



Accumulation of Social Capital as a Competitive Advantage of Companies which are Loyal to the Principles of Corporate Citizenship

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ABSTRACT

This paper examines the characteristics that are peculiar to the corporate citizenship (CC) in the phase of maturity. The strategic forms of CC that influence the productivity of the organization are explored. Modern business uses cause-related marketing and corporate social marketing as a strategic tool for sustainable development. The role of CC and its interdependence with the sustainability of the organization is examined. The paper provides the evidence of interdependence between the sustainable development of the company and its accordance to the principles of the CC. The mechanism of integration of principles of sustainable development on the basis of CC activities is elaborated. The correlation between the CC and accumulation of social capital is determined. Moreover, CC is examined as an organization's policy for overcoming crisis and managing the external environment. New forms of contemporary CC are examined; those characteristics are distinguished that confirm CC as the highest level of the corporate social responsibility. The paper includes the research of the companies that position themselves as corporate citizens and it confirms the correlation between the effectiveness of the management of the environment and the management of business built on the principles of CC. The paper lists the activities needed to introduce the CC in a company.

Keywords: Corporate Social Responsibility, Corporate Citizenship, Globalization, Think Tank, Social Capital, Human Capital, Public-private Partnership, Venture Philanthropy

JEL Classifications: A13, D60, M14

1. INTRODUCTION

Corporate citizenship (CC) today is a global phenomenon. Its priority is supported by scientists and top-managers of business giants of modern market. Today the majority of global corporations define their position in society as CC. It follows that in future this vector of development will remain as priority. Thus, Russian companies and scientists should accept the necessity of the development of the own model of CC on the base of the world experience. In our opinion, the usage of principles of CC in Russia will be possible if business sets long-term goals, makes independent decisions, assesses the influence on the society and consequences of activity,

sets the goal to develop sustainably and invest in the development of society. The main characteristics of today's world market are: A strict competition, rapid change in trends, and development of innovations, that cause obsolesces of some goods and the demand for others. Obviously, the role of CC as one of the phenomenon of modern global trends strengthens with the assistance of governments institutions. Today the number of consultative agencies and think tanks rises (Matten and Crane 2005). U.S. Chamber of Commerce Center for CC, the African Institute for CC, The Copenhagen Center, and the London-based CC Company are among them. Consequently, the foreign approach to the study of CC is coordinated and formed in the developed branch of science.

In Russia the interest in the study of CC emerged not long ago. The main obstacle to its future development is the absence of the established institute of CSR. Russian scientists such as Peregudov, Tulchinskiy, Kivarina, Semenenko study the concept of CC. For example, S. Peregudov examined the problem of CC usage in Russian reality (Peregudov, 2008). Models of developed countries that use the concept of CC were examined by Kivarina (Kivarina 2012).

In Russian federation the peak in the attention to the corporate social responsibility (CSR) took place in 2005. Indeed that year was characterized by the increased number of the publications about the theory and practice of the CSR in Russia (Kostina, 2006).

2. METHODS

With all the diversity of the existing theories and points of view on the reasons and prospects of the economical growth, sustainable development of the society and companies, the scientists agree that the level of the development of the country is measured by its ability to satisfy the needs of its citizens. Every company that operates within the country is already fulfilling the range of the obligations to the society. The range of the obligations is growing with the increase of the scale of company's activity. The advanced country is not only a country with developed and market-oriented economy. In fact, the advanced country is noted for the effective economy that is capable to satisfy the social needs of its citizens.

3. CC AND ITS IMPACT ON THE FORMATION OF SOCIAL CAPITAL

In fact, from our point of view, CC has reached the phase of maturity as a branch of science as well as a practical mechanism implemented in the activity of the companies. Moreover, the practical evidence shows the effectiveness of the CC strategy that is reflected in the financial indicators of the companies. In the research of Russell and Brockman (2011) the impact of the position of CC on the gross investment revenue was shown. It was proved that the companies which position themselves as corporate citizens get higher revenues from investment than those who do not. Admittedly, that the impact of risks and the level of the influence of the negative factors of the environment is less significant for the corporate citizens than for those who are not (Russell and Brockman, 2011). The research includes the results from the Business Ethics Journal and the sociological base of KLD Research and Analytics "Socrates." The research provides the rate of companies, and the places are assigned according to the points that companies get in eight categories. The categories are: The result for the stakeholders, the relationships with the local community, the satisfaction of customers, the impact on the environment, the defense of human rights and the quality of the goods. The rate includes the following companies: AT&T, IBM, Hewlett-Packard, Starbucks Coffee, New York Times. These companies not only position themselves as corporate citizens but also are notable for successful financial results in the long-term period.

CC can contribute to the total sum of the intangible assets of the company, thus it can have positive impact on the possibility of survival in the market (Gardberg and Fombrun, 2006). There are two reasons for the creation of intangible assets from CC. First, it stimulates the creation of the infrastructure that promotes the differentiation of company's strategy. Moreover, activities in the context of CC provide such a rare capital as reputation; thus, the company has opportunity to obtain more favorable contracts with government, attract best workers and set premium prices on the products. Second, CC allows companies to integrate in the local community. The company strengthens communicational ties with workers and local community, consequently, the level of trust is increased and social capital is created (Adler and Kwon, 2002). As a result, the government that stimulates the development of CC builds social capital and social ties. The Social government is a system of the government regulation of public relations which is characterized by the distribution of material goods according to the principle of the social justice. The aim of the social government is to provide every citizen with a deserved quality of life and with an opportunity to accomplish one's goals. Also the principle of social government is to eliminate the social contradictions and conflicts and to provide the needy with the adequate aid (Kosov, 2011).

4. RESULTS AND DISCUSSION

The contemporary definition of CC exists in three forms: Limited, equivalent and extended theoretical conceptualization of CC. The limited form states that CC is a branch of the philanthropy; the equivalent form means that CC is a synonym to CSR; the extended form explains CC as a unique philosophy of organizational activity and the most developed form of CSR (Matten et al., 2003). According to the third form, today the organizations position themselves as the most important members of the social life. We can state that western companies are characterized by the proactive approach in relation to the society. The organizations not only react to the market demand, but form the demand by creation of the innovative products.

The lack of the distinct definition is an obstacle for the differentiation of the notions of CC and CSR. Altman engaged in the formation of the notion of CC in his paper "CC and the new millennium" (Altman and Vidaver-Cohen, 2000). CSR is a voluntary contribution of business in the development of the society in social, economical and ecological spheres that is interrelated with the major activity of the company and is stretched beyond the minimum set by the law (Markova, 2007). Our point of view is that CC is a level that can be reached if the company is built on the base of CSR principles. It follows that CC is the highest level of CSR that has specific characteristics.

Hence, today the advantage of being a corporate citizen is no longer a point for discussion. The goal for the companies is to organize the activities in the sphere of CC more effectively (Baumann-Pauly and Scherer, 2012). In order to arrange the productive activity the organization can choose one of the strategic forms. The forms are listed in the Table 1.

As a result, in XXI the CC is a vector of development. On the other hand, CSR is a material fundament, "bearing construction" for

the CC (Maignan and Ferrell, 2000). In this event, the companies should be consistent with this vector if they want to guarantee the sustainable development of their activity and to increase the welfare of the society. In order to implement the mechanism of CC in its activity, companies should fulfill the range of actions. First, the principles of CC should be a part of the strategy. Second, the corporate culture should be based on the principles of CC, shared by all workers. Third, the activity of the organization should be transparent and the results should be shown in the annual reports. Fourth, the organization should define and invest in its drivers of growth. In the crisis situation the drivers of growth would assure the minimization of material losses.

5. THE MECHANISM OF THE IMPLEMENTATION OF CC

The evolution of the organization on its way to CC should start with the declaration of belonging to this philosophy of business. On the first stage the organization should accept the civil liabilities and include their fulfillment in the activity by formal and informal instruments (Scherer and Smid, 2000). The second stage – the stage of integration – begins when the organization integrate the principles of CC in its structural and production departments. The third stage includes the impact on the external environment: The creation of social trends, the lobbying of social initiatives. This stage is a stage of proactive approach when the organization creates the external environment rather than adapt to its factors. The mechanism of the implementation of CC in the organization is shown in the Figure 1.

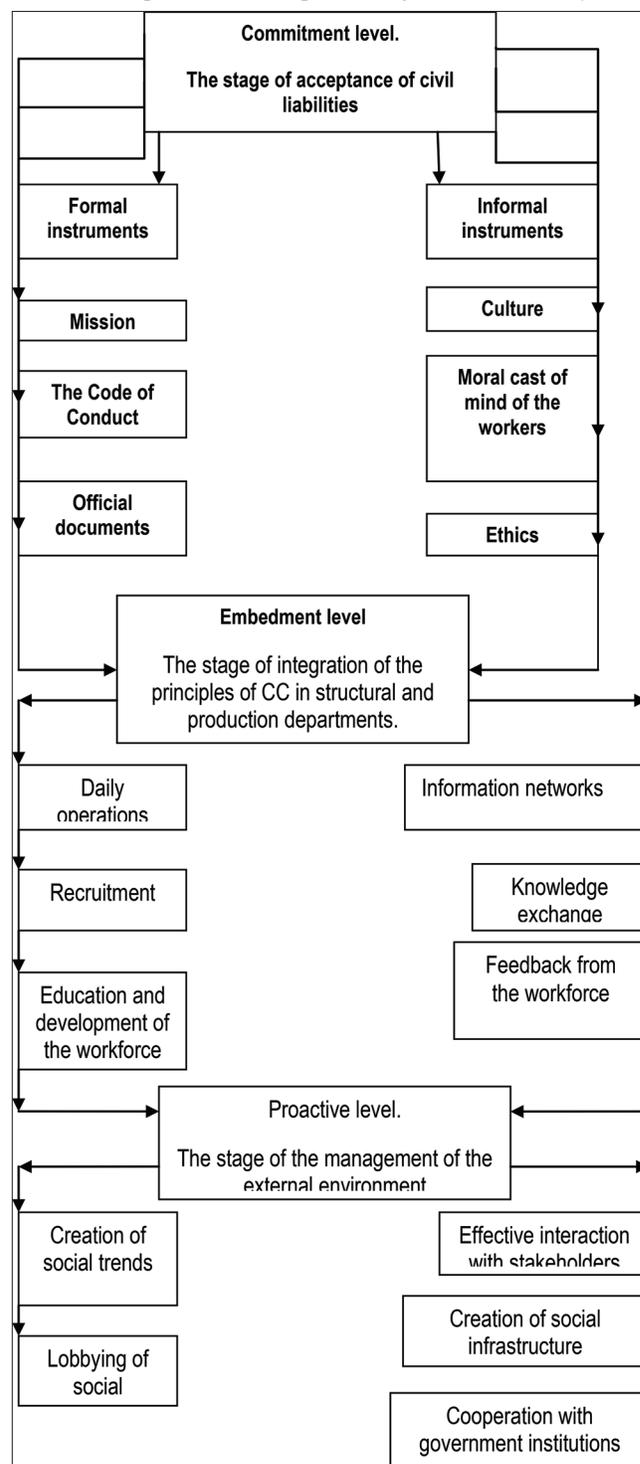
The sense of setting business on the principles of CC is the integration of the organization in society. Indeed, the strong and developed ties with environment allow managing the external factors of it. The creation of the system of interrelated ties allows the minimization of risks. In order to establish the effective ties, the company should use the mechanism of CC. Furthermore, effective social ties create social capital.

On the first stage, the organization should develop personal capital – the relationships with competitors, workers and suppliers. The goal is to set effective personal ties. Also, the priority is given to the accumulation of the organizational capital – the relationships with government institutions and mass media. The second stage sums the results of the effective ties: The increase of the corporate legitimacy, the possibility of lobbying personal interests, the establishment of the favorable institutional climate. The third stage includes the unification of the advantages in a system and management of this system in accordance with the principles of CC. After all, the sum of the advantages forms the social capital – the range of social ties that assures the maximum productivity of organization's activity.

The process of creation of the social capital on the base of the principles of CC is shown in the Figure 2.

Nevertheless, the creation of the social capital is possible if the organizational culture is high. The values of the company should

Figure 1: Mechanism of the implementation of the principles of corporate citizenship in the organization's activity



Source: Author

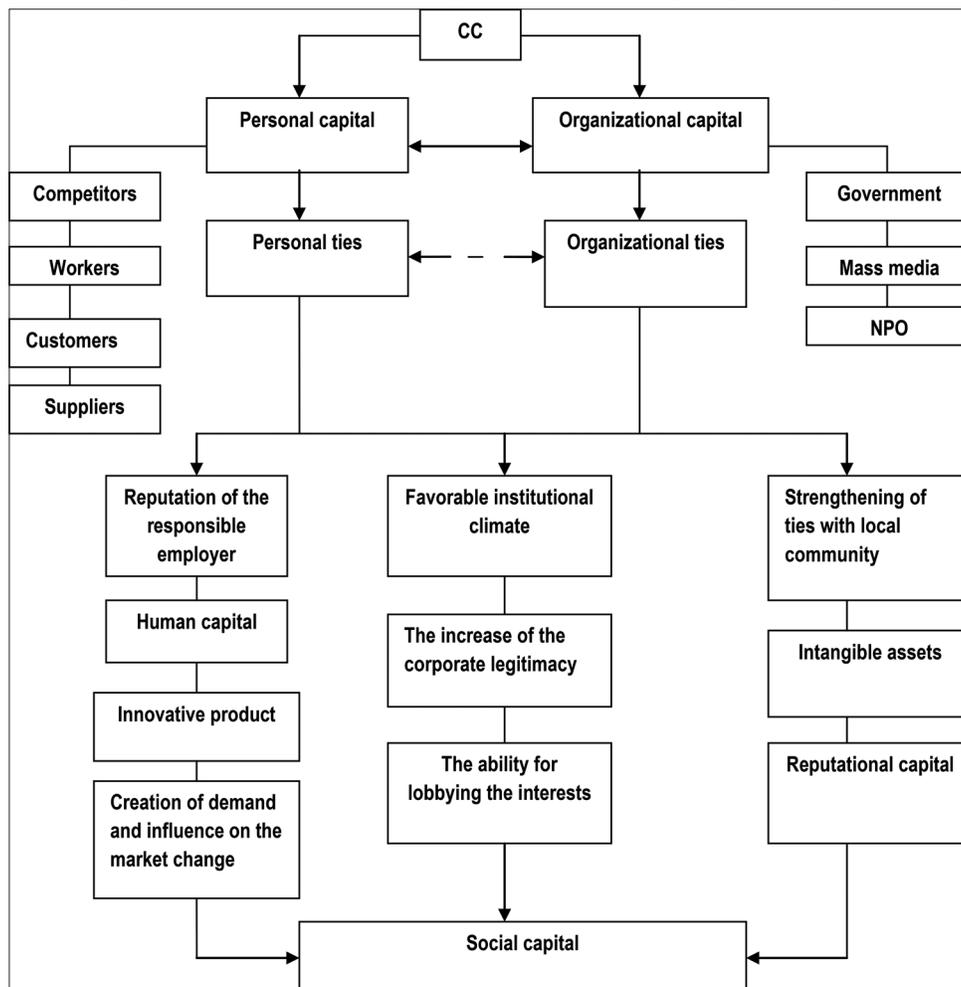
be unified with the principles of CC, stated in the mission of the company, and shared by workers. We suggest that the principles of CC cannot be implemented in the organization at a time. On the contrary, the commitment to the CC is a continuous process that includes the education of the employees, the strengthening of the culture and the improvement of the organizational climate. Only devotion to the principles of CC allows development of the social capital.

Table 1: Strategic forms of corporate citizenship

Form of CC	Description
Donation	Corporate philanthropy is a direct contribution by a corporation to a charity or cause, most often in the form of cash grants, donations and in-kind services
Cause-related marketing	Campaigns (in which) a corporation commits to making a contribution or donating a percentage of revenues to a specific cause based on revenues
Corporate social marketing	Corporate initiatives that have a primary goal of persuading people to engage in socially beneficial behaviors
Social procurement	It consists of purchasing goods or services from non-profit organizations or institutions that primarily pursue a social goal
Venture philanthropy	Companies or individuals provide capital and knowledge for the founding of social organizations. Thus, they seek to support enterprising non-profits and social entrepreneurs with not only financial resources, but also management and technical support as well. This support is focused on enabling non-profits to build greater organizational capacity and infrastructure via long-term, engaged relationships with investees
Social lobbying	The underlying idea is that representatives of companies use their clout not only to advocate business-friendly decisions but also social causes, which they would like to see supported on a political level
Corporate volunteering	Any formal or organized company support for employees and retirees who wish to volunteer their time and skills in service to the community
Public-private partnership	Cooperation of business, government and social institutions for the social project or initiative
Foundation	Foundation established and sponsored by a company

Source: Composed by the author on the basis of Kotler and Lee (2005), Mohr et al. (2001), Bloom et al. (1997), Fifka (2013), Ulianova (2007), Peterson and Pfitzer (2009). CC: Corporate citizenship

Figure 2: The process of creation of the social capital on the base of the principles of corporate citizenship



Source: Author

6. CONCLUSION

The result of the analysis shows that the leading TNC of the world economy give priority to the development on the basis of CC.

The phenomenon of CC has not only gained distribution among the leaders of the market, but also the positive effect of CC on the financial factors was proved. It can be stated that the global corporations today should serve as guarantors of job placement,

development and social support of citizens worldwide. This vector of development, directed in the long-term prospect, will allow increasing the welfare of society due to the harmony in the relations with the companies. Following the principals of CC will gain profit for the companies as well as for the local community. Due to the principals of CC the social capital is created. It includes social networks and communication among them in society that help to transmit knowledge and information and to set partner relationships.

The results of the research also proved the following suggestions. First, the organizations operate in the unstable environment. Hence, instead of trying to adjust to all factors, the organization should form the field of activity and transform the difficulties into motivators and points of growth. The implementation of the principals of CC in the activity of the organization allows making profit from the management of risks of the external environment. Second, the diversity of forms of CC, their level of development shows the maturity of the concept. Organizations that aim to develop sustainably should use CC in their activity.

Consequently, the result of the research proves the effectiveness of the CC in the accumulation of the social capital. The advantages of the CC help to create social ties and interrelations among the members of society, to set partner relations and transform knowledge into human capital.

Thus, today CC is not only the highest level of CSR, but a concept that has reached the phase of maturity. World business society widely uses the principles of CC; the effectiveness is proved by the results of companies' activity. Consequently, the development of the concept of CC will remain the priority direction for the scientific society.

The future research will include the examination and creation of the universal index of corporate responsibility. It follows that now there is a difficulty in the measurement of the social responsibility and it is very difficult to compare the companies. The need for the creation of the universal index is rather high, because companies should know their position among the others. The index will have practical usage and will be very effective.

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