



Faculty of Economics, University of Niš, 16 October 2015

International Scientific Conference

**CHALLENGES IN BUSINESS AND ECONOMICS:
GROWTH, COMPETITIVENESS AND INNOVATIONS**

**THE CHALLENGES TO BUSINESS:
IMPROVING COMPETITIVENESS
THROUGH SOCIAL RESPONSIBILITY BEHAVIOR**

Irena Slavova*

***Abstract:** Nowadays, firms face the challenges of identifying ways to do business in society effectively and increasing its competitiveness. This paper aims to show how business can improve its competitive advantage through corporate socially responsible (CSR) activities. The research approach is applied in three levels. First, the concept of CSR and its evolution are discussed. Second, based on Porter and Kramer's strategic approach to CSR activities and the Resource-Based View (RBV), the link between CSR and competitive advantage is clarified. Third, the CSR activities of the companies operating in the Bulgarian market and the opportunities for increasing competitive advantage are analyzed. For this purpose the results of web content analysis of the CSR and empirical study of business in Bulgaria have been used. The findings associated with the main research question of what CSR initiatives contribute to strengthening the competitive advantages in Bulgarian business and future challenges have been drawn.*

***Keywords:** corporate socially responsible; competitive advantage; strategic approach; forms of corporate social initiatives*

1. Introduction

The management of business organizations is becoming an increasingly complex task in the age of globalized trade and competition, fast-growing information flow and the growing interconnection between civil groups in society. The factors that influence the business' successful functioning are to a large extent, unpredictable and inseparably tied to the needs of a global society. If ever the separation of business interests from society interests was justified for some scientists and considered a fake separation by others, then at present contrasting economic and social aims is not only conceptually invalid, but it is also pragmatically inconsistent.

* University of National and World Economy, Department "Marketing and Strategic Planning", Sofia, Bulgaria; ✉ irenaslavova@yahoo.com
UDC 339.137.2:005.35

Scientists and managers are increasingly paying more attention to the strategic nature of CSR. In spite of the difficulty of its definition (McWilliams et al, 2006) and the many other available definitions in academic literature (Dahlsrud, 2006), there is to a certain degree a consensus in some aspects of CSR. Widely accepted is the standpoint that CSR activities should provide benefits for both the company and society (Porter, Kramer, 2002, 2006) correspond with the organization's aims and business strategy by helping to increase its competitive advantage. In this context, the present study has been done with the purpose of showing what the current status of CSR in Bulgaria is, the opportunities for increasing competitive advantage and the challenges that business will face in the future.

The paper has been structured as follows: first, the nature and evolution of CSR are discussed. Second, a literary overview has been done to uncover the connection between CSR and competitive advantage. The different approaches through which CSR initiatives can increase the company's competitive advantage – Porter's strategic approach; Resource-Based View (RBV); Prahalad's idea for "fortune at the bottom of the pyramid" – have been clarified. Third, the answer to the research question related with corporate social initiatives carried out by business in Bulgaria and the opportunities for increasing competitiveness through a cost leadership strategy or differentiation is presented. This study is done in two levels: an analysis of the types of corporate social initiatives carried out by firms operating in the Bulgarian market and outlining the general status of the competitive responsibility of business in Bulgaria.

2. The Nature and Evolution of the Concept of CSR

Over the decades, the concept of corporate social responsibility (CSR) has continued to increase its significance and importance. Corporate socially responsible practices are not something new – they are part of normal business activity. Business has always influenced the environment, society, economy and other stakeholders – suppliers, partners, clients, staff, local communities, etc. In different time periods these interrelations have been managed in different ways depending on historical, cultural, political and social-economic factors.

Although the activity of business organizations is aimed at gaining profit, they conform to the requirements set by society and stakeholders. Friedman's claim from the 70s that business has only one social responsibility – to increase profits (Friedman, 1970) – gives way to the much broader consideration of CSR (EU,2011; Moon, 2007) and its perception as a strategic investment (McWilliams et al., 2006) and source of competitive advantage (Porter, Kramer, 2006).

The numerous available definitions for CSR (Dahlsrud, 2006), often not clear enough (Moon, 2007), make its theoretical development and measurement difficult (McWilliams et al., 2006). The definition of CSR as "a responsibility of enterprises to their influence on society" (EU, 2011, p. 6) is only one interpretation of CSR which is accepted and used as a starting point in the following research.

Presenting the concept of CSR in different ways is connected to clearly differing views on the role of business in society (Lantos, 2001). These views are often presented within the shareholders/owners debate – stakeholders. The idea at the basis of the "owner's perspective" is that the only responsibility of managers is to serve shareholders' interests in

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the best possible way, by using corporate resources to increase the company's wealth and achieve maximum profit (Friedman, 1998; Jensen, 2001).

Unlike the classic understanding of CSR, the "stakeholders' perspective" suggests that, aside from shareholders, there are other groups or individuals affected by a company's activity (i.e. employees or the local community) and their interests have to be taken into account when making management decisions, preferably in the same way as the interests of shareholders (Freeman, 1998; Freeman, Wicks and Parmar, 2004). Managers have different available alternatives to create value for shareholders "by creating products and services that customers are ready to buy, offering workplaces that employees are ready to occupy, building relations with the suppliers that companies wish to have and be good citizens in the community." (Freeman et al. 2004, p. 366). The main difference between the theory of stakeholders and the one for maximizing value is the issue of making a distinction between economic and ethical consequences and values or their unity. The proponents of the theory of stakeholders denounce the thesis for distinguishing between ethics and economy; they also see a moral dimension of business activity because ethical suggestions, consequences and nuances are clearly poured into or embedded into economy (Carroll, 1999). In his three-dimensional CSR model Carroll underlines that economic responsibilities are the basis on which all other responsibilities are built and without them, the others (legal, ethical and philanthropic) cannot be achieved (Carroll, 1979).

Looking at economic and social aims as different and often controversial for a long time is a wrong division and it represents an obsolete perspective in a world of open, knowledge- based competition, argue Porter and M. Kramer. "Companies do not function in isolation from the society around them. In fact, their ability to compete depends heavily on the circumstances of the locations where they operate" (Porter, Kramer, 2002, p. 57). In the long run social and economic objectives are not controversial in their nature; they are inseparably tied (Porter & Kramer, 2002).

In spite of the ongoing debates on what CSR means and what it includes, it has developed and evolved in both academic as well as practitioner communities worldwide. Attention in CSR debates is changing: it is not expanding in the direction of whether sustainable corporate social responsibilities should be realized and where, but how it should be done (Smith, 2003). The strategic character of CSR comes to the forefront. Managers and scientists focus their efforts on how corporate social initiatives should be carried out so that there will be benefits both for the company and for society.

For over a decade the concept (White, 2005) that CSR can create benefits for companies when corporate social activities are part of the organization's strategy and are connected to its objectives has been endorsed (Husted & Allen, 2001; Molteni, 2006; Porter, Kramer, 2006 ; Smith, 2003). Addressing the issue of CSR in the interests of business and society is also set in the EU's renewed CSR strategy. Implementation of a strategic approach to CSR becomes increasingly more important for enterprises' competitiveness. It can be beneficial from the perspective of risk management, cost reduction, access to capital, customer relations, human resource management and innovation capacity (EU, 2011).

The extent to which CSR is connected to the company's objectives and is integrated into the business recently came to the forefront again in the context of the global financial crisis' influence. For example, one of the suggestions is that the global financial

crisis' effect in regards to CSR will be smaller when it is strongly integrated into business operations; conversely, when it is less integrated, the crisis could lead to CSR budget and personnel cuts (Shergold, 2009).

Nowadays, in light of the continuing recession which takes the initiative for corporate profit and increases pressure from shareholders, companies create new CSR models. Instead of a modest department for CSR, many companies try to integrate CSR into their business operations. It is believed that CSR needs improvement and in order for companies to launch an active CSR, it has to be connected to the business strategy and integrated into the enterprise's activity. Through the different kinds of work that companies offer, the types of product they produce and the ways in which they use resources, firms can have a positive effect on society and the environment, accomplishing their economic goals (Orts, 2011).

Partially because of the crisis, some companies have perfected their approach to CSR through a closer link between social causes and their main business activity. This approach interprets CSR as "socially responsible capitalism". At company level, business aims have to be both maximizing shares' worth in the long run as well as addressing society's biggest problems. This requires the strategic company actions and the CSR initiatives to be an inseparable part of the company's business strategy (the process of developing, executing, monitoring and evaluation the strategy). In the process of formulating the strategy it is necessary to take into account both the positive and the negative effects that could arise - not only for the business itself but also for stakeholders and society as a whole (Porter & Kramer, 2006). This way the socially responsible attitude of the business can contribute to the competitive advantage.

3. CSR and Competitive Advantage: Approaches

CSR initiatives with strategically orienting and directing corporate resources toward the perceived demands of stakeholders contribute to building firm competitive advantage over industry rivals (Kurucz et al, 2008). Stakeholder demands are seen as opportunities for gaining benefits for the firm rather than constraints. Corporate social responsibility initiatives enhance a firm's competitive advantage to the extent that they influence the decisions of the firm's stakeholders in its favor. Firms build a competitive advantage by participating in these CSR initiatives that meet "the perceived demands of stakeholders" (Kurucz et al, 2008, p. 89). In other words, one or several stakeholders will prefer the firm over its competitors specifically because of the firm's commitment to such CSR initiatives.

The benefits of CSR, however, are not homogenous and effective CSR initiatives are not generic. Effective CSR rests on the development of the proper CSR strategy (N. Smith, 2003; Husted, Allen, 2001; Filho et al. 2010), where CSR activities are aimed at improving relations with stakeholders and simultaneously improving social welfare (Barnett, 2007). Smith argues that companies may build their competitive advantage through CSR strategies. He explains: "a firm's social responsibility strategy, if genuinely and carefully conceived, should be unique..." (N. Smith, 2003, p. 67). This uniqueness could set the company apart from its competitors and, respectively, serve as the basis for improving competitive advantage. Such are also the claims of Husted & Allen who

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emphasize that the correct use of CSR strategy can create competitive advantage (Husted, Allen, 2001).

The strategic behavior of the firm with respect to CSR may be evaluated through the resource-based view of the firm (RBV). Branco and Rodrigues (2006) and McWilliams et al. (2006) argue that when firms engage in CSR strategically and CSR is linked with benefits for the firm and its performance, socially responsible behavior may be studied drawing on the RBV of the Firm (Prahalad and Hamel, 1990; Barney, 1991).

As firms generate competitive advantages by effectively managing their resources and capabilities which are valuable, rare, inimitable and non-substitutable (Barney, 1991), CSR can enhance the competitive advantages by helping create and manage such resources and competencies (McWilliams et al., 2006).

Creating competitive advantages is achieved by applying strategies that add value and create advantages for a given firm, until another firm succeeds in doing so. Thus, to adopt the RBV when investigating CSR, resources and capabilities need to be seen as a 'contested terrain' (Branco and Rodrigues, 2006, p. 117) and the RBV needs to be extended. The impact of CSR on the firm performance should not be explained only through the analysis of fundamental intangible sources such as know-how, corporate culture and reputation. It should also take into account, first, how individuals and groups of individuals interact within the firm (through employee behavior) (Brammer et al., 2007; Branco and Rodrigues, 2006) and, second, the ability to build and maintain external relationships with stakeholders (thus building social capital and managerial reputation) (Branco and Rodrigues, 2006; McWilliams et al., 2006). These are crucial for building and maintaining a sustainable competitive advantage and for enhancing firm growth.

In that context, many academic researchers view corporate social responsibility as a valuable internal intangible resource or as a group of resources that can be the source of a competitive advantage, where social initiatives of a given firm cannot be imitated by their competitors. Corporate social responsibility covers different dimensions that can be considered internal resources, such as corporate values, business ethics, relationship with stakeholders, social projects, corporate reputation, etc.

Firms implement different practices in their drive towards gaining both economic and social benefits. These CSR efforts often aim to capitalize "fortune at the bottom of the pyramid" – an idea turned into a strategy, which S.K. Prahalad popularizes in 2006 in his book of the same name. Prahalad recommends that the largest companies focus on the poorest people as a social-economic group in fast-developing economies as the "seeds" of the growing markets of the future. The new markets that corporations are building in these places are long-term investments, with which they achieve their business goals and at the same time contribute to the development of the community in which they operate. This is a way through which transnational corporations could adapt to global drivers such as climate changes, population growth and poverty (Prahalad, 2014).

However, "corporations are neither responsible for the world's problems, nor do they have the resources to solve them all" (Porter and Kramer, 2006, p. 92). They can use CSR to build competitive advantages by carefully prioritizing the needs of its stakeholders and strategically manage the firm's resources to meet these demands and exploit the opportunities associated with them in benefit of the firm (Kurucz *et al.* 2008).

The long-term perspective toward CSR leads to a transition from CSR to "corporate social integration", with 'mutual reinforcement' becoming a success both for the company and for society (Porter & Kramer, 2006, p. 92)¹ According to Zadek, it is not difficult for companies in which CSR is rooted to respond to new market expectations, like the battle against corruption, human rights, managing the environment within the supply chain, etc. (Zadek, 2004).

The following finding can be drawn from the conducted literary overview: CSR can contribute to the reinforcement of a company's competitive advantage, but it must also act strategically and the socially responsible activities have to be in accordance with the corporate strategies. As a company's competitive strategy represents the route to creating and maintaining competitive advantage (Porter, 1998), by helping firms create and manage their resources effectively (Branco and Rodrigues, 2006), different CSR activities contribute to different types of competitive advantage (cost leadership or differentiation). CSR activities vary depending on the choice of competitive strategy.

This understanding of CSR, established in theory and practice, is the starting point in our practical research. The main research question is: to what extent can the CSR activities of companies operating in the Bulgarian market contribute to the reinforcement of their competitive advantage? What are the current status and the future challenges?

4. The CSR Activities of Firms Operating in the Bulgarian Market: Potential Possibilities for Reinforcing Competitive Advantage

This part of the paper is focused on the way firms can use different CSR activities to stand out from their competition and help build competitive advantage through a cost leadership strategy or differentiation. The analysis is done through the prism of corporate social initiatives carried out by business in Bulgaria as present practices and future challenges.

Research Methodology

The answer to the research question related to corporate social initiatives carried out by business in Bulgaria and their contribution to increasing competitive advantage is presented at two levels:

First, an analysis of corporate social initiatives in Bulgaria, systemized and differentiated in six types, with the use of a qualification that is set in both theory and practice: cause promotion, cause-related marketing, corporate social marketing, corporate philanthropy, community volunteering, socially responsible business practices (Kotler, 2011). Each type of corporate social initiatives has benefits for both the cause and the firm, but different types of initiatives can contribute in different ways to the improvement of competitive advantage (cost leadership or differentiation). For this purpose, results from the CSR survey for university project "CSR in Bulgaria – Part of European Social Practices" (I.Slavova, Y.Bankova, 2014) will be used:

¹ In their later publications Porter & Kramer (2011) present the concept of "shared value", which, as the authors themselves point out, cannot be identified with CSR. For this reason, the authors' latest views on the role of business in society are not studied in the present article.

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- results from a content analysis based on a study of the websites of firms operating in the Bulgarian market – of the 175 researched firms that realize different economic activities 65 of them realize corporate social initiatives; corporate social initiatives such as a standalone CSR column are either posted on their web pages, or they are shown on the news and in press messages. Through their websites, companies represent their corporate social responsibility individually as well as the impression that the company's management creates as a commitment to different stakeholders with their public behavior. Websites are targeted towards a wide range of stakeholders and they are therefore logical sources of information for studying the firm's attitude towards CSR (Esrock, Leichthy, 1998).
- results from an empirical study of business in Bulgaria – 200 firms have been studied, 80% of which are representatives of small and medium enterprises. They complement the idea for business CSR in Bulgaria, more specifically the views and attitudes of small and medium businesses in Bulgaria (these are companies that do not have web sites with such information and they do not actively carry out corporate social initiatives).

Second, outlining the status of the competitive responsibility of business in Bulgaria. For this purpose Zadek's qualification for different generations of companies related to competitive responsibility has been used. Zadek (2001) identifies three generations of companies in relation to their responsible competitiveness. First-generation companies have a short-term, pain alleviation strategy. Second-generation companies establish strategic planning and risk management policies. Third generation companies incorporate the concept of social responsibility into their strategy.

Analyzing the Corporate Social Initiatives Carried Out by the Business in Bulgaria

Our study shows that firms in Bulgaria put different types of CSR initiatives into practice with the aim of fulfilling the business strategy and reducing costs. Most frequently used are the socially responsible business practices for improving the effectiveness of the production processes that lead to decreasing the costs for natural resources (water, energy, waste, etc.) and improving the environment. It has been proven that proactive practices on environmental issues lead to cost and risk reduction (Berman et al, 1999; Hart, 1995; Shrivastava, 1995)

The survey has determined that technological innovations, wide-range and long-term programs in the area of environment are part of the activity of several large companies operating in the Bulgarian market (*Coca-Cola HBC Bulgaria, Zagorka JSC, Olineza, Nestle Bulgaria, Assarel-Medet JSC, ČEZ Group, Svilosa JSC, Monbat JSC*). Reducing operational costs and environment pollution can also be accomplished through improving product characteristics (the production of a new line of *Kaolin JSC* products directly and indirectly generates considerably less emissions of carbon dioxide) as well as using the most environmentally friendly raw and packing materials. For example – reducing the weight of the bottle, thus improving its energy effectiveness (*Devin JSC*); an integrated approach to reducing the environmental impact of packaging waste throughout their lifetime (*Coca-Cola HBC Bulgaria*); promote recycling and encourage the separate waste collection; recycling of waste products from the production, reducing package weight, waste separation within the *Kamenitza JSC*'s breweries.

Corporate social activities aimed at employees also help reduce costs and risk. T. Smith (2005) claims that CSR activities in the form of policies for equal employment opportunities, as well as commitment to the environment help increase the long-term value for shareholders by reducing costs and risks. Few firms show on their web sites initiatives supporting employees, but almost all companies declare a strong commitment to their employees in stating the company's mission or as human resource policies. Mining extractive companies (*Assarel-Medet JSC, Maritza East Mines SJSC, Dundee Precious Metals Chelopech*) carry out projects for human capital development and ensuring a high standard of healthy and safe working conditions. There is reason to expect the companies operating in the Bulgarian market will increase their corporate social initiatives in this area in the future. Employees are increasingly looked at as a driver of CSR, and their requirements connected to work regard both the company's human resources policy and CSR (Moon, 2007). It is also necessary to add another emerging trend of an increasingly more active inclusion of employees in different CSR initiatives – charity programs of employees (donations on the payroll of *MTel; UniCredit Bulbank JSC; Vaptsarov Holding JSC*), as well as voluntary community service (*Zagorka JSC; Karlsberg Bulgaria; Danone Serdika and Kamenitza JSC; Overgas Inc. JSC; Holcim; Vaptsarov Holding*). This form of corporate social initiatives is becoming increasingly bound to companies' main business values and objectives; it complements their strategic mixture of different forms of CSR.

Corporate social responsibility activities aimed at managing relations with the community could also result in costs and risks reduction. Building positive community relationships may contribute to the firm's attaining tax advantages. In addition, positive community relationships decrease the amount of regulation imposed on the firm, because the firm is perceived as a sanctioned member of society (Berman et al, 1999). Almost all manufacturing firms carry out corporate social initiatives for the benefit of local communities. Extractive companies make long-term commitments to a large amount of investments primarily in building infrastructure objects and equipping schools, kindergartens and hospitals within the boundaries of communities where minerals are extracted and processed (typical examples in this regard are *Assarel-Medet JSC, Maritza East Mines SJSC, Dundee Precious Metals Chelopech*).

CSR can be an integral, inseparable element of the business of the firm and its differentiation strategy. Therefore, it should be considered as a form of strategic investment (McWilliams, Siegel, 2000). Even when it is not directly related to the characteristics of the product or the production process, CSR may be seen presented as a form of creating and maintaining reputation.

Cause-related marketing helps increase a company's reputation and sales. This is an initiative that is directly linked to the sales of certain company products designed for charity or supporting different kinds of causes. Sales of certain products and/or services provide resources and improve the company's image, thus creating mutual benefits (Business in the Community). Cause-related marketing is not applied enough by business in Bulgaria (*United Milk Company JSC, Danone Serdika JSC, cosmetic company Aroma JSC, Piraeus Bank Bulgaria JSC*).

Corporate social responsibility initiatives can also improve relationships with customers and thus contribute to strengthening a firm's competitive advantage. It is necessary to take account of changing conditions and the new requirements of customers as one of the key drivers of business organizations' CSR (Moon, 2007). Bhattacharya and Sen

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(2004, p.10) observe that a 'positive link of CSR to consumer patronage is spurring companies to devote greater energies and resources to CSR initiatives'. Pivato *et al.* (2008) demonstrates that CSR initiatives enhance brand loyalty.

One of the forms of corporate social initiatives with which the firm can reinforce the positioning and the preferences for the brand, as well as support customer loyalty, is cause promotion. The conducted research has determined that a number of firms operating in the Bulgarian market (*United Milk Company JSC, Coca-Cola HBC Bulgaria, Devin JSC, Danone JSC, Vivacom; Coca-Cola HBC Bulgaria and MKB Unionbank JSC, Eurobank, FG Bulgaria JSC*) provide financial and physical resources or other corporate resources (primarily for convincing communications) for popularizing a certain cause connected to the company's products and values. That way the cause is associated with the company's products. The majority of these campaigns have a long-term nature.

Social marketing is one of the strategies for achieving a brand's desired position (Kotler, p. 128) – the preference for a certain brand means it is more likely for a certain product to be chosen among other similar products. This type of corporate social initiatives is focused on the change in attitude. The conducted corporate social marketing campaigns among the studied companies are most frequently aimed at themes connected to both acute society problems (health, alcohol abuse, etc) and companies' main business. It is typical for the themes to have a connection to the offered products – beer-producing companies realize initiatives aimed at responsible alcohol consumption (*Zagorka JSC, Kamenitza*); the issue of health is the focus of *Craft Foods'* "Health in School" campaign; *Globul's* campaign is connected to Internet safety and increasing society's awareness for the issue of correct and safe use of new technologies and Internet by children and teenagers. The change in people's attitude in regards to preserving the environment is the focus of a number of initiatives conducted by several banks in Bulgaria (i.e. *MKB Unionbank JSC*).

Practice shows that corporations can improve their reputation through corporate philanthropy – the most traditional and widespread corporate social initiative realized for decades. According to most experts, the nature of corporate philanthropy has changed over the years primarily in response to internal and external pressure. Bruch and Walter (2005) claim that companies use philanthropy to increase their competitive advantage through combinations of market (external orientation) and firm competencies (internal orientation). Through market orientation, companies design philanthropic activities to understand external requirements and respond to the expectations of primary stakeholders. For this reason organizations improve their competitive advantage through..."improved marketing and selling capabilities, higher attractiveness as an employer or better relationships with governmental and nongovernmental organizations" (Bruch and Walter 2005, p. 50).

Corporate philanthropy can increase competitive advantage, but it is necessary to find a balance between shareholders' profits and the corporation's expectations to demonstrate responsibility to society, which helps its existence. The main prerequisite for such an argument is Porter and Kramer's statement that a business may gain competitive advantages through its philanthropic activities when such activities are directed at causes where there is a 'convergence of interests' between the economic gains and the social benefits (Porter and Kramer (2002, p. 59)

The change observed in the global practice of corporate philanthropy is precisely in this direction, with several most general trends emerging in its development. Whether

business practices in Bulgaria in accordance with the trends in corporate philanthropy evolution is an issue directly linked to the aims of our research. Corporations choose and focus their philanthropic actions on specific areas connected to their business objectives and missions – a tendency for transitioning toward a more strategic approach when choosing a theme to support.

A number of companies operating in the Bulgarian market carry out long-term and complex charity programs on the principle of competition – resources are distributed based on projects in specifically defined areas in accordance with company's aims and values (*MTel, Zagorka JSC, Assarel-Medet*), or the choice of a theme is directly connected to the firm's main activity – a typical example in this regard are pharmaceutical companies (*Sopharma, AstraZeneca, TchaikaPharma*).

Another trend in corporate philanthropy is changing the form of donations – corporations do not make solely monetary donations, they also use their corporate resources to support a cause in the form of product donations, donations of services, technical help, etc. Through these forms of corporate philanthropy firms can carry out their charity activities in accordance with their abilities and main competencies. "In so doing, they avoid distractions from the core business, enhance the efficiency of their charitable activities and assure unique value creation for the beneficiaries" (Bruch and Walter, 2005, p. 50).

Our study has shown that donation of services as a form of corporate philanthropy is not recognized and carried out by studied firms. Only *Overgas Inc. JSC*, which periodically performs free gasification of dozens of churches and temples in Bulgarian cities, can be used as an example. Product donation as a form of corporate philanthropy is increasingly observed as a practice of firms in Bulgaria. These are primarily companies that produce soft drinks, mineral water and foods (*Aspasia-92 JSC*; bottling company *Hissar; Bella Bulgaria, Coca-Cola Mikhalkovo JSC; Pobeda JSC*, etc.), as well as pharmaceutical companies (*Sopharma, TchaikaPharma, AstraZeneca*). Offering free help as a form of donations is also typical of pharmaceutical companies. All initiatives are connected to the population's health.

The growing number of sponsorships and other forms of donation (product donations, financing specific projects, etc.) through which the company's popularity and the drive toward achieving (tactical) visibility of its activity are what most commonly stands out when it comes to philanthropic activities of business in Bulgaria. Monetary donation is still the preferred form of philanthropy, especially among small and medium enterprises.

Findings: Outlining the competitive responsibility status of business in Bulgaria

The conducted analysis of the forms CSR initiatives carried out by companies operating in the Bulgarian market and the variety of realized CSR practices and policies shows that a number of companies in Bulgaria practice corporate social activities which demonstrate a convergence between the company's economic objectives and social objectives. They are distinguished by their long-term campaigns supporting society and the environment; they employ a strategic approach and integrate CSR into structures, processes, systems; measuring and accounting for the obtained results. These are primarily the large companies operating in the Bulgarian market, part of transnational corporations that follow the strategies and policies of corporate headquarters. If we use Zadek's qualification in regard to competitive responsibility, these are third-generation companies,

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for which it is typical to include the concept of social responsibility into their strategies (Zadek, 2001). The conducted survey based on the content analysis of company web pages has shown that these companies (19 out of a total of 65 studied) use different forms of corporate social initiatives which are connected to the company's aims, values and strategy, thus contributing to the increase of competitive advantage.

The majority of firms operating in the Bulgarian market (45% of studied firms based on their web pages and all firms that took part in the empirical study, primarily small and medium enterprises) carry out corporate philanthropy primarily in the form of monetary donations; corporate social initiatives are often one-time, are not connected to the company's aims and activities, and the donations are scattered among different causes. CSR activity has been observed in the past few years (since 2012) with the growing number of firms carrying out social initiatives. The results of the empirical study have determined that business in Bulgaria has a positive attitude toward implementing CSR (92 % of the respondents); small and medium enterprises, however, do not know the different forms of corporate social initiatives and associates CSR primarily with donations (50% of the respondents prefer monetary donations, and 42.5% prefer sponsorships), while the benefits of realizing such initiatives are associated with improving the company's image (67.5%). Only a small part of business representatives still think that CSR can have a beneficial influence on the company's economic and financial state (increasing sales, according to 13% of the respondents), increasing investors' interest (9.5%), decreasing operative costs (only 1.5%). 11% of them believe that CSR has no benefits. Using Zadek's classification, most firms operating in the Bulgarian market (primarily small and medium enterprises) are first-generation companies in regard to competitive responsibility – they have a short-term plan to protect their reputation, "a strategy to relieve pain" (Zadek,2001).

Under the influence of a number of key drivers – globalization; market forces; the growing roles of the government and non-governmental organizations – it can be expected that business in Bulgaria will identify opportunities for gaining both economic and social benefits through carrying corporate social activities out. In accordance with Zadek's classification regarding competitive responsibility, a transition towards next-generation companies can be expected – establish strategic planning and risk management policies (second generation) and incorporate the concept of social responsibility into their strategy (third generation) (Zadek, 2001).

Business in Bulgaria faces different CSR-related challenges. Many companies view CSR as an inseparable part of their competitiveness in response to the demands of customers, employees, investors. This, for its part, pressures competitors to respond to their socially responsible investments (Porter & Kramer, 2002). For many companies, especially small and medium enterprises, as well as those in global supply chains, business clients, especially in retail brand markets, impose CSR standards on the supply chain and audit systems (Fulmer, Scott, 2003. This is also typical for several companies operating in the Bulgarian market, which, when choosing suppliers, set requirements for the firms to implement or support sustainable environmental practices. A number of companies include ecological criteria when choosing suppliers – *Kamenitza JSC*, *Nestle JSC* and all member firms of the Bulgarian network of the UN's Global Compact.

5. Conclusion

The CSR initiatives carried out by companies operating in the Bulgarian market are different, since the social and environmental influence of one corporation varies widely depending on the industry in which it operates and its geographical range. Well-known and applied by business in Bulgaria are different forms of CSR initiatives which can be connected both to the competitive strategy of cost leadership, as well as differentiation. We consider it unlikely to make a sharp distinction between which forms of CSR should be implemented by firms that have a cost leadership strategy and which types of corporate social initiatives are suitable if the strategy is differentiation. Our main arguments for this are that every company strives to decrease its operative costs, to increase its reputation and loyalty to the brand, to have good relations with different stakeholders, etc. The company's main competencies and institutional capacity, as well as the firm's ability to distinguish itself in the implemented forms of corporate social initiatives in accordance with its strategy should have a defining role when choosing and implementing CSR.

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