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## Value created through CSR measurement possibilities

Donatas Jonikas\*

*Klaipeda University, Klaipeda, Lithuania*

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### Abstract

This paper presents a conceptual framework for measurement of value created through CSR. The method of GQM (Basili, et al., 1994) was chosen for creating this value measurement framework. The framework takes into account value creation possibilities through all four responsibility types proposed by Carroll (1999) and considers aspects of shared value (Porter and Kramer, 2011). Further adjustments of this framework will be made after surveying experts of CSR and VCC. Development of such framework would allow to measure all value created through CSR independently who has received it – company, stakeholders or society.

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### 1. Introduction

The problem. There is a discussion in academic society that CSR not always helps to create value higher than its implementation costs. It leads to assumption that implementation of CSR activities might be detrimental for some companies and the whole idea of CSR might be not enough sustainable in practice. But such assumptions can't be reliably verified without measuring all value created through CSR.

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\*Corresponding author. Tel.: +37065179064.

E-mail address: [donatas.jonikas@gmail.com](mailto:donatas.jonikas@gmail.com)

Having methodology which enables measurement of value created through CSR in whole value creation chain (VCC) would allow checking particular cases when value created through CSR seems lower than costs of CSR implementation. Such tool would build a foundation for further research of value creation through CSR and would help to determine reasons why created value might be lower than costs in each particular case. As for instance:

1. if wrong CSR initiatives were chosen for implementation;
2. if CSR implementation level has not yet reached the break-even point;
3. if not all value was measured.

The aim of this research is to propose a methodology for measuring value created through CSR which might be further developed and adopted for value measurement not only in a single company, but in the whole VCC.

## 2. Method

The conceptual model for value measurement is developed based on theoretical research and prepared for further verification by survey of experts of CSR and VCC. The method of GQM (V.R. Basili, et al., 1994) was chosen for creating this value measurement model.

- Objectives and goals for GQM method were adopted from conceptual framework of value creation through CSR in separate member of VCC proposed by D. Jonikas (2013). Main objectives are to measure value created through CSR and received by company, stakeholders and society. Goals of this method go deeper and describe more specific areas where or to whom the value might be created.
- Questions for the framework were chosen based on acknowledgement that CSR consists of four kinds of responsibilities: economic, legal, ethical, and philanthropy (Carroll, 1999; Aras and Aybars, 2010; Gholami, 2011; Valackienė and Micevičienė, 2011). As authors suggested different variables to reveal value in each part of CSR, the range of questions might and should be expanded after surveying experts of CSR and VCC.
- Metrics were found the most challenging part of this framework. There already has been made a distinction between value creation and value appropriation, recognizing that, in some cases, organizations that create new value will lose or will have to share this value with other stakeholders, such as employees, competitors, or society (Nohria and Ghoshal, 1994; Makadok and Coff, 2002; Chatain and Zemsky, 2011; Porter and Kramer, 2011). Therefore, researching value creation through CSR, Porter and Kramer (2011) suggested the concept of shared value. Four types of value (D.Jonikas, 2012) should be taken into attention while developing metrics for this framework: not shared exchange, not shared use, shared exchange and shared use value.

## 3. Results

Speaking about value creation, an important point of view should be noted that CSR is becoming a business strategy and not only a theory (Juščius, Pukelienė and Šneiderienė, 2009). Furthermore most of recently performed empiric CSR researches focus on value received by companies. Though, value for stakeholders mostly remains as a secondary topic. Talking about financial value created through CSR, more outstanding view was presented by Visser (2010), Margolis and Walsh (2001) who said that, value creation through CSR is more than just financial profitability. The goal is economic development, which means not only contributing to the enrichment of shareholders and executives, but improving the economic context in which a company operates, including investing in infrastructure, creating jobs, providing skills development and so on. Furthermore company benefits received through CSR could be generally grouped into:

- financial value - Griffin and Mahon (1997), Margolis and Walsh (2001), Aras, Aybars, Kutlu (2010), Vyser (2010), Ioannou and Serafeim (2010).
- competitive advantage – Juščius and Snieška (2008), Ruževičius and Serafinas (2007), Georgiev (2009), Quyang (2011), Du, Bhattacharya and Sen (2010)
- favorable purchase decision making - Hietbrink, Berens and Rekom (2010), Banyte J., Brazioniene L., Gadeikiene A. (2010), Šimanskienė and Paužuolienė (2010).

Apart those value creation possibilities through CSR, scholars note quite many problems especially related to CSR and stakeholders conjunction. Juščius (2007), Yuan, Bao and Verbeke (2011) pointed the situation that, societal stakeholders' increasingly demand for CSR initiatives, and simultaneous corporate managers require that

any such initiatives should improve business performance. Such situation has triggered various alternative strategies to integrate CSR in prevailing business activities, but not all of them are successful. And while there is no holistic framework how to measure value created through CSR, decision making on CSR implementation still remains subjective and one-sided in most cases.

Table 1. Conceptual framework for measuring value created through CSR

| Objective                       | Goal                                     | Questions   | Metrics  |
|---------------------------------|--|---|--|
| COMPANY                         | <i>Financial</i>                         | increased company stock value                         | stock market price if applicable   |
|                                 |  | increased sales                                       | change in sales  |
|                                 |  | loyalty of employees                                  | employee turnover rate, average  |
|                                 |  | new business activities                               | opinion of executives (survey)   |
|                                 | <i>Marketing</i>                         | brand awareness                                       | top of mind position in the market   |
|                                 |  | positive associations with brand                      | shift in positive associations with the brand  |
|                                 |  | point of differentiation                              | opinion of executives and customers  |
|                                 |  | access to new markets                                 | opinion of executives, factual sales   |
|                                 |  | customer loyalty and retention                        | repeat purchase, number of loyal customer  |
|                                 |  | favourable purchase decision                          | customer opinion, sales (if comparable)  |
| justification of higher price   | customer opinion, sales (if comparable)  |   |  |
| STAKEHOLDERS                    | <i>Employees</i>                         | better work conditions                                | employee opinion, compliance to standards  |
|                                 |  | health savings  | number of accidents and illnesses  |
|                                 |  | job satisfaction and self - realization               | employee opinion (survey)  |
|                                 | <i>Customers</i>                         | improved quality                                      | consumer opinion by survey, number or product return and complaints                            |
|                                 |  | higher perceived value                                | consumer opinion by survey   |
|                                 |  | new added value                                       | product or service analysis  |
|                                 |  | customer involvement (co-creation)                    | executive opinion, customer opinion  |
|                                 | <i>Suppliers and Business associates</i> | increased competitive advantage                       | sales, average price, market share   |
|                                 |  | faster production                                     | production cycle, supply chain timing  |
|                                 |  | increased mutual trust                                | opinion of suppliers and business partners   |
| new standard in business sector |  | case analysis if applicable                           |  |
| SOCIETY                         | <i>Society</i>                           | new social services and products;<br>charity projects | case analysis if applicable<br>received donations and other benefits                           |
|                                 |  | support for education and job creation                | case analysis if applicable, funds for education and new job creation, number of new jobs      |
|                                 |  | public health and other welfare                       | analysis of statistics of specific illnesses   |
|                                 |  | prevention of pollution                               | reduction of CO <sub>2</sub> emissions and similar   |
|                                 | <i>Environment</i>                       | restoring contaminated areas                          | spendings on environment restoration   |
|                                 |  | <i>Government</i>                                     | budget savings   |
|                                 | reduced unemployment                     |   | new jobs in CSR companies, government savings on donations for jobless people                  |
|                                 | increased GDP                            |   | additional GDP created by CSR companies  |
|                                 | foreign investments                      |   | number of new companies and total investments when it was done under condition of CSR adoption |

Theoretical and empiric researches confirm that value creation through CSR is feasible independently to company size particularly on the factors that translate into marketing benefits (Bocquet and Mothe, 2011; Vancheswaran and Gautam, 2011). As it is confirmed, small companies can also introduce radical innovation based

on their CSR involvement. Results advise that small companies should decide which dimension of CSR is central to their strategy, and how they could use their strategic CSR to develop radical innovation, thus taking advantage of their CSR orientation to further develop value creation and innovation performance. Therefore simple and easily applicable framework for measurement of value creation through CSR would be highly beneficial for small but innovative companies.

As F. Januszewski (2011) noted in his research, the aim of the identification of key customers is to facilitate the optimal allocation of resources of the company. Not all customers are equally important for the company, and the company is not able and should not try to acquire and satisfy needs of each customer. The same should be said about company stakeholders. Not all of them are equally important for the company, because implementation of CSR initiatives brings different value to stakeholder groups. Purely from the economic point of view, the company should adjust its CSR policy towards those stakeholder groups where the largest common value is created at lowest costs of CSR implementation (highest “profit” of CSR implementation independently who will get the largest share of created value).

#### 4. Discussion/Conclusion

Value creation through CSR is mostly researched only from the perspective of a single company or group of stakeholders, but not holistically in a whole VCC. There are various suggestions on value measurement methodology, but when it comes to measurement of shared or use value, it’s difficult to find any methodology convenient enough for practical implementation. The proposed framework is just conceptual idea which will be developed in few ways:

1. any new benefits invoked by CSR implementation should be reviewed and, if needed, - added to question section of this framework;
2. there should be added more metrics and rules for their calculation in order to make this framework more objective and precise;
3. system for measurement of use value in practice should be clarified;

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