

Company's dynamic capability to create shared value as a new approach to corporate social responsibility

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Warsaw 2015

Summary

The object of the research is to analyze the strategic transformation of organizational resources and capabilities, termed in the scientific literature as dynamic capability, allowing to create shared value by the company. An effort to analyze the business activity through the prism of value, with a special attention paid to customer's point of view, was made in the dissertation. It is expected that practical contribution of this study is to provide managers with guidelines on how customers respond to corporate social responsibility marketing initiatives as well as analysis of mechanisms that determine shared value creation.

Dynamics of competition and competitive processes force companies to seek new, unique competitive strategies. Their design and execution brings to the forefront the creation and novel use of resources and capabilities. At the same time more and more often company's stakeholders require much more from it than pursuing profitability and growth. This phenomenon is described by the concept of corporate social responsibility (CSR)¹.

In response to this pressure, some companies attempt to integrate the principles of sustainable development and CSR concepts in order to improve their competitive position. However, as research shows, they are faced with problematic situation – from organizational and economic point of view. In numerous studies scholars try to explain the nature of CSR and motives of conducting CSR activities by firms. Especially, there is plethora of studies devoted to the issue of effects of CSR activity on companies' performance. In contrast, there is little research on these issues from the perspective of value. There is relatively little

¹ It was adopted for the purpose of the dissertation that corporate social responsibility means company's commitment to minimizing or eliminating any harmful effects and maximizing its long run beneficial impact on society.

knowledge about the way how company's strategic renewal takes place in order to be able to adapt to external pressure related to social and environmental concerns, by creating shared value (CSV). Moreover, it is not clear how to identify and measure value created by the company simultaneously in economic and social aspect. The aforementioned gaps in the literature became premises to conduct the analysis in the chosen research area. Therefore, the purpose of this research is an attempt to answer the aforementioned research questions.

Main goal of dissertation is to investigate company's dynamic capability development co-determining shared value creation and thus – to develop a conceptual model of this phenomenon based on extensive literature review.

The methodological goal is to develop a conceptual model of dynamic capability enabling shared value creation based on theory and prior research.

The utilitarian goal is to ensure the applicability of the research findings to support managers by providing the answer to the question: whether and how customers respond to corporate social responsibility marketing initiatives?

Specific goals (SG):

SG1: To explain the essence of dynamic capabilities with reference to used terminology, types and characteristics.

SG2: To establish the place of dynamic capabilities perspective within the management science.

SG3: To explain the essence of corporate social responsibility concept in the company's activity and its place in the management science.

SG4: To explain the essence of economic and social value creation as well as relationship between them and develop their measurement method.

SG5: To explain the essence of shared value creation and establish its measurement method.

SG6: To indicate characteristics of the concept of company's dynamic capability development to create shared value.

To fulfill the abovementioned goals, the dissertation verifies the thesis that company's adaptation to environmental changes, related to social and environmental issues, is possible as a result of conducting strategy of shared value creation which is co-determined by dynamic capability, since CSR marketing initiatives do not create a significant customer value proposition.

The thesis is aimed to be verified through hypotheses:

H1: Functional product attributes have a greater impact on perceived value and buying intention than a CSR attribute.

H2: Information that a company conducts CSR marketing initiative in the societal and ecological domain:

(a) leads to higher perceived value and buying intention than information about a company's misbehavior;

(b) has a weaker impact on perceived value and buying intention than information about a company's misbehavior.

(c) which relates to a firm's core business - leads to greater perceived value and buying intention than a CSR initiative that is not related to a firm's core business.

Additionally, the assumptions of the conceptual model, to provide theoretical arguments supporting the main thesis, were formulated as follows:

A1: Shared value creation strategy enabling simultaneous creation of benefits to society and company, due to exploiting dynamic capability, constitutes a more attractive way for companies of adapting to external pressure relating to social and environmental issues than corporate social responsibility approach.

A2: Dynamic capability development contributes to shared value creation strategy adoption.

Dissertation consists of introduction, six chapters and final conclusions. In order to reach the main goal of the dissertation and verify thesis and hypotheses, theoretical (chapters I, II, III, V and VI) and empirical (chapter IV) parts were distinguished.

Chapter I was a subject to SG1 and SG2 fulfillment. In order to do that, theoretical and empirical literature review on dynamic capabilities was conducted (relying mostly on foreign papers) and critical analysis was made. The effort was made to identify the place of dynamic capabilities perspective within resource-based theory as well as nature and essence of dynamic capabilities.

In chapter II SG3 was fulfilled by reviewing corporate social responsibility (CSR) literature and by conducting its critical analysis. It was done by dividing the existing literature into four dimensions (instrumental, political, ethical and integrative). They represent four points of view from which corporate responsibility can be considered. Instrumental dimension was adopted as a theoretical background for further deliberations about creating shared value (CSV) phenomenon.

Chapter III played a significant role in the dissertation – mostly due to the fact of discussing issues that were analyzed in the subsequent chapters. It contains literature review on economic and social value. Conclusions made constituted a basis both for customer value creation and for development of shared value creation measurement framework and thus allowed for SG4 fulfillment. In order to achieve this, original measurement method, separately for economic and social value creation process, relying on principle of rationality of managing within praxeological logic as developed by T. Kotarbiński and O. Lange (operational, market and developmental efficiency).

Chapter IV was subordinated to empirical hypotheses verification – H1 and H2, by conducting an experimental study and analyzing quantitatively consumer reactions on different types of marketing CSR initiatives. Results of own consumer study were presented and discussed. This chapter is a consequence of deliberations conducted in chapter three with respect to process of economic value creation from the customer's point of view. The special attention has been paid to business responsibility aspect in the course of economic value creation and its impact on customer perceived value and buying intention. The answer was given to the question: whether and how consumers respond to marketing CSR initiatives and based on research findings recommendations were made for business practice.

Chapter five was devoted to deliberations on shared value phenomenon – its nature, characteristics and three strategies of its creation. The reference was made to prior literature on value creation. The remarks were made about linkage between the shared value creation concept and prevailing theory on economic and social value creation. Subsequently, it was concluded that existing critique, if it comes to shared value concept derives from the fact of its short-livedness and thus lack of operationalized constructs and measures. Therefore, shared value creation phenomenon still needs further development. This chapter fulfills partially specific goal SG5.

Chapter six was subordinated to specific goals SG5 and SG6 fulfillment and constitutes a capstone of the dissertation by making use of the findings from previous chapters in the area of corporate social responsibility, economic and social value creation and strategic

management (especially dynamic capabilities). It was focused on developing the concept of dynamic capability such that enables company to create shared value. It took the form of preliminary conceptual model that is intended to elaborate the theory, by making links between theoretical issues not previously addressed in the literature. Thus, the attempt was made to simplify, reconnect and redirect the theory on response to external change related to shared value creation in a way that can be described by the dynamic capabilities perspective. What is more, based on findings from chapter three, original method of detecting shared value creation was proposed. The separable performance measure was introduced which takes into consideration process of social and economic value creation. It was expressed by two components: measures of social value (human and environmental aspect) and economic value creation (operational, market and developmental efficiency) that are presented simultaneously relating to three CSV strategies.

The given course of analysis enabled achieving the main goal and positive verification of the work's thesis. In the last part of the dissertation, findings from each chapter were gathered and final conclusions were presented.

The latter indicate, based on research findings, that customers are indifferent to company's social/environmental engagement. This suggests, that corporate responsibility strategy relying on reputational aspects is not effective in economic terms. Therefore, companies seek for new approaches to corporate responsibility, such as creating shared value. It was concluded that by developing the preliminary conceptual model of development of company's dynamic capability allowing it to create shared value, it becomes possible to analyze the organization's strategic renewal with benefit for business and society. What is more, it was remarked that company - by creating shared value - addresses uncontested market space, thus adopts a peculiar competitive strategy. From this perspective, shared value creation can be considered as a competitive strategy of the future, positioned among other concepts – for instance W. Kim and R. Mauborgne's Blue Ocean Strategy – as it is focused on addressing the uncontested market space. Additionally, the proposed measurement framework serves as an indication whether social and business value is generated.