

COOPETITION DOCTRINE FOR CORPORATE SOCIAL RESPONSIBILITY

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ABSTRACT: *The term Corporate Social Responsibility has evolved ever since it was coined in second half of 20th century. Broadly, CSR is a way a business achieves a balance or integration of economic, political, social and ethical dimensions; while at the same time addressing shareholder and stakeholder expectations. CSR is a concept whereby corporate organizations take social responsibility and create products or services for greater good of the society and consistent with the interests of customers, suppliers, employees, shareholders, communities and other stakeholders, as well as the environment. Most of the time, these activities and actions are considered to be on voluntarily basis to improve society. The way businesses engage/involve the shareholders, employees, customers, suppliers, governments, non-governmental organizations, international organizations, and other stakeholders is usually a key feature of the concept. However, considering various entities or stakeholders stated above, it is not surprising to note that conflict of interest exists among various stakeholders in respect of activities performed by a particular organization. Thus, a need arises to rethink the normative approaches to CSR and evaluate other avenues for a better solution. Considering that CSR is interdisciplinary and affects many facets of society simultaneously, it is considered that coopetition may hold the key to solve complex relationship of various stakeholders and their conflict of interests. Coopetition is a promising and challenging perspective to understand cooperation between competing individuals and/or organizations. In the literature, coopetition phenomenon has been connected with strategic alliances, territorial development work, and resource-based view. This Paper aims to relate the coopetition phenomenon with CSR to create a sustainable partnership between various stakeholders.*

Key words: *Corporate Social Responsibility; CSR; Coopetition; Cooperation; Competition*

Introduction: The organizations have become increasingly aware to portray their image as friendly and socially responsible organizations. This awareness is sometimes referred as Corporate Social Responsibility (CSR) of the organizations. The CSR has gained tremendous importance as business strategy and served as tool to achieve business growth. Use of health care products, cause-related marketing, public-awareness campaigns, establishment of public facilities and charities by organizations are some of the examples of CSR in action. However, it is believed that there exists a gap between business and social needs. This paper attempts to examine the situation and proposes a competitive-cooperative strategy to execute CSR of organizations.

Corporate Social Responsibility: Corporate Social Responsibility was phrased by Bowen in his seminal work 'Social Responsibility of a Businessman' in 1953 (Bowen, 1953). Since its inception, the term Corporate Social Responsibility (CSR) has undergone many revisits by the scholars and multiple dimensions of the issue have been explored. The multi-faceted approaches to defining CSR can be weighed from the fact that around 30 years ago, Votaw wrote: "*corporate social responsibility means something, but not always the same thing to everybody. To some it conveys the idea of legal responsibility or liability; to others, it means socially responsible behavior in the ethical sense; to still others, the meaning transmitted is that of 'responsible for' in a causal mode; many simply equate it with a charitable contribution; some take it to mean socially conscious; many of those who embrace it most fervently see it as a mere synonym for legitimacy in the context of belonging or being proper or valid; a few see a sort of fiduciary duty imposing higher standards of behavior on business men than on citizens at large*" (Votaw, 1972). Years later, another notable scholar on the CSR explains CSR as "*an eclectic field with loose boundaries, multiple memberships, and differing training/perspectives; broadly rather than focused, multidisciplinary; wide breadth; brings in a wider range of literature; and interdisciplinary*" (Carroll, 1994).

The perplexing nature of the CSR can be gauged from the fact that many theories and frameworks exist to define the CSR due its multi facet nature. All such theories are well reasoned and define one or more dimensions of the CSR and, at times, counteract each other. Hence, it becomes increasingly difficult to apply all such definitions simultaneously. In a remarkable work by (Elisabet & Domènec, 2004) regarding CSR theories, CSR theories have been divided into following major categories:

Instrumental Theories: The CSR is considered as Strategic Tool for corporate organizations, as these organizations are formed as an instrument for wealth creation. Thus, wealth creation is the sole Social Responsibility and CSR is just another strategy to achieve profits. Therefore, an activity which does not yield an economic benefit is not undertaken.

Political Theories : The theories in this group focus on the corporate presence or corporate citizenship. The corporate are considered to be socially active and use their influence/power towards their environment. The theorists believe that corporation must behave as citizens and be socially responsible.

Integrative Theories: The theorists in this group argue that the firms / corporations are dependent upon societies for growth and mere existence. Therefore, the firms /corporations must be integrated in society and value / fulfill social demands. These theories are thus called integrative as they emphasize business to work for society and become integrated into it.

Ethical Theories: Such theories propose that the business and society relationship is based on ethical values. Thus, CSR gets ethical perspective and corporations have ethical obligation to accept social responsibilities.As stated earlier, the CSR has broader scope and multiple approaches. Thus, we resort to more generalized definition. CSR has been considered as key factor for sustainable development (Dahlsrud, 2008). It may be considered that three key corporate responsibilities identified are: economic, social and environmental and CSR has been defined as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" (Dahlsrud, 2008), (Falkenberg & Brunsæl, 2012).

The key areas for the CSR includes: human rights, employee rights, environmental protection, supplier relations, community involvement, stakeholder rights and CSR performance monitoring and assessment (Elisabet & Domènec, 2004).

Having defined the CSR, it is worthwhile to discuss some of the key benefits of the CSR, which include: stronger financial performance (e.g. through eco-efficiency), improved accountability, improved employee commitment, stronger relationships with communities leading to lesser vulnerability and improved reputation and branding (Falkenberg & Brunsæl, 2012). Further, the impact on society is visible in form of better/improved products, discontinuation of toxic/damaging materials and improved infrastructure/processes (Rasche, Bakker, & Moon, 2013).

Coopetition: Coopetition is being cooperative and competitive simultaneously (Khanna, Gulat, & N., 1998). The cooperative aspect refers to the collective use of shared knowledge and the competitive aspect refers to the use of shared knowledge to make private gains in an attempt to outperform the partners (Khanna, Gulat, & N., 1998).

Traditionally businesses have been seen as competitive in nature. For long, businesses have maintained the competitive edge by jealously guarding the businesses secrets through patents, trademarks and confidentiality agreements with their employees (Barney, 1991).

The question arises if the businesses are truly benefited through competition? The answer lies in studies of various business activities, which boast cooperation rather than competition. Mergers, MoUs for continuous supply of materials, vertical integration are some examples to secure business interest (Hill, 1992). However, safeguarding own business interest cannot be neglected. So it can be deduced that businesses are benefited both from the competition and cooperation (Walley, 2007). A pictogram below describe the areas where cooperation and competition between firms can exist (Walley, 2007):

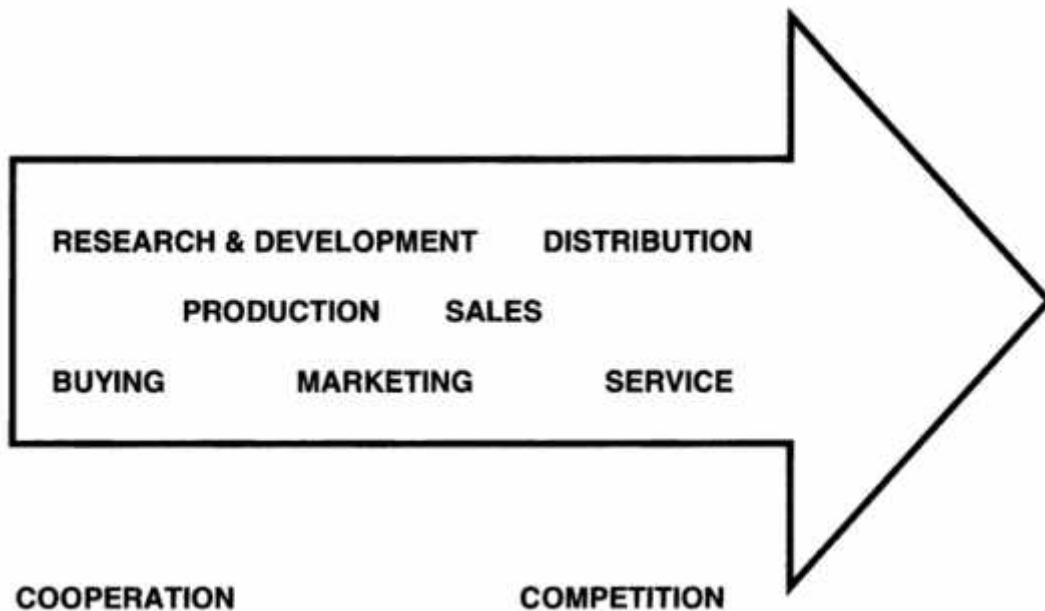


Figure 1 Cooperation to Competition

Coopetition strategy is not a simple one. It requires a considerable insight into a business. The interaction with a rival company with conflicting interest cannot remain simple. Being aware of pitfalls, the coopetition strategy proposes to interact with rivals on commonalities rather than the difference (Bengtsson & Kock, 2000). Various examples in the corporate world can be seen as living examples of coopetition (Zineldin, 2004). Although multiple examples have been cited in literature from auto manufacturers to restaurants and convenient stores (Martinelli & Sparks., 2003); it is considered that development of USB Standard by world leading technology companies is most apt example of coopetition, whereby world computer and mobile phone technology companies collaborated to create the now well-known USB standard for connecting multiple devices with computers and mobile computing devices of many origins. Each company cooperated to create the USB standard and now they are using in their devices to compete rivals firms.

It has been identified that in order to have coopetitive relationship; both (or more) parties agree to establish relationship and needs and demands of other party are honored. The relationship should be mutually rewarding, which can be achieved by striking balance between the advantages and disadvantages of the relationship. It is utmost important that well negotiated terms and conditions are framed, which are flexible and can be changed. There should

be ample communication between parties as communication is considered as key to any relationship. Above all, both parties must share, value and practice core ethics (Zineldin, 2004).

Problem Statement: The question arises can coopeition produce the promised results? Is coopeition relevant to businesses? If yes, what are likely areas of application and if no, can coopeition concept can be further refined?

Application of Coopeition for CSR: Coopeition: combination of cooperative and competitive strategies to be more effective (Khanna, Gulat, & N., 1998). Whereas, Corporate Social Responsibility (CSR): continuing commitment by business to behave ethically and contribute to economic development (Dahlsrud, 2008) are two concepts aimed in one direction: to be more effective (have sustainable development).

As discussed above, coopeitive relationship can be established if (Zineldin, 2004);

- a. Both (or more) parties agree to establish relationship.
- b. Needs and demands of other party are honored.
- c. Relationship should be mutually rewarding.
- d. Flexible terms and conditions are framed.
- e. Ample communication exists between parties.

It can be argued that the conditions explained above for the coopeition relationship are valid for every contract forged between parties. However, in the context of CSR, which is ethical obligation as well as perpetual economic concern of an organization, realizing of coopeition in the absence of formal contracts remains questionable (Walley, 2007). So how would coopeition work? How coopeition can deliver the results for an organization to be more effective and achieving CSR? Coopeition is phenomenal in two ways; it does not loses the cutting edge of competition & growth and at the same time it allows for the cooperation to be made between entities (Walley, 2007). Likely areas where most organizations cooperate include research & development, common production facilities, raw materials sourcing and knowledge sharing. Whereas, areas such as sales and distribution networks, new product development and services are highly competitive in nature. It can be seen that the areas where firms are cooperating appear benign in nature, yet have powerful impact on the overall effectiveness of a firm. By applying coopeition at inter-organization level in some of the key areas, the overall gain is economy of resources, sharing of knowledge and improved products & services, as is the case with development of USB standard. The firms can form a cluster as Special Interest Groups, Discussion Forums or even formal contracts for resource sharing to investigate complex areas/develop newer and better technologies or services. This way the organizations can become more focused and huge burden of R&D expenditure can be shared by participating organizations. Improved knowledge sharing leads to sustainable development of the organizations and fulfills the CSR for the firms in terms of better products and services (Bengtsson & Kock, 2000) (Dagnino & Padula, 2002).

It is pertinent to highlight coopeition is sometime attributed as 'market rigging' (Kessler, 1998) (Walley, 2007), however, this notion can be dispelled by arguing that; although, economic concern may lead to such 'market rigging', but the same cannot continue perpetually as new market entrants may not comply with existing 'market rigging' (Kessler, 1998).

Conclusion: It can be seen readily that both coopeition and CSR complement each other. The coopeition has potential to improve the overall businesses by combining resources and sharing of knowledge, whereas, CSR is ethical business practices with sustainable development in perspective. However, the concern remains regarding the level of cooperation and competition between firms. It was also observed that the both CSR and coopeition are dependent on the individuals practicing it (Bagshaw & Bagshaw., 2001). This area is considered as further focus for the research as to how individuals can be made to cooperate in the face of fierce competition to take true advantage of coopeition. The same was not considered here, mainly due to the fact that team-building, and interactions between humans form a separate topic for research.

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