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STRATEGIC CORPORATE RESPONSIBILITY: A KEY FOR SURVIVING AND SUCCEEDING THROUGH TURBULENT TIMES

Mari Kooskora, Krista Vau

Estonian Business School

Abstract

Increasing number of studies supports the positive impact of corporate responsibility (CR) in long-term perspective and for securing sustainable performance (e.g. Freeman, 2000; McElhaney, 2008; Hollander, 2008), moreover several recent studies (see Carroll, 2010; Hansen and Reichwald, 2009; Googins et al., 2009) found that organisations which performed according to their principles and core values were significantly less influenced by the economic recession and were able to restore their business easier than those who cut corners or neglected ethics and / or responsibility in their activities. Therefore we can argue that corporate responsibility is a key to sustainable performance and helps organisations to survive and succeed through turbulent times.

However it is suggested that corporate responsibilities activities are sustainable only when they are tightly linked to the core business goals (Schreck, 2009) and are lead strategically (e.g. Mele and Guillen, 2006). Jonker and de Witte (2006) maintain that although the roots of corporate responsibility are strong, the strategic approach is still relatively new.

The discussion is illustrated with a brief overview of a study among Estonian organisations. The purpose of our study is to find out whether and how CR is related to strategic management, business objectives and leadership competences, and whether the responsible activities of an organisation correspond to the attributes of strategic corporate responsibility (SCR).

The study is conducted among Estonian organisations who took part in Responsible Business Index (RBI) study in 2009 and 2010 (csr.ee homepage), research methods are combined, including analysis of the RBI questionnaires, the organisations' home-pages, annual reports and personal conversations with organisations' representatives.

Keywords: strategic corporate responsibility, sustainability, Estonia.

Introduction

Today, the concept of corporate social responsibility (CSR) or simply put, corporate responsibility (CR), regarded as the business contribution to sustainable development by meeting the needs of various stakeholders (see Blowfield et al, 2008), has become one of the topics covered more often than before in the agendas of the world economic and social forums. Being as old as the business itself (e.g. Handy, 2002) CR is debated over in global development discussions, and addressed in the strategic political frameworks all over the world.

We can argue that the economical, environmental and societal developments and changes have led to increasing pressure for companies to perform according to the expectations of the society (see Carroll and Buchholtz, 2000) and various stakeholders (e.g. Freeman, 2000; Verschoor, 1998). Challenges deriving from various stakeholders have created a need to re-examine the roles, rights and responsibilities of business organisations and this has made CR as an integral part of the business vocabulary regarded as a crucially important issue in management (e.g. Humphreys and Brown, 2008).

Moreover, increasing number of studies supports the positive impact of CR in long-term perspective and for securing sustainable performance (e.g. Freeman, 2000; McElhaney, 2008; Hollander, 2008). CR initiatives have also had favourable outcomes in recent crises situation. Studies in US (Carroll, 2010; Googins et al., 2009) and Europe (Hansen and Reichwald, 2009) found that organisations which performed according to their principles and core values were significantly less influenced by the economic recession and were able to restore their business easier than those who cut corners or neglected ethics and / or responsibility in their activities. Therefore we can argue that CR is a key to sustainable performance and helps organisations to survive and succeed through turbulent times.

However it is suggested that corporate responsibilities activities are sustainable only when they are tightly linked to the core business goals (Schreck, 2009) and are lead strategically (e.g. Mele and Guillen, 2006). When responsible activities are planned and implemented separately from the company's strategy, it will lead just in single activities, which may bring positive results, but do not give any information about the CR of the company. Therefore Porter and Kramer (2006) suggest that social responsibility has to be integrated into the corporate strategy from the very beginning. Furthermore Jonker and de Witte (2006) maintain that although it has become evident that CR has to be strategically integrated into management system and the company's every field of activity the strategic approach is still relatively new.

The discussion of CR and SCR is followed by a brief overview of the study we conducted among Estonian organisations who took part in Responsible Business Index (RBI) study in 2009 and 2010. Our purpose is to find out whether and how CR is related to strategic management, business objectives and leadership competences, and whether the responsible activities of Estonian organisations correspond to the attributes of SCR. The research methods are combined, including analysis of the RBI questionnaires, the organisations' home-pages, annual reports and personal conversations with organisations' representatives.

Our study results show that at least among those Estonian organisations who have already defined CR for their companies exist willingness and readiness to move forward and start implementing more strategic CR approach. Comparison of two years' results revealed that, especially in the leading top 10 organisations, the awareness of CR principles has matured, and related activities have started to resemble those more characteristic to SCR (cf. Halme and Laurila, 2009).

1. Defining Corporate Responsibility

Blowfield and colleagues (2008, 36) have called CR as the 'newest old thing' in business management, stating that long before there was a name for corporate responsibility, there were ideas about what it meant for business to make a positive contribution to the rest of society. We can argue that the concept of CR has evolved over time (e.g. Bowen, 1953;

Carroll, 1999; Carroll, 2008) and recently there has been a new surge of interest in CR, or the ways in which a company's business model, strategies, and practices affect stakeholders (e.g. Freeman, 1984; Donaldson and Preston, 1995; Jones, 1995) and the natural environment (see Waddock, 2008).

Today the concern has mainly developed into a debate about the sustainability of the economy and the societies and environment within which it exists. According to McElhaney (2008) the discussions have moved from asking CR, to measuring the impact of CR, to developing strategic frameworks, and finally to talking about, communicating, marketing, and branding the concept. It is argued further that the concept of CR does not have one generally understood meaning, as responsible corporate behaviour may mean different things in different places to different people and at different times (Campbell, 2007: 950) and therefore there are various approaches to CR emphasising different aspects.

For example, Matten and Moon (2004) describe CR as a cluster concept overlapping with such concepts as business ethics, corporate philanthropy (e.g. Porter and Kramer, 2002), corporate citizenship (e.g. Matten and Crane, 2005), sustainability (e.g. McElhaney, 2008; Hollander, 2008) and environmental responsibility'(Matten and Moon, 2004; see also Kooskora, 2008). Additionally, McElhaney (2008) lists sustainable development, social enterprise, global citizenship, and values-driven business, natural, spiritual and compassionate capitalism and triple bottom line, 3 Ps (i.e. people, planet, profits; e.g. Elkington, 1999) when referring to the things companies do involving CR activities. Werther and Chandler (2010) suggest that CR is a fluid concept, both means and an end. They argue that CR as an integral element of the firm's strategy (i.e. means), is also a way of maintaining the legitimacy of its actions in the larger society by bringing stakeholder concerns to the foreground (i.e. end; ibid: 7).

However, with the assumption that businesses play a key role in job and wealth creation in society, in most cases, CR is regarded as the way a company achieves a balance or integrates economic, environmental and social imperatives, while at the same time addressing shareholder and stakeholder expectations (cf. Freeman, 1984; Carroll, 1991; 1995; wood, 1991; Wood and Jones, 1995; Donaldson and Preston, 1995; Elkington, 1998; Crane and Matten, 2004; see also Kooskora, 2008). CR is about the company's accountability to all of its stakeholders, and the more advanced view of CR demands significant long-term commitment and definition (or redefinition) of corporate values (Humphreys and Brown, 2008).

Deriving from the different approaches we can say that CR is a process, characterised by: 1) accountability, 2) sustainability, 3) economy, 4) integrity, 5) transparency, and 6) trust. Hence, no matter how it is defined, CR activities have to be integrated into the core business, the stakeholders' needs and interests must be considered, the balance found between the environmental, social and business objectives and the activities should be consistent, targeted, transparent, and strategic.

Porter and Kramer (2006: 79) name four main arguments used by the proponents of CR: moral obligation, sustainability, licence to operate and reputation. Therefore, it can be argued, that CR activities are having both an ethical or moral component as well as business component. In today's world of intense global competition, it is clear that CR can be sustainable only as long as it continues to add value to corporate success. It must be observed, however, that it is society or public that plays an increasing role in what constitutes business success (see Carroll, 2008).

1.1. Linking Corporate Responsibility and Corporate Performance

Milliman and colleagues (2008, 29) argue that the literature about CR identifies several reasons why companies get involved in CR programmes. Among those arguments we can find reasons such as: improving the public image, responding to the community expectations, lessen the pressure from stakeholders, leveraging risks, creating new business opportunities and achieving marketing edge. All those refer directly to corporate performance.

Weber and Cross (2008) argue that entrepreneurs, who have introduced CR into their organizations, have identified two major positive factors: CR helps the company to better access capital to and manage operational risks in a rapidly changing world. Being responsible the companies can anticipate government regulations, take advantage of opportunities arising from the awareness of responsible business and distinguish their products from those of less responsible competitors (e.g. Jones, 1995). The awareness of companies about managing their operations in a way that enhances economic growth and increases competitiveness and at the same time contributes to sustainable development by ensuring environmental protection and promoting CR is growing steadily (see Gergely, 2007) and increasing number of companies realise the positive impact of CR to their sustainable performance.

The economic reason for CR has been under discussion for many decades (e.g. Aupperle et al, 1985; Waddock and Graves, 1997; McWilliams and Siegel, 2001) and there are even certain authors requiring that ‘true CR’ comes along with economic losses (see Schreck, 2009). These statements are sometimes supported in articles published by Economist (e.g. Crook, 2005; Franklin, 2008) where we can find claims that CR activities are waste of resources, obstructing companies in fulfilling their main role – offering products and services and earning profit for shareholders. However, although statements like these appear once in a while, the majority of arguments support the positive effect of CR on companies’ performance.

Going further we can argue that a number of empirical studies have been conducted to find relationships between CR and financial performance, shareholder’s value and other economic and financial parameters (see Margolis and Walsh, 2001:10). Those studies do not give a conclusive and unanimous opinion about the relationship between CR and economic-financial performance measures (Schreck, 2009). However, there is evidence of a positive effect of CR strategies on economic performance, stakeholder relations, several internal variables, like motivation and entrepreneurial culture.

For example, the studies by Freeman (1984), Harrison and Freeman (1999) supported the statement that CR minimises transaction costs and potential conflicts with stakeholders; Pava and Krauz (1996) found positive correlation between CR and financial performance; a study by Waddock and Groves (1997) asserted that social and economic performance have positive consequences on financial statements; and Verchoor (1998) identified positive relationship between corporate performance and stakeholder relationships. More recent studies have proved the positive impact of CR in long-term perspective and for securing sustainable performance (e.g. Freeman, 2000; McElhaney, 2008; Hollander, 2008) and CR initiatives have also had favourable outcomes in past-years crises situation (e.g. Carroll, 2010; Googins et al., 2009; Hansen and Reichwald, 2009).

Halme and Laurila (2009) claim that the existing research has focused on CR policies and programmes without questioning the benefits and the actual results of such projects and they suggest that the financial performance of companies may differ depending on the type of CR action conducted. Following this they note that while the major rationale behind CR lies in its societal outcomes, it still remains largely an under-researched area (cf. Margolish and Walsh, 2001) and it tends to be taken for granted that CR is good for the society, as long as it is not used solely for the purposes of public relations. The study conducted by Halme and Laurila (2009) revealed that companies profit least of all from philanthropy, while CR integration and innovation have more potential with regard to both financial and societal outcomes.

Thus, in addition to meeting the expectations of society and stakeholders, while being active in CR, the companies can increase their own sustainability and performance. Hopkins (2000) believes that CR and sustainable business are just two sides of the same coin. It can be argued that the companies who make serious efforts to define CR, and integrate these principles in all activity fields, believe and feel that CR has a positive impact on their business in general and also even on their economic results, can also benefit in financial terms. However it is suggested that CR activities are sustainable only when they are tightly linked to the core business goals (Schreck, 2009) and are lead strategically (e.g. Mele and Guillen, 2006).

1.2 Strategic Corporate Responsibility

A novel approach in CR taken in recent years by several authors introduces the concept of Strategic Corporate Responsibility (SCR). McElhaney (2007) describes SCR as a business strategy that is integrated into the company's main activities and key competencies in order to create value for the company and has become a part of corporate culture and daily business processes. However, she says that a lot of CR is out there in the business world, but just a few can be characterised as effective, strategic and high-impact, moreover, very little of that is effectively communicated. Hollander and Breen (2010: xiii) add that 'despite CR's best efforts, for most part, we still make the wrong products, powered by the wrong energy, driven by the wrong business models' and just a small number of corporations are starting to internalize the truly strategic implications of the changes that are looming, but even these few enterprises are far from truly integrating and expansive business mission into their daily operations.

Porter and Kramer (2006) warn that when CR activities are planned and implemented separately from the company's strategy, in form of just single activities, which may bring positive results, it will not offer any real information about the CR performance of the company. Similarly argues Schreck (2009), who notes that CR is sustainable only if the CR activities are linked to the company's main objectives, otherwise, these will be eventually rejected or put aside by some executives or owners as unnecessarily burdensome to the organisation.

McElhaney (2008) believes that many business leaders have begun to understand that CR is a viable component of their overall business strategy, and needs to be treated equally important among other areas such as marketing, research and development, capital expenditure and talent management. She stresses that effective CR strategy can improve the company's bottom line, while enhancing employee loyalty, productivity and retention, granting a company a licence to operate in new countries and markets, while giving a product or service a competitive advantage, and also giving a company a brand story to tell in the marketplace (e.g. McElhaney, 2008: 19).

Implementing SCR activities should not differ from implementing normal business strategy, CR activities have to be strategically integrated into management systems and in company's every activity field (see Jonker and de Witte, 2006), and in order to be effective, CR goals must be aligned with the company's core business objectives and core competencies (see McElhaney, 2007), linked to the mission, vision and values of the organisation. Furthermore, senior leadership and management of the firm, including the board of directors, must make an authentic, firm, and public commitment to CR efforts, and engage with them (e.g. McElhaney, 2008: 19).

Porter and Kramer (2006: 80) believe that CR can be much more than just a cost, constraint, or charitable deed and when it is approached strategically, CR generates opportunity, innovation, and competitive advantage for corporations while solving pressing social problems. The authors continue (ibid: 88) that typically, the more closely tied a social issue is to the company's business, the greater is the opportunity to leverage the firm's resources and capabilities, and benefit society. McElhaney (2007) highlights that if CR is to be treated as part of an effective corporate strategy, it should be unique to each company based on that company's objectives, risks, opportunities, and competencies.

Zadek (2004) argues that most corporations pass through five stages as they move toward CR. He identified five stages of CR organisational learning that the companies adopt as the mature in understanding and practicing CR, and called these as following: defensive (when a company denies CR practices, outcomes or responsibilities); compliance (company adopts policy-based compliance approach as a cost of doing business); managerial (embed the CR issue in the core management practices); strategic advantage (integrate CR into their core management practices) and civil (company promotes broad industry participation in CR, see also corporate citizenship, Matten and Crane, 2005).

Additionally he (ibid) combined those five stages with four stages of intensity to measure the maturity of CR issues and public expectations around those issues. These stages are called as: latent (where there's awareness of CR issues only among activists); emerging (awareness seeps into political and media communities); consolidating (much broader awareness id established) and institutionalised (where's there a tangible reaction from powerful stakeholders). Combination of those stages shows the organisations which stakeholders and issues pose the greatest opportunity and danger (see Werther and Chandler, 2010: 37).

McElhaney (2008: 22) expanding upon Zadek's (2004) stages of learning described the CR maturation process, where company's CR growth takes place from philanthropic activities (i.e. donations and grants) through transactional (i.e. event sponsorships, cause-related marketing, employee volunteerism) toward integrative stage, what is characterised by joint advocacy and joint action, deep partnerships, clear financing principles and changing rules of the industry. The need to move forward from philanthropic activities to more strategic CR approach was also highlighted by Halme and Laurila (2009), moreover, just organisation's views of issues grow and mature, so does society's. Therefore, in order to capitalize fully on the benefits to themselves and society, organisations have to take a more strategic CR approach.

Based on previous discussion we can conclude that the necessary processes in CR management system include management's responsibility, determining the expectations of stakeholders, strategic planning, managing resources, processes and systems, measuring and analysing, managing change and constant improvement. Knowing and considering the needs and expectations of the most important stakeholders is the key, moreover, the organisations need to measure constantly their performance impact on various stakeholders. According to contemporary approaches the emphasis of CR has changed, now CR is treated / or should be treated as the organisation's strategic resource, for improving the corporate performance and quality of life of all stakeholders.

2. Study among Estonian organisations

2.1 Introduction to the Responsible Business Index (RBI) study

In this section we briefly introduce the essence of the RBI study and the methodology and results of our study, where the goal was to find out whether and how CR is related to strategic management, business objectives and leadership competences, and whether the responsible activities of an organisation correspond to the attributes of SCR. The study is conducted among Estonian organisations who took part in Responsible Business Index (RBI) study in 2009 and 2010 (see csr.ee homepage). Very brief overview of the results is given and a more detailed discussion involves the results of 10 companies, who received the highest ranking.

The authors of this paper are the members of a research team, who conducts research among Estonian organisations ranking them publicly based on their CR performance. The aim is to assist companies in defining, evaluating and monitoring their economic, social and environmental impact. RBI enables companies to receive feedback and compare their results with those of other companies, thus identifying the future needs for development. So far the RBI study has been conducted three times; index was launched in autumn 2007 with an aim to help businesses to improve their economic, social and environmental impacts as well as to provide better information to their stakeholders.

During the first time participation was based on a voluntary basis and required companies to fill out the form assessing their CR strategy, integration, areas management and communication. The results were then assessed by the assessment team and as a reward each company got a detailed feedback highlighting key CR successes as well as improvement areas. In 2009 - 49 and in 2010 - 55 organisations were ranked publicly, in 2009 partly pre-fulfilled questionnaires (based on the publicly available information, home-pages, annual reports, corporate policies, media releases, etc) were sent to the organisations' representatives, mainly to CEOs. The CEOs were asked to complete the questionnaires and make necessary changes.

The RBI questionnaire has a 4-part structure: questions about business strategy (give 20% of the total 100); integration of CR principles (20 %); issues management (including areas such as community, natural, working and market environments, give 40%), and stakeholder reporting and communication (20%). The maximum 100% demonstrates the result which can be regarded as the ideal in our Estonian context, considering our economic, political and social environment and the stages of corporate moral development (see Kooskora, 2006; 2008; 2009).

The questionnaire is rather long, filling it needs commitment, and it includes questions where it is necessary to bring concrete examples, supporting evidence, to justify the answers, and refer to publicly available information. As the questions are rather detailed and need company specific information, then in most cases the questionnaires were filled in by an organisation's team, involving the CEO and other relevant members of the management board. The questionnaires are evaluated by at least two independent assessors, our research team members, who also check the information organisations have given about themselves.

The authors of this paper are personally involved in all research activities and for this study also other research methods are used, including analysis of media, home-pages, annual reports and personal conversations with organisations' representatives. The combined method and triangulation are used in order to increase the reliability and validity of the study about this very complex CR area.

Although, the results of our research apply only to the organisations who took part in our study, these describe some specific trends and activities characteristic to those companies who are already familiar and implemented CR principles in their work and have demonstrated their willingness to develop further in CR area.

2.2 Methodology of the study

For this study we pose the following research questions:

Whether and how CR activities are linked to strategic management and company's core competences?

Whether the CR activities of our sample organisations correspond to the attributes of strategic corporate responsibility (SCR)?

In order to find answers to these research questions we restructured the RBI questionnaire into four new sections: strategic management, measuring performance impact and engaging stakeholders; CR activities, and measuring and communication. This enables to emphasise the questions which are giving most relevant information about those issues (see Appendix 1, for a brief overview of questions in Sections I and II).

In the first section - strategic management - we include issues that help to find out the linkage between CR activities and strategic management, corporate objectives and competences (see Porter and Kramer, 2006; McElhaney, 2007; 2008; Schreck, 2009), and existence of CR principles in company's vision, mission and core values (see Zadek, 2004; Hollander and Breen, 2010, Werther and Chandler, 2010). The questions also bear on issues such as making strategic decisions (e.g. Mele and Guillen, 2006); involvement of senior management and the board; and following CR principles during crisis situation (see Googins et al, 2009; Hansen and Reichwald, 2009).

The purpose of the second section - measuring performance impact and engaging stakeholders – is to find out company's awareness of their impact, initiative in enhancing CR issues, awareness of the important stakeholders, considering their expectations, engaging in CR discussions, and also raising awareness about CR and involvement in dialogue with the community (cf. Zadek, 2004; McElhaney, 2008; Milliman et al, 2008). Questions also include issues and leadership and risk management (see Weber and Cross, 2008).

The third section – CR activities – deals with concrete CR activities and whether these are performed according to CR principles, corporate values, mission and vision. These questions enable to analyse the linkage between corporate activities and CR features in different areas (e.g. Jonker and de Witte, 2006).

The fourth section is about measurement and communication of CR activities. The purpose is to find out how are CR activities towards community, natural, working and market environments measured, at what extent are these communicated, the scope of CR reporting, existence and application of CR standards and certifications (e.g. Cramer, 2005; McElhaney, 2008; Wisser et al, 2010). With a purpose to investigate whether the participating organisations have used CR principles in widening product range or creating new products or services to tackle or offer solution to some social problems; find out the linkage between and impact on CR activities and product and process innovation (e.g. Porter and Kramer, 2006; Halme and Laurila, 2009).

2.3 Brief overview of study results and discussion

The average total score of all participants in 2009 was 60% out of 100; and in 2010 it was 62%, thus 2% higher than a year before and we were able to see a slight development in most of the aspects of responsibility. Out of four main sections of the Index (business strategy; integration of principles; issues management; and measurement, reporting and communication) the issues management part got the highest results - 71% of maximum 100 in both years. The weakest section, also in both years, was measurement, reporting and communication (51% in 2009 and 48% in 2010). Here we can say that effectiveness of responsible initiatives is not yet being evaluated and even if it is done, the results are not communicated to the main stakeholders (cf. McElhaney, 2008). According to the results it can be said that for our participating companies it's still difficult to integrate principles of CR among their employees (52% in 2009; 54% in 2010), and moreover, CR issues should be taken more into account at remunerating or evaluating the results of the employees (cf. Zadek, 2004; McElhaney, 2008).

However, we were able to find several great examples in issues management (i.e. concrete initiatives in community, natural, working and market environment), and most of the participants of the Index were doing well here. In 2009 the strongest results were achieved in the working environment (67% in 2009; 71% in 2010), while in 2010 there was greatest development in market environment (62% in 2009 vs. 76% 2010) – the companies contributed to ethical advertising and marketing, cooperation with suppliers for better and environmentally friendly performance.

The lowest results were received in measuring, reporting and communication (47% in 2009 and 48% in 2010). From here we can say, that the awareness of this area is still very low, and reporting about different impacts of companies' performance seems to be uncommon to majority of companies who took part from this survey. Moreover, there are still only few international companies in Estonia who use Global Reporting Initiatives, while in other countries it's already common practice or rapidly gaining increasing popularity (see Wisser et al, 2010). Only one company among our respondents has created own CR and sustainable development report (Viru Keemia Grupp) and when we investigated more about its background, we found out, that the need for doing it came directly from the international partners. Albeit the quality of the report is not yet very high, we still consider this an important development in this area.

Although there were small differences in the results during the years 2009 and 2010 as seen in the previous section, we can argue, that in most aspects the results were relatively similar (see Appendix 2). Furthermore, in both years the top 10 organisations (see Appendix 3) were doing visibly better in almost all areas and their approach was also much more strategic than in other participating companies. Moreover, even when the results seem to be a bit lower, these companies had recognisable substantial development in their approach to CR; therefore in the next section we pay more specific attention on the results of those companies.

Thus, even we cannot generalise our results to all Estonian organisations, which are practicing CR, we believe that the results can point to some specific trends and developments especially among those companies who have already shown their involvement in CR and want to develop further.

2.3.1 Linking CR activities and principles to strategic management

The majority of participating organisations have their CR principles manifested in core values, mission and sometimes also in vision, furthermore, among the leading 10 companies CR principles are clearly stated and those companies have been skilfully able to link CR principles to their core objectives. CR principles are defined and published in written documents (i.e. code of ethics, corporate policies, annual reports), and some have written a separate document about CR principles.

When we look closer to the results among 10 leading companies, we see that the activities are planned well and related to the activity fields, corporate competences, and know-how of the organisation (cf. Porter and Kramer, 2006; Schreck, 2009). These companies have also included CR principles to their value statements, which are written down in documents that are available internally and publicly to all interested stakeholders. Here we can refer to Coca-Cola HCB Eesti AS, whose CR activities are thoroughly thought through and applied to corporate strategy.

More than half of participating companies have defined their CR principles in written documents, such as corporate code of ethics, corporate policy statements, annual reports, guidelines and various program documents. Few of the participants have also created a separate document for CR principles and guidance of CR activities of the organisation (for example Swedbank, being the first among Estonian organisations who has implemented their own CR policy and hired CR manager, who coordinates all activities related to CR).

While defining the corporate CR principles at least top management is involved in almost all participating companies. 25 companies achieved almost maximum score as they have involved top management, line managers and also all interested employees. A few companies have also engaged owners, associations, consultants and NGOs in the process (for example Viru Keemia Grupp, who hired an international consultancy bureau for creating the CR and sustainability report).

Our study reveals further that companies who belong to the top 10, whose impact is wider and who are the fore-runners in their activity field, have also engaged more stakeholders and are more active in CR. Moreover their principles are clearly more strategically implemented than companies who have achieved lower scores (cf. Zadek, 2004; Blowfield et al, 2008). These are also the companies who have benefited more from their CR activities than other participating organisations (cf. Porter and Kramer, 2006).

However, we found out that in just few companies the CR principles and activities are discussed during the senior management or board meetings, and stakeholder meetings, involving senior executives, owners and shareholders, at the same time in top 10 organisations these issues are discussed and decisions made at the highest level, similarly to all strategically important decisions (cf. Mele and Guillen, 2006).

The best results were achieved in keeping the CR principles during recession / crisis situation, with scoring so high as 82% of the maximum 100 in 2009 and 84% in 2010, and in several organisations (mainly in top 10 companies) the commitment to these activities was even deeper and more proactive than earlier. This result allows us to note, that when the companies have already defined their CR principles and activities, then in most cases they also perform accordingly (cf. Googins et al, 2009; Hansen and Reichwald, 2009).

Moreover, it was also revealed, that due to the fewer resources, top companies made cuttings in their charitable and philanthropic expenses, but did not made any changes in their CR principles and planned CR activities. This proves that the awareness of SCR has increased especially among the top leading companies and organisations start to value these principles more than just want to gain public recognition and improve their reputation through philanthropy (cf. Halme and Laurila, 2009; McElhaney, 2008).

2.3.2. Engaging stakeholders and measuring performance impact

Taking a more strategic approach to CR activities predicates engagement of various stakeholders in different activity fields; innovative and creative operations; measurement of the performance impact and active communication with stakeholders (see also McElhaney, 2008). Therefore, we wanted to know whether our organisations are practicing CR activities that are related to innovation, how are different stakeholders engaged, and how stakeholder communication and performance impact measurement is practised in our sample companies. Referring to Fombrun and Shanley (1990) we can say that investing in CR principles and activities might contribute to creating products that differ from others and this may also lead to better reputation among customers and other stakeholders (Porter and Kramer, 2006; Halme and Laurila, 2009).

The answers revealed that majority of our respondents have created an innovative product or new process and the leading top companies told us that applying CR principles had given ideas for these activities and impulse to invest more in innovation. For example, Ecoprint uses the rain water to humidify the print shop, is collecting residual heat from the production machinery, uses solar panels for heating the water and so on, this arrangement has gained the company also competitive advantage and ability to enter Scandinavian market without any additional costs.

Our study demonstrated that although the impact of organisations' performance is considered in the majority of companies, the standards for measuring the impacts are still missing in most organisations. Some companies brought forth that they have applied measurement system to concrete activities and special impacts, for example there are rules for choosing collaboration partners, impact on natural environment, risks related to the working environment etc.

Broad range stakeholder engagement can be seen only among the leading top 10 organisations; in the majority of companies just some specific issues are discussed and decided involving some stakeholder groups in the process. Even more, most of these activities are conducted in reactive way, when the problems have already arisen and the companies have to start dealing with these issues in order to improve the company's reputation or respond to recognisable pressure from important stakeholders that have impact on the public image or performance results.

Moreover, only some of the participating companies have engaged the management board in defining CR principles and in CR activities, which is considered as one of the crucial elements of CSR. The situation is not much better with communication; our study revealed that in majority cases communication takes place in form of sharing information about the CR principles and values, however communication of CR activities is still very rare.

Thus, we may conclude that there is still much room for improvement in our sample organisations and those companies who want to move forward in their CR development should turn to SCR and start implementing these principles and activities.

In order to take a more strategic approach to CR activities we suggest to define CR goals, principles and activities (which are linked to the mission, vision and values) and engage senior leadership and management board, line managers and all interested employees in this process, additional stakeholder involvement is advantageous. It is important to link all CR goals, principles and activities to the organisation's core competences and business objectives.

All strategic decisions that are made in the organisation should be based on CR principles and consider the impact on various stakeholders and a concrete performance impact measurement system, with clear indicators is helpful here. There is a need to define most important stakeholder and involve them in company's value creating activities and discussions. All CR efforts should be treated and managed as core business strategy. Fore-running companies in CR field should also make effort to promote activities industry wide, engage other companies, associations, industry, etc in this process.

Concluding remarks

CR is a topic that has gained much coverage in last decades, there are numerous of different approaches by many authors who have dealt with these issues for several years, moreover, the number of companies who are implementing CR principles in their activities is growing every year. Although it is widely suggested that in order to be effective and sustainable CR activities have to be linked to the core business goals and lead strategically, SCR approach is still much less discussed and even less practiced by organisations.

SCR can be seen as a key which may help the organisations to overcome difficult times, therefore it is encouraging to see, that companies gave the highest score among all studied issues to the statement, that they are / and have been following their core principles or even strengthened these during recession time. Cuttings in charity and philanthropic expenses due to the decreased resources actually brought our companies even closer to more strategic approach to CR.

We know that the results cannot be generalised to all Estonian companies, as we have to consider that this study was conducted only among those companies who are already familiar to CR and are interested in moving forward, however we believe that this study shows some specific trends and might be useful for better understanding the meaning of CSR and for doing further research in this field. Being the first in Estonia we have made a modest attempt to open this discussion with the hope to involve more interested parties and companies who want to develop further in their CR activities.

We believe that next studies can take different forms – a quantitative study involving much wider range of participants can give more generalisable data and show existing correlations between different CR attributions. In-depth interviews with corporate respondents can give more information why and how are the organisations involved in CR activities and what are are their ideas and expectations for further development. Conducting case studies based on some specific companies or industries may contribute to the more holistic understanding of CR.

To conclude, we want to positively highlight the organisations' willingness and readiness to develop further in this area, to take a more strategic approach, be more proactive and effective and involve various stakeholders in their CR activities and discussions about CR. However, in order to enhance awareness about CR and especially SCR the efforts of some companies is not enough, creating a favourable environment predicates involvement and contribution from the government, NGOs, associations, different stakeholders, evolving dialogue with different parties. It is crucial that CR is not regarded as an costly obligation, but as a great opportunity, companies can fulfil their goals and earn profit in a way that is sustainable and beneficial to all stakeholders.

However, implementing CR and sustainable development principles in the organisation takes time and the speed of development in this area depends on management, training, ability of integrating CR and sustainability principles in corporate strategy and core activities (see Katsoulakos and Katsoulacos, 2007). Therefore, we can say that the development at least in the participating companies has been positive; especially in comparison to the previous studies in Estonian business organisations (see Kooskora, 2008). And this leaves us believe to see better results already in the next year.

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Appendix 1

Restructured RBI Questionnaire

I Section Strategic Management

1.1 Vision, mission and values
Does your company have a statement of overall mission and values, which references your company's commitment to one or more aspects of Corporate Responsibility?
□ Corporate Responsibility is referenced in the wording directly
□ Corporate Responsibility is referenced in those indirectly
If you answered “yes”, please provide supporting evidence about certain aspects of vision/mission/values and indication to respective website or material
1.2 CR principles
1.2.1 **Has your company defined its Corporate Responsibility principles?**
□ Principles are defined in a written document
□ Principles exist on an informal level
If you answered “yes”, please briefly describe the content of these principles (either formal or informal) as well as who has initiated these principles.
1.2.2 Who have been involved at defining your Corporate Responsibility principles?
□ Top management; □ Line managers; □ All interested employees; □ All employees; □ Others: (*please name)*
1.5 Following CR principles during the recession times
Have you changed/modified anything in your principles during the recession times?
Please explain your answer!

2.2 Performance management
Are Corporate Responsibility issues integrated in performance review and remuneration of your employees?
□ Performance review/motivation of employees
□ Remuneration of employees
2.3 Strategic Decision Making
2.3.1 Does your company's strategic decision-making process include, assessment of impact on: community, environment, workplace and marketplace for each decision?
2.3.2 Does your company have formal principles for making such decisions and assessing such impacts?
If you answered “yes“, please specify in which areas these principles are defined and bring examples.
2.4 Involvement of Senior Management and Board
Are Corporate Responsibility principles/or related issues discussed at the Senior Management, Board or Shareholder meetings?
If you answered “yes”, please specify which CR issues have been discussed during the last year.

Section II Measuring Performance Impact and Stakeholder Issues
1.3 Risk management
Has your company integrated Corporate Responsibility issues into its overall business risk evaluation process?
Please tick appropriate boxes and add a short example.
□ Community *(Please provide 1 example of related risk)*

□ Environment *(Please provide 1 example of related risk)*
□ Workplace *(Please provide 1 example of related risk)*
□ Marketplace *(Please provide 1 example of related risk)*
Additional comments:

1.4 Leadership

Has your company demonstrated leadership in furthering responsible business practice in the society on the whole?

Yes, our company:
□ Participates at corporate responsibility-related discussions/events
□ has made the related presentation at the conference/other event
□ has published related articles in the media
□ is furthering CR within its business sector (e.g. through business sector organisations)
□ is furthering CR among local businesses (e.g. through business networks and chambers)
□ has been publicly recognised for its responsible business practice (e.g. by local city council or business unions)
□ Other: (*please name)*

2.1 Integration of CR Principles among employees

2.1.1 How many employees of your company are aware of your Corporate Responsibility principles? (in case if you do not have any principles, tick 0%)
0% 1-25% 26-50% 51-75% >75%
Additional comments:
2.1.2 How many employees are involved in defining your Corporate Responsibility Principles and the related activities?
0% 1-25% 26-50% 51-75% >75%
If you answered “>1%”, please describe, how they are involved.
2.1.3 How many employees are asked for the feedback about implementation of your CR principles in reality?
0% 1-25% 26-50% 51-75% >75%

2.5 Employee Training

Has your company implemented training and development programmes to support the integration of Corporate Responsibility throughout the company?
Please tick training areas that apply as % coverage across business (e.g. no. of employees that receive training). Please select 0% if a statement does not apply.
Training on Corporate Responsibility Principles/Ethics Principles/Code of Conduct 0% 1-25% 26-50% 51-75% >75%
Training on specific CR areas as they arise (e.g. new environmental legislation etc) 0% 1-25% 26-50% 51-75% >75%
Training on other CR related areas (please specify):
0% 1-25% 26-50% 51-75% >75%

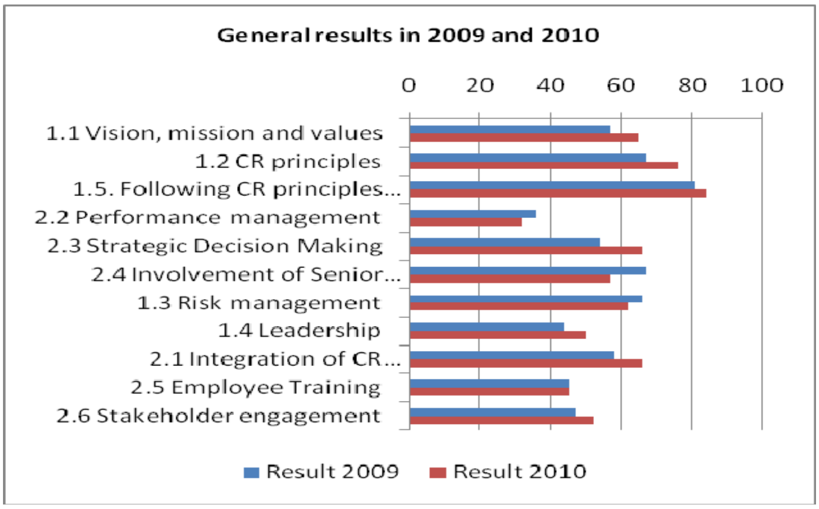
2.6 Stakeholder engagement

Does your company actively involve its stakeholders in shaping its views and responses on various aspects of Corporate Responsibility?
Yes, we have involved the following stakeholders:
□ employees □ clients □ shareholders □ suppliers □ business partners □ civil society organisations (NGOs) □ local government □ representatives of local community; □ other: (*please name)*
If your answer was “yes”, please provide examples of how you have involved your stakeholders in the different CR areas, outlining who the stakeholders were, which topics were discussed and how their views were taken into account. Please bring 3 examples.

3.1.3 Please describe how you have considered expectations and needs of different stakeholders in these community involvement areas and if/how these stakeholders have an opportunity to engage.
3.1.5 Do you have an open dialogue with the local community on adverse, controversial or sensitive issues that involve your enterprise (e.g. accumulation of waste outside your premises, vehicles obstructing roads or footpaths)?
□ Certainly □ Rather yes □ Rather no □ Not at all
If you answered "certainly"/"rather yes", please provide an example that describes it best.

Appendix 2

Comparison of general results of Sections I & II in 2009 and 2010



Appendix 3

General ranking of leading top 10 companies in 2009 and 2010

	Year 2009		Year 2010	
Rank	**Company**	**Score**	**Company**	**Score**
1.	Swedbank (Hansapank AS)	92,7	Coca-Cola HBC Eesti AS	95,8
2.	Tallinna Vesi AS	92,7	Swedbank	90,6
3.	Coca-Cola HBC Eesti AS	88,4	Eesti Energia AS	89,2
4.	Eesti Energia AS	87,9	Microsoft Estonia OÜ	84,9
5.	Eesti Statoil AS	86,6	Eesti Post	84,8
6.	Microsoft Estonia OÜ	85,1	ABB AS	83,5
7.	Lennuliiklusteeninduse AS	83,0	Ecoprint AS	79,4
8.	Tallink Grupp AS	81,1	Riigimetsa Majandamise Keskus	79,3
9.	Ragn-Sells AS	78,6	If P&C Insurance AS	79,0
10.	Riigimetsa Majandamise Keskus	77,5	Lennuliiklusteeninduse AS	75,4