, China, South Africa and Luanda in 4 different ways:

- Representative offices or consignments
- Subsidiaries and associates
- Worldwide offices
- Financial Participations

BES has some bets on Social Responsibility and those were:

1. Engagement with stakeholders
2. Innovation and Entrepreneurship
3. Financial Inclusion
4. Biodiversity and climate change
5. Responsible citizenship

3.4   What stakeholders expects from business activities:

In order to understand in which direction should companies walk, one important point, and probably the most important one, is to understand what are the stakeholders expectations about a company or activity. If the company is able to discriminate what are these points, then, its future are probably bright and shine. But this is a hard work to do due to large number of stakeholders they work with and also, even being less relevant, due to which kind of business is.

Of course it's easy to understand that, in general, stakeholders don't want that companies to harm environment, to kill everyone in order fulfill their objectives, to be corrupt, but instead, what stakeholders want, is to be the best among all others, be seen as some sort of world saviors, technologic developers, and to work with the companies with greater market awareness.

So, to make it easier for companies attempting to figure out what are those expectations, they should aggregate them into specific stakeholders.

Corporate Social Responsibility and its importance in company strategy

3.4.1   Customers:

There are several academic and industry surveys that reveal an important fact: both consumers and employees expect business to actively help build a better society and reward those that do. Hence, they favor businesses that have a good corporate citizenship program. The results from those surveys were stunning.

- They are likely to continue doing business with the company

- More willing to recommend company offerings

- Less susceptible to switching to a different company for a better financial deal

- Say that they would choose the company again if picking for the first time.

The assumption that a low bid is the end-all in gaining contracts and sales is somewhat of a fallacy.

There are several examples in history that can help present and future managers to know what to do. A recent poll shows that businesses with poor corporate citizenship records suffer on the bottom line when customers make choices about purchases and investments. But companies with long records of good reputation are less susceptible to be adversely affected by negative publicity or alleged scandals, according to a report from the industry and commerce think-tank, the conference board. Also, a research conducted by Business for Social Responsibility shows that companies with established reputations as good citizens are more likely to be "given a second chance" by stakeholders when problems occur. In other words, good corporate citizenship is a form of "reputation insurance." This reputation was merely emotional appeal like trust, admiration and respect, and general good feelings. (Doris Rubenstein, 2004)

3.4.2   Employees:

Besides what have been explained above, employees are particularly important for newer, mid-market businesses that are still building product and service lines, and facing stiff competition from larger, well-established firms that have brand recognition and the advantage in offering a higher level of security and benefits to employees.

Christopher Nevill, an entrepreneur, established a Foundation some 15 years ago and works at both the Corporate and personal level, and once, he said the big problem is that business has become so introverted into its own world that people are beginning to ask why do I have to go to work? Also, business demands that the individual give

unstintingly of itself and get little in return except the pay check. Now the pay check is important so let us not minimize that in any way at all. A recent survey conducted by a FMCG organization showed that 90% of people brought no more than 10% of their talents, for which they were employed in the first place, to the office, within six weeks of them taking up their position! This is a terrifying statistic.

In America, employees have come to view corporate citizenship programs as part and parcel of a benefits program. Nearly two-thirds of employees surveyed believe that their companies should sponsor a corporate citizenship program of some sort. The reports concur that good corporate citizenship provides benefits to business as employers by improving employee relations in terms of recruitment, morale, loyalty, motivation, and productivity. Other Benefits to Business Employees expect business to actively help build a better society and reward those that do.

A good bet on employees CSR program will help in two points:

- Improve business performance, citing improved bottom-line returns, increases in competitive advantage, and encouraging cross-functional integration
- Enhance marketing efforts by helping to create a positive image, support higher prestige prices, and boost government affairs activities.

3.4.3   Suppliers:

The way that suppliers deal with companies is pretty much like customers and employees.

Picking some numbers to confirm the validity of these conclusions, we get that 46% of those surveyed in one report stated that they were strongly influenced in favor of a particular company over another because of its positive social image. On the other hand, 49% refused to do business with companies that had bad images.

Now, if we join all this three previous stakeholders, and combine all factors that influence the public's opinion of business, the surveys showed that, mainly the consumers care more about brand quality and company image and reputation than they do about a company's management or business strategy. However, what all of this three agents expects from business companies converge to almost the same things, and they choose or not to "work" with each one according to same parameters.

3.5 Elaboration of the public survey

Surveys were made for every ones who wants to participate and its aim is to ascertain the participant's opinions about CSR, importance of a CSR strategy in companies when negotiating with them and opinion of the first 10 psi-20 companies, and they were conducted on an internet platform named https://isctecis.qualtrics.com/. We intend to reach the large and the most diversified people. A transcription in the English language of the survey presented to participants is included in appendix 1. The program SPSS (Statistical Package for the Social Sciences), version 17.0 was just used as support for the statistical analysis of the survey results, since the platform does the most work needed for this study.

The main incentive for these surveys is to understand the motivations and the importance of CSR strategy for the general public and for companies. We did it by three points of view, which are the three stakeholders chosen for this study. This theme is obviously hard to quantify, and also hard to find some consensus among everyone, so, for this reason, this study is not fully conclusive about this topic. Nevertheless, this project provides important information about CSR, its strategies and what companies can expect from stakeholders. For this reason, it offers some insights that can contribute to the development of future studies about this important topic.

3.5.1 Surveys Procedures

In order to validate the data we collected, some opinions from different persons that participated on survey were considered. However, the higher part of the survey was made taking into account the main ideas from literature reviews, internet search and some aspects we specific want to know. Survey was available on internet platform to participate between April 13th and April 20 of 2011.

3.5.2 Surveys questions explanation

We will present a brief explanation about questions, as a way to make clearer what our aims were in the first place. The survey was divided in three big points of view, customers, employees and suppliers. This last one means that the participants have its own company and can, in one moment create its own CSR strategy and, in other moment, negotiate with other companies.

During the survey, the questions always follow a very similar line of reasoning, trying to have the best way to compare each of the three perspectives. We focus on some important questions like, if a company have a CSR strategy, are the participants more willing to buy a product, to accept an offer, to give a second chance after a big fail discover? And also less willing to change a company for another that has a lower price and a similar product?

In addition, we also want to know what the participants give more importance when the company defines its CSR strategy and which company they consider that have the higher reputation in market.

However, sometimes, there are one or two different questions, focused on each perspective.

In the case of customers, we tried to know if they will choose a product from one company by its reputation, profit, sustainability or just don't care about these topics.

In the case of employees, we tried to know where the participants prefer to work, if with profit or not and if with CSR strategy or not, and from ten 10 best PSI-20companies, where they think they would choose to be an employee.

In the case of own its company (supplier), in which CSR area they would prefer to invest first and what they expect with that investment.

With this, we expect to get several results with different perspectives, giving us the idea where to invest first.

Chapter 4 - Results

4.1 Evaluation of Surveys

When internet survey was closed, we have 63 valid surveys. The survey was divided in 4 parts: socio-demographic data, customers, employees and suppliers (as company owner). The sample obtained was small, and that means this is a non probabilistic sample of convenient type, that is, the sample was limited to the known people only, and its friends.

4.1.1 Participant profile-analysis by Socio-Demographic characteristics

In this first phase we intend to study the respondent's profile. For this we used descriptive statistics to assess the professional situation, degree of education, age, where he lives and works and which area are more close to its qualifications. This data helps to infer the profile of the participants.

Frequency tables for each variable:

Table 2: Group of age

Answer		Response	%
Lower then 17 years		0	0%
17 to 25 years		28	44%
26 to 35 years		17	27%
36 to 45 years		9	14%
46 to 65 years		9	14%
Higher then 65		0	0%
Total		63	100%

As we can see on table 2, our sample is restricted to ages between 17 and 65, which will probably be good in order to rely more on the analysis of data. We said this fact could help due to the fact that customers, employees and suppliers are highly inside that age group. However the majority are 17 to 25 years and 26 to 35 years (71%).

Table 3: Qqualifications

Answer		Response	%
Lower than 12º grade		5	8%
12º grade		12	19%
Graduated		28	44%
Postgraduated		9	14%
Master (integrated or not)		8	13%
PhD or other higher		1	2%
Total		63	100%
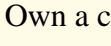
Table 4: Group to which the participants' qualification approaches

Answer		Response	%
Group 1: Scientific		20	32%
Group 2: Arts		0	0%
Group 3: Economic or Social		32	51%
Group 4: Humanities		11	17%
Total		63	100%

On table 3, the main part of the sample (73%) are graduated or higher, which give us the idea that all answers are made by participants with some knowledge of the market, even if they didn't have some formation on economics, finance, management or similar. This reinforces the fact that the surveys were made consciously and not randomly, turning them into a meaningless one. Table 4 shows that most part of the sample is from Economic or similar qualification, which is even better for this type of study.

One important fact is also that 84% lives in Lisbon and 87% works in Lisbon. Since the numbers are high, and the table was too big, we didn't shown here. The next important value is that 8% lives in Setubal and 5% is unemployed or retired.

Table 5: Participants professional situation

Answer		Response	%
Student		18	29%
Employee		37	59%
Own a company		6	10%
Unemployed		1	2%
Retired		0	0%
Other		1	2%
Total		63	100%

On table 5, we see that the majority part of the sample is employed or studying. The only one who responded other said that he/she is chairman of the board.

4.1.2   Participant analysis as a customer

Here we discuss only the different questions made on propose to this part of the survey, i.e., from the client point of view.

Table 6: Care about who produce the object.
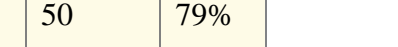
Answer		Response	%
Yes		50	79%
No		13	21%
Total		63	100%
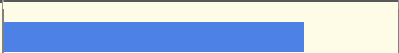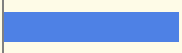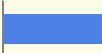
Table 7: Care about company adopted politics.

Answer		Response	%
Yes		29	46%
No		34	54%
Total		63	100%

As we can see, 79% of the participants, when buying something, think which is the company producing the object. However, confronted with the question of second graph, which is if they think about company adopted politics, only 46% answers yes. This shows that the reputation on the market is important at the moment of choosing a product, but this is a strange reputation, due to the fact that it probably lays on its company brand and how many times we hear about it. Also, the company size is important, i.e., if it is a national or a worldwide one. If to all this we join the fact that less than a half cares about company adopted politics, this means that everyone will continue to buy the same products, even if the company force kids to work or heavily pollute seas, even thought we know it beforehand.

Table 8: What's more relevant when choosing a product.

Answer		%
Its quality		76%
Its characteristics / functions		51%
Its Brand (Sony, Samsung, Microsoft, etc)		44%
The company's reputation in the market		33%
The cheaper		25%
The source of manufacture (China, EUA, Germany, etc)		14%
The company's contribution in some way to culture, environment, social support, etc.		8%
The company's concern for its employees		5%
The nationality of the company that owns the product		5%
The profit that the company holding the product has		2%

Corporate Social Responsibility and its importance in company strategy

Above, on table 8, we see that customers care more about quality of its product, followed by its characteristics and functions and the brand. Only in fourth place appears company's reputation and only in 7th and 8th place appear its social contributions and concerns with employees. At the end of everything is the company profit. This tends to show, again, that for customers, it's more important to known the brand and reputation, and not so much what the company does to help society or its internal politics. This leads also to the same idea from graphs 1 and 2, which is, customers care about a different reputation, based on product quality, its brand, and probably, how many times they heard about a product and a name.

Table 9: what you consider more important a company have to buy its product

Question	Mean
Relation with its clients	4.14
Reputation	4.13
Other clients opinions	4.00
Quality certificates	4.00
Transparency in their economic activities	3.68
Sustainable development	3.55
Be the cheaper	3.40
Relationship with its employees	3.21
Know its strategy and future plans	2.83
Profit	2.51

This question was made containing 5 degrees of importance. 1- Nothing Important, 2 - Shortly Important, 3 - Indifferent or irrelevant, 4 - Important and 5 - Very Important. Therefore, the greater the media were more often participants considered it highly important. The order of importance reinforces all discussions we had previously, during this part of this study (4.1.2).

4.1.3 Participant analysis as a employee

Here we discuss only the different questions made on propose to this part of the survey, i.e., from the employee point of view.

Corporate Social Responsibility and its importance in company strategy

Graph 1: receive less and work where CSR is privileged and not just profit.

On graph 1 we see that 79% of inquired people would prefer to work in a company that has a CSR strategy in its plans, even if that implies a lower wage, than work for someone who just cares about its profit, even knowing that probably will receive a higher wage, but at the cost of everyone and everything.

Graph 2: where participants prefer to work
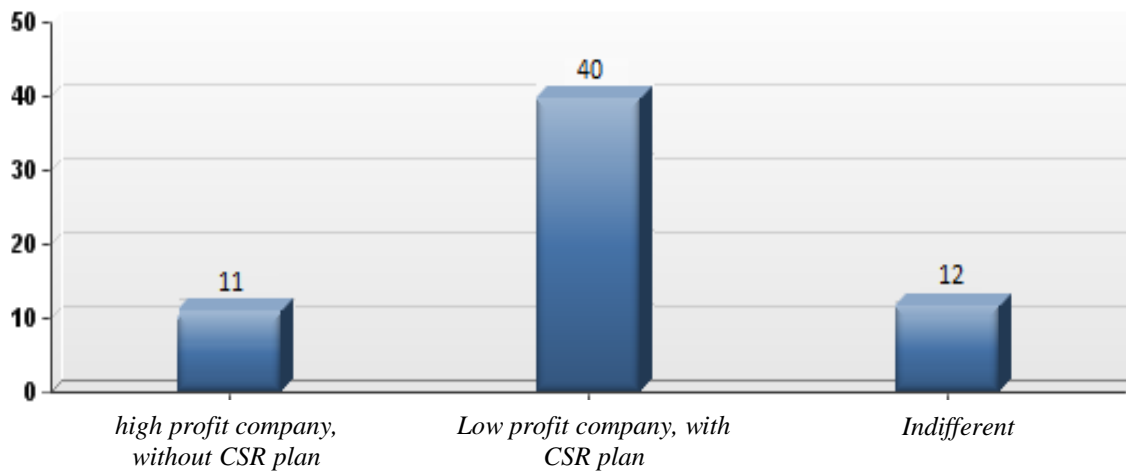
Another proof that employees still prefer to work in a company with CSR strategy is graph 2, where 65% of the participants affirmed that prefer to work in a company with low profit instead one with high profit but without a CSR plan.

Table 10: CSR plan focused on employees would help to…

Question	Mean
Get a positive image	4.52
Improving business performance	4.47
Increase the competitive advantage	4.33
Promote cross-functional integration	4.24
Promote the marketing	4.23
Facilitate the hiring of more qualified personnel	4.15
Facilitate the business with other entities	3.70
Facilitate the practice of higher prices	3.20
Promote the activities of government affairs	3.08
Pay less wage	2.83

As employee, table 10 shows that all participants believe that a CSR with an important part of its plan focused on workers helps company to have a better market image and increase the chances to have more businesses, to improve its business performance and, therefore, increase its production, to increase competitive advantages in order to take better deals and so on.
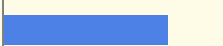
4.1.4   Participant analysis as a supplier (as company owner)

On the following example, the table 11, we have to think the other way around, i.e., since the question was asked in order to create a ranking, giving the idea of where suppliers would focus more when creating its own CSR plan, the lower the media, the better, because it's the closest to the first place on ranking.

Table 11: participants focus when creating CSR strategy

Answer	Mean
Care to human resources (motivation, health, work security, etc)	3.14
Sustainable development	3.41
Quality & innovation plan	4.31
Transparency in their economic activities	4.55
Business policy with customers and suppliers	4.66
Support for science and education	5.48
Support to culture	5.74
Volunteering programs	7.47
Patronage	7.84
Create a foundation	8.40

Table 12: what participants expect when creating CSR strategy

Answer		%
More production and motivation		66%
More prestige		54%
More clients		54%
Sustainable development		49%
More business with other entities (Suppliers or clients)		36%
More profit		29%
Easier recruitment		5%
Higher prices		2%
Other		0%
Lower wages		0%

From the direct analysis of both tables, 11 and 12, we see that participants are in same line. The majority said that if they are confronted with the need of create a CSR strategy

plan, they will mainly focus on human resources and sustainable development. Of course, and it was supposed to happen, is that participants expect to have their employees motivated and producing more, and obtain from that more market reputation and more clients. More profit, is at middle of the table.

Table 13: Participants susceptibility to do business with others (clients & suppliers)

Question	Mean
Socially well seen	4.00
Have important brand	3.97
Have profit and pay in cash, but do not observe the social behavior (without CSR)	3.25
Have a little profit, pay long term, but have a CSR plan	3.18
Are those that offer the best deals on the market but have a process for infringing the laws of the market	2.39
Don't respect environment	2.30
Exploit emplyees	2.19

This question was made containing 5 degrees of importance. 1- Nothing susceptible, 2 - Shortly susceptible, 3 - Indifferent or irrelevant, 4 - susceptible and 5 - Very susceptible.

It's obvious that we expected participants to answer that prefer to do business with well seen companies, with important brand and that doesn't respect environment and their employees. The important part of this question was the third and fourth ranked aspects.

The results were pretty similar, which denotes that evidences the importance of the money in the actual juncture. Like it happened with client perspective, CSR strategy is important but, when money speaks in business, this still one factor with considerable weight.

4.1.5 Analysis of similar questions on all points of view

As we can see on the following graph 3, both perspectives, client and employee, said that companies shouldn't just focus on its own growth, but also, and no less important, to contribute in some way to a better society. This contribution depends on what

business is, where company is established, how big it is and more factors that influence all decisions and strategies.

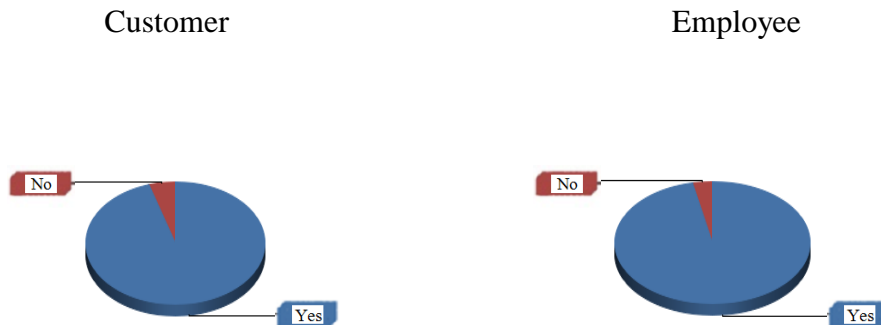Graph 3: Companies should contribute to its own growth and to a better society

Customer   Employee

Table 14: which company participants consider having more market reputation.

Answer	Customer Mean	Answer	Employee Mean
EDPR	2.90	EDPR	3.29
Jerónimo Martins	3.70	Jerónimo Martins	3.69
Portugal Telecom	4.03	GALP Energia	4.07
GALP Energia	4.53	Portugal Telecom	4.31
ZON Multimédia	4.90	ZON Multimédia	5.13
BES	5.33	BES	5.38
Brisa	6.63	Brisa	6.76
Semapa	7.13	Semapa	6.80
Altri	7.87	Altri	7.62
Cimpor	7.97	Cimpor	7.95

On the table 14, we have, again, to think the other way around, i.e., since the question was asked in order to create a ranking, giving the idea of where suppliers would focus more when creating its own CSR plan, the lower the media, the better, because it's the closest to the first place on ranking.

Corporate Social Responsibility and its importance in company strategy

We can't use this table 14 to say that employees think the same as customers of companies for one important reason, which is, the participants who have answered for client perspective, also answer for employee perspective, and, even being a different point of view, they will always say the same order. However, since it was an extensive survey with many questions, we can use this to see if after sometime and some questions, inquired people still have the same opinion about the companies. And the answer is yes. EDPR is the one that participants consider having more reputation on market, followed by JM and GALP. Semapa, Altri and Cimpor are the last ones of the list.

Graph 4: More willing to accept offers from company with CSR plan.

Customer	Employee	Supplier
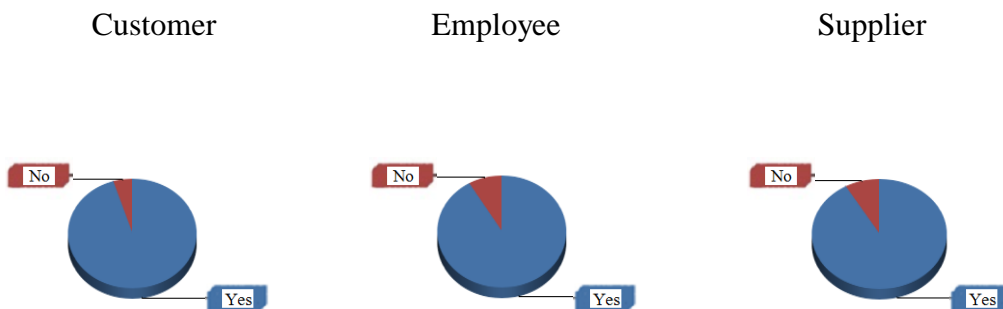
Graph 5: Less willing to change the company with CSR plan, even if product is cheaper and has the same quality.

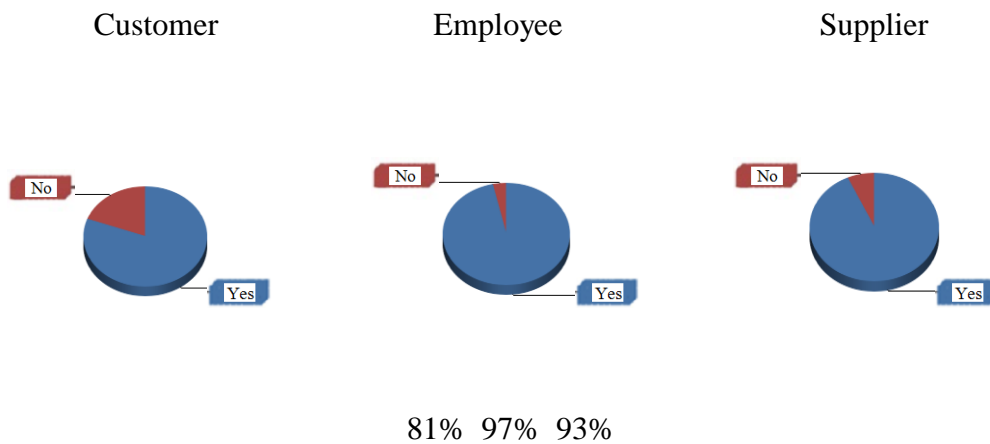| Customer	Employee	Supplier
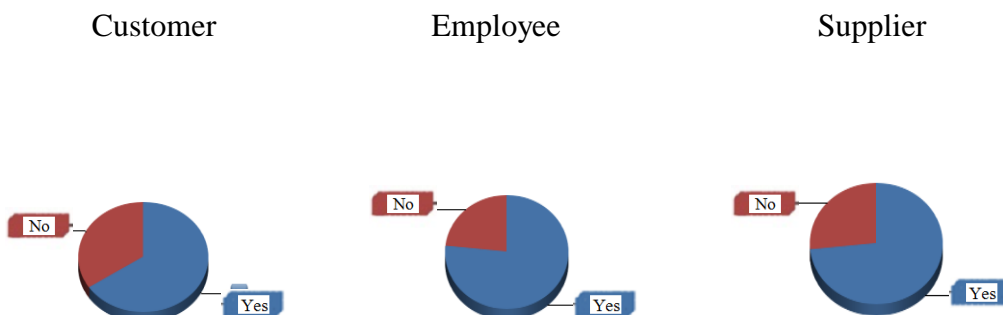
The last two graphs shows that participants are more willing to accept offers from companies that have a proved and defined CSR strategy plan, then one that only cares about its profit and evolution. This opinion remains the same in all points of view, being 95% for customers, 92$ for employees and 92% for suppliers.

Corporate Social Responsibility and its importance in company strategy

In addition, participants are less willing to change the company they have chosen, even if another competitor in the market is able to provide a similar product with a lower price, and again, for all points of view, being 66% of customers, 77% of employees and 73% of suppliers confirming this fact.

Graph 6: A good CSR plan would influence you to choose the same company again.

Customer	Employee	Supplier

81% 97% 93%

Graph 7: A good CSR plan would influence you to give a second chance to a company.

Customer	Employee	Supplier

Analyzing last two graphs, graph 6 and 7, we see that customers, employees and suppliers, would choose the same company again, if they have to do it. This is confirmed by 81% of customers, 97% of employees and 93% of suppliers. Nevertheless, customers are more selective than the other two stakeholders.

When it comes to giving a second chance to a company in which they found something serious, the answers are almost half positive and half negative. Here, suppliers are more intransigent and just 48% said that gives another chance. However, customers and employees don't tolerate bad news and discoveries or surprises about a company, being 52% and 63% respectively.

Table 15: what participants consider important a company have in its CSR strategy.

Answer	Customers mean	Employees mean	Suppliers mean
Care to human resources (motivation, health, work security, etc)	3.39	2.05	3.34
Sustainable development	3.48	3.68	3.70
Quality & innovation plan	4.07	4.61	4.34
Transparency in their economic activities	4.70	4.19	3.54
Support for science and education	4.85	5.32	5.55
Support to culture	5.62	5.96	6.00
Business policy with customers and suppliers	6.15	5.89	4.41
Volunteering programs	7.21	7.05	7.77
Patronage	7.56	7.82	7.64
Create a foundation	7.97	8.40	8.71

Like table 14, we can't use this table 15 to say that employees think the same as customers and suppliers for one important reason, which is, the participants who have answered for client perspective, also answer for employee and supplier perspective, and, even being a different point of view, they will always have the same preferences and characteristics, which influence the final decision and order. However, since it was an extensive survey with many questions, and different points of view always affect the decision, even being the same participants, we can use this to see if they give the same importance to each factor.

Every stakeholder considers human resources and sustainable development important factors to be considered in every CSR strategy. However, as supplier, business policy and transparency in their economic activities are more important than support for education, science or culture.

Create a foundation and patronage is always the last choice of each stakeholder.

Chapter 5 - Discussion

In line with the aims of this work, we analyzed CSR and its importance in company strategy. It is our hope that the results presented in this thesis contribute to better understand whether it's an important point to take into account.

Companies are an important market player when it comes to contribute for a better future and for sustainable development. Besides that, the breath and the economy of a country are them. Without companies, no country survives.

Each company needs its own stakeholders, and those stakeholders are the life of the company, so it's important to take good care about them. There are a lot of stakeholders, but in this work, we focused more on shareholders, customers, employees and suppliers. These ones represent the majority part of who companies work with, and each one of them could represent also its health, and leads to its growth and prosperity, or to its decline and ruin.

We understood that the principal thing stakeholders expect from companies is that they contribute in some way to improve society and its welfare, by helping cultural events, contributes to sustainable development, quality and innovation plan, etc, and not just to its growth and to increase shareholders profit. A good CSR strategy enters here. But this is a big deal for modern era, due to the fact that companies are always under pressure to increase its shareholders benefits, but they have a lot of constraints to fulfill. If they miss a point of just one side, it means that companies are in trouble and someone becomes unhappy.

CSR strategy is important in order to achieve the social objectives and more, but, besides the need to help society, this strategy also define in some way, the relations between each stakeholder and not just between companies and stakeholders. Important things that stakeholders want are the need to have a second chance in case of failure of some commitment, the need to have sure that other would choose again the same if they have do to that and with who they are working with. Of course, this have different impacts on companies, bur always affect its performance.

As we were able to see along point 3.3 of this study, Portuguese companies from PSI-20 follow the same standard model, which gives the idea that those companies are starting

to understand the importance of having a CSR strategy. We are able to find Sustainable Reports with more frequency, more presences on Sustainability Indexes and a lot more care to its own assets.

During this study, we saw that there is no stakeholder more important than other, or that requires more attention, but each one requires a different attention since each one have its own demands. Also, we can't neglect any of them if we want to avoid future troubles to growth.

Assessing the real impact of CSR strategy is never easy. Currently, CSR reports are mostly focused on the positive impact of the initiatives performed by the company disregarding any possible negative effect of their actions, thus giving a biased view of reality. On the other hand, finding the right metrics for evaluating and quantifying the return of investment in these situations is hard.

For future studies we think it would be interesting to make a more deep study about the CSR in Portugal, in order to have a better perspective of the reality and a higher number of participants that allow us to do a probabilistic study representing the all country. Also, since we are facing a big international crisis, and also a specific one in Portugal with FMI present, the opinions in this study probably aren't totally unbiased, and then, a future study in a better economic juncture, will be preferred.

Europe isn't also out of question, as a way of obtaining a good perspective of what it is being done at a more global way, as well as about the differences and similarities between each country, and what is the way to implement some good ideas to the Portuguese reality.

Other idea for the future would be to study the CSR strategies of big companies in Portugal. This could allow comparing the different CSR strategies in the biggest Portuguese companies. It's important to identify if they are available to collaborate only in projects of the core business area or in diverse areas, and identify in this two different approaches who can receive more with their participation, the company or the stakeholders.

Chapter 6 - Conclusions

During the literature review, certain aspects of CSR were raised, like the importance of having a defined strategy and the need of directly approaching social areas, which really contribute to the wellbeing of the local communities. However, this importance of having a CSR strategy isn't something easy to implement, due to the fact that exist one important factor to take into account, the money.

It's also hard to get consensus between stakeholders and shareholders, and their objectives normally are in conflict with each other. Shareholders favor the increase of its own profit and wealth and stakeholders prefer to see investment of company profit in something that increases social welfare.

Of course, it's expected that everyone cares more about companies that improves social aspects like sustainable development, R&D, innovation, spreads country culture and supports science and education and more. The conclusions are that we care, but we don't really care about it, or at least, we don't contribute enough but expect others to do. But besides all this, from surveys we get some unexpected results.

Customers don't care a lot about CSR strategies when buying stuffs. Obviously, they like to see companies working for a better world and with concerns about welfare, but not as much as desired. When they are buying something, they don't think if that specific company is exploring its employees or polluting an important river feeding species endangered. Instead, they think on its brand name, and, as told on part 4.1.2, probably depend on how many times they hear about it. Also, the company size is important, i.e., if it is a national or a worldwide one.

Customers are, from all points of view analyzed in this study, the ones who are more willing to change of product for one similar and cheaper. Hence, they're less tolerant with company failures.

Employees are, for the mid-size companies and the new ones, the most important asset that they could have. Keep them motivated and valorized implies automatically more production, more willing to accept changes in their wages, more reputation, etc. This is a key ingredient for any company who wants to be a successful one. Since employees

are also the ones who deals with customers at the final stage of all business, they need to be extra prepared to sell the product, or else, company ruin is right on the corner.

Suppliers know that CSR is important, but walking side by side with this, is the money. This last one has a considerable weight, and the fact is that, even if they prefer to work with sustainable companies, important brand and with CSR strategy plan in its *modus operandi*, a company that pays in cash and not on term contracts, continue to be one decisive factor when choosing who we want to deal with. However, these are the ones who, when doing business with other companies, care more about if they have a CSR strategy and what is its social reputation on the market.

At least, when we study if CSR strategy is reflected on PSI-20, the answer cannot be conclusive and it's the aim that we didn't achieved in this study. Customers and employees said the same about the ranking of the companies, but as we said in Part 4.1.5, this ranking is based on the company's image and not in their business strategy. Let us see, EDPR is in first place, according to inquired people, probably because it is associated with renewable energy so hyped nowadays. The last ones, since are not as publicized as others, because it is a sector that has a much more restricted target like Cimpor, Semapa and Altri, they don't have a recognition by the survey participants, even if its policies are the best and even though its position on the PSI -20 is higher than the BES, ZON or even EDPR.

Besides all of these last points, we can conclude that having a CSR strategy is important and companies shouldn't neglect that part of the program. From the research, we also see that participants considered important by 70% the existence of a CSR strategy in companies. However, they need to know where to invest first, and that depends on what business is, where it's established and with who they want to deal.

From this study we can propose that, for new companies and mid-size ones, the best way to start is probably give more attention to its human resources. Keep them motivated and they will consider that the best company to work is ours. Have a specific program for employee security, health and appreciation, and never neglect its capacity and strength to help the company to growth. One specific point is, always get the much involved with them as we can, and ask for their opinion and suggestions.

The big-size ones, since they already should have a CSR strategy created, they should invest more in improving the quality of its own products, even if they aren't the cheaper available on market, because as we see during this study, cheaper is not always better, and customers are more willing to keep buying our products, even after some problem, if they know that they can trust in its preferred brand. Institutional publicity with our brand associated is also important, because this leads to more business with other stakeholders.

This is just a suggestion after the analyses of surveys, but this survey is a non probabilistic one, so, to further improvements on where we should invest first, we advise a deeper analysis with a higher number of participants. However, we hope this study encourage people to be more concerned about this important topic, and show the importance to have a CSR strategy in companies.

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USED SITES:

- Qualtrics: https://isctecis.qualtrics.com/
(Survey and statistical site)

- Sib.ul: http://metalib.sibul.ul.pt/V?RN=801912669
(Integrated system library of the University of Lisbon)

Appendix

➢ Survey used:

IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON COMPANIES

I am a student of Master in International Finance at ISCTE-IUL and I am conducting a study on the impact of corporate social responsibility. This survey is aimed at trying to understand if people prefer to entities that have a strategy for corporate social responsibility (CSR) or if, on the other hand, are not very interested in this approach.

The concept of corporate social responsibility still hasn't a definition that is considered the most accurate, but is based on simple things. A more concrete definition is that CSR is the voluntary integration, by enterprises, of the social and environmental concerns in their business operations and in interactions with their interlocutors. The concept of social responsibility implies going beyond the mere compliance with legal requirements, through increased investment in human capital, environment and relationships with stakeholders. It is a voluntary instrument, but that should be implemented reliably in order to promote trust and safety within the parties.

Keep this in mind when answering the questionnaire.

Thank you in advance by the availability and cooperation.

João Caracol

Corporate Social Responsibility and its importance in company strategy

1 - Age

❍ Lower then 17 years
❍ 17 to 25 years
❍ 26 to 35 years
❍ 36 to 45 years
❍ 46 to 65 years
❍ Higher then 65

2 - Qualifications

❍ Lower than 12º grade
❍ 12º grade
❍ Graduated
❍ Postgraduated
❍ Master (integrated or not)
❍ PhD or other higher

3 - To which group your qualification approaches?

❍ Group 1: Scientific
❍ Group 2: Arts
❍ Group 3: Economic or Social
❍ Group 4: Humanities

4 - District of Residence: _____

5 - District where you're employed / Studying: _____

6 - Professional situation

❍ Student
❍ Employee
❍ Own a company
❍ Unemployed
❍ Retired
❍ Other

From now on, consider that you're just a regular CUSTOMER, interested in acquiring XPTO product, and has several companies supplying the same or similar product.

7 - When you're choosing a product, do you have in mind which company produces it?

Corporate Social Responsibility and its importance in company strategy

○ Yes
○ No

8 - When you're choosing a product, do you have in minds which are the adopted policies by the company producing it?

○ Yes
○ No

9 - When you're choosing a product, do you have in mind if the company that produces it, respects the social and environmental conduct and if it contributes for sustainable development?

○ Yes
○ No

10 - During the choosing process of XPTO product, and being this product always linked to a specific company, which you consider to be more relevant? (Choose up to 3)

❑ Its brand (Sony, Samsung, Microsoft, etc)
❑ The source of manufacture (China, EUA, Germany, etc)
❑ The nationality of the company that owns the product
❑ The profit that the company holding the product has
❑ The company's concern for its employees
❑ The company's reputation in the market
❑ Its characteristics / functions
❑ Its quality
❑ Its characteristics / functions
❑ The cheaper
❑ The company's contribution in some way to culture, environment, social support, etc.

11 - What do you consider to be more important the company (and not the product) to have, in order to want to buy it?

	Nothing Important	Shortly Important	Indifferent or Irrelevant	Important	Very Important
Reputation	○	○	○	○	○
Profit	○	○	○	○	○
Quality certificates	○	○	○	○	○

Sustainable development	○	○	○	○	○
Other clients opinions	○	○	○	○	○
Be the cheaper	○	○	○	○	○
Know its strategy and future plans	○	○	○	○	○
Relationship with its employees	○	○	○	○	○
Relation with its clients	○	○	○	○	○
Transparency in their economic activities	○	○	○	○	○

12 - Do you expect that a company, when perfectly established in the market, contributes not only to its own growth, but also to a better society, and do you believe that should be its objective?

○ Yes
○ No

13 - Considers that you would be more willing to buy a product from a company that had a defined plan of CSR and does not care just about the creation of value for shareholders?

○ Yes
○ No

15 - Considers that you would be more willing to accept offers or proposals from a company with a defined and proven CSR plan, than from another company that knows only focuses on its profit and evolution?

❍ Yes
❍ No

16 - Considers that would be less likely to change the company chosen, having a good CSR plan defined, even if the new offer had the same quality and be cheaper?

❍ Sim
❍ No

17 - Considers that if the company has a good CSR plan, would influence you to choose the same company again, if having to do it?

❍ Yes
❍ No

18 - Considers that if the company has a good social reputation, this fact would make you to give it a second chance, even if a major breakthrough was discovered? (Corruption, environmental damage, disregard for human, etc.)

❍ Yes
❍ No

19 - A company with CSR means that it has a strategy to make its contribution to society. What do you consider to be most important a company have in its CSR plan? Note: As Customer (place the order you want)

_____ Support to culture

_____ Support for science and education

_____ Sustainable development

_____ Patronage

_____ Create a foundation

_____ Volunteering programs

_____ Qualtity and Innovation plan

_____ Care to human resources (motivation, health, work security, etc)

_____ Transparency in their economic activities

_____ Business policy with customers and suppliers

20 - As a customer, how do you quantify the importance of the companies had a CSR plan in its corporate strategy? (Quantify from 0% to 100%)

_____ Plano RSE

21 - From the following companies, which you thinks to be the best referenced in the market? (Place the order you want)

_____ Galp Energia

_____ EDP Renováveis

_____ ZON Multimédia

_____ Semapa

_____ Portugal Telecom

_____ Brisa

_____ Jerónimo Martins

_____ Altri

_____ BES

_____ Cimpor

From now on, consider that you're an EMPLOYEE from QWERTY company.

22 - What do you consider to be more important the company to have?

	Nothing Important	Shortly Important	Indifferent or Irrelevant	Important	Very Important
Reputation	○	○	○	○	○
Profit	○	○	○	○	○
Quality Certificates	○	○	○	○	○
Sustainable Development	○	○	○	○	○
Other clients opinions	○	○	○	○	○
Be the cheaper	○	○	○	○	○

Know its strategy and future plans	○	○	○	○	○
Relationship with employees	○	○	○	○	○
Relation with clients	○	○	○	○	○
Tranparency in their economic activities	○	○	○	○	○

23 - Do you expect that a company, when perfectly established in the market, contributes not only to its own growth, but also to a better society, and do you believe that should be its objective?

○ Yes
○ No

24 - Considers that you would be more willing to accept offers or proposals from a company with a defined and proven CSR plan, than from another company that knows only focuses on its profit and evolution?

○ Yes
○ No

25 - Considers that would be less likely to change the company chosen, having a good CSR plan defined, even if the new offer had the same quality and be cheaper?

○ Yes
○ No

26 - Considers that if the company has a good CSR plan, would influence you to choose the same company again, if having to do it?

○ Yes
○ No

27 - Considers that if the company has a good social reputation, this fact would make you to give it a second chance, even if a major breakthrough was discovered? (Corruption, environmental damage, disregard for human, etc.)

○ Yes
○ No

28 - Would you accept to be less payed if it meant working for a company that favors CSR than just their own business and profit at the cost of everything and everyone?

○ Yes
○ No

29 - Where would you prefer to work?

○ high profit company, without CSR plan
○ low profit company, with CSR plan
○ Indifferent

30 - I consider that a good CSR plan focused on employees (Human Resources) would help to:

	It wouldn't help nothing	Help a little	Indifferent	Help	Help a lot
Improving business performance	○	○	○	○	○
Increase the competitive advantage	○	○	○	○	○
Promote cross-functional integration	○	○	○	○	○
Get a positive	○	○	○	○	○

image					
Promote the marketing	❍	❍	❍	❍	❍
Facilitate the practice of higher prices	❍	❍	❍	❍	❍
Promote the activities of government affairs	❍	❍	❍	❍	❍
Facilitate the business with other entities	❍	❍	❍	❍	❍
Facilitate the hiring of more qualified personnel	❍	❍	❍	❍	❍
Pay less wage	❍	❍	❍	❍	❍

31 - A company with CSR means that it has a strategy to make its contribution to society. What do you consider to be most important a company have in its CSR plan? Note: As Employee (place the order you want)

_____ Support to culture

_____ Support for science and education

_____ Sustainable development

_____ Patronage

_____ Create a foundation

_____ Volunteering programs

_____ Quality & innovation plan

_____ Care to human resources (motivation, health, work security, etc)

_____ Transparency in their economic activities

_____ Business policy with customers and suppliers

32 - From the following companies, which you thinks to be the best referenced in the market? (Place the order you want)

_____ Galp Energia

_____ EDP Renováveis

_____ ZON Multimédia

_____ Semapa

_____ Portugal Telecom

_____ Brisa

_____ Jerónimo Martins

_____ Altri

_____ BES

_____ Cimpor

From now on, consider you OWN A COMPANY (supplier) and:

33 - You can create a CSR plan. Would you give more attention to what areas? (Place the order you want)

_____ Support to culture

_____ Support for science and education

_____ Sustainable development

_____ Patronage

_____ Create a foundation

_____ Volunteering programs

_____ Quality & innovation plan

_____ Care to human resources (motivation, health, work security, etc)

_____ Transparency in their economic activities

_____ Business policy with customers and suppliers

34 - When implementing that CSR plan, what are the objectives you want to achieve? (Choose up to 3)

- ❑ More profit
- ❑ More clients
- ❑ More prestige
- ❑ More business with other entities (Suppliers or clients)
- ❑ More production and motivation
- ❑ Sustainable development
- ❑ Easier recruitment
- ❑ Lower wages
- ❑ Higher prices
- ❑ Other _____

From now on, consider you OWN A COMPANY (supplier) and will negotiate with several companies.

35 - Considers that you would be more willing to accept offers or proposals from a company with a defined and proven CSR plan, than from another company that knows only focuses on its profit and evolution?

○ Yes
○ No

36 - Considers that would be less likely to change the company chosen, having a good CSR plan defined, even if the new offer had the same quality and be cheaper?

○ Yes
○ No

37 - Considers that if the company has a good CSR plan, would influence you to choose the same company again, if having to do it?

○ Yes
○ No

38 - Considers that if the company has a good social reputation, this fact would make you to give it a second chance, even if a major breakthrough was discovered? (Corruption, environmental damage, disregard for human, etc.)

○ Yes
○ No

39 - Considers that it is more likely to negotiate with companies (suppliers or customers) that:

	Nothing likely	unlikely	indifferent	likely	A lot likely
Have profit and pay in cash, but do not observe the social behavior (without CSR)	O	O	O	O	O
Have a little profit, pay long term, but have a CSR plan	O	O	O	O	O
Socially well seen	O	O	O	O	O
Have important brand	O	O	O	O	O
Exploit emplyees	O	O	O	O	O
Don't respect environment	O	O	O	O	O
Are those that offer the best deals on the market but have a process for infringing the	O	O	O	O	O

laws of the market					

40 - A company with CSR means that it has a strategy to make its contribution to society. What do you consider to be most important a company have in its CSR plan? Note: As a OWNER OF A COMPANY (supplier) (place the order you want)

_____ Support to culture

_____ Support for science and education

_____ Sustainable development

_____ Patronage

_____ Create a foundation

_____ Volunteering programs

_____ Quality & innovation plan

_____ Care to human resources (motivation, health, work security, etc)

_____ Transparency in their economic activities

_____ Business policy with customers and suppliers

Thank you for your Collaboration. Your contribution was important.

João Caracol