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## **CORPORATE SOCIAL RESPONSIBILITY AS AN ADDITIONAL SOURCE OF COMPETITIVE ADVANTAGE IN THE GLOBALIZED ECONOMIC**

### ***Introduction***

As globalization and global trade continue to expand, Corporate Social Responsibility (CSR) has become an integral part of the network of relationships between society, economy and environment. The global economy has brought about many changes at the level of living, commerce, consumerism, and society. As a result, governments have found it more difficult to meet citizen needs and to face development challenges at the local level. Hence, corporate social responsibility emerged as a way for the private sector to assume societal, economic, environmental responsibilities alongside governments and public agencies. As it is defined by the United Nation Industrial Development Organization (UNIDO), "CSR is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives Triple-Bottom-Line-Approach, while at the same time addressing the expectations of shareholders and stakeholders." (UNIDO, 2022).

CSR has passed through both notable academic and practical milestones, starting with individual intuition and culminating with the launch of international standards [2] and became the instrument if increasing competitiveness not only a separated company, but, as it was proved by our investigation, for a country as a whole [3]. CSR does not evolve merely as a result of academic contributions, but also as a result of social movements and events that reflect societal expectations. The debates about CSR have mostly focused on its implementation to address social concerns, rather than the economic benefits of the firm. Among the academics, Howard Bowen was the first to define CSR [4]. Archie

Carroll contributes to the CSR literature by identifying principles and processes for implementing CSR in a hierarchical structure of economic, ethical, social, and philanthropic activities [5]. Stakeholder theory, developed by Edward Freeman, defines groups and individuals who benefit from a corporation's actions [6]. According to stakeholder theory, a corporation can only achieve its objectives by protecting and balancing the interests of various stakeholders. In this regard, stakeholder theory entails a focus on the content core of CSR. A stakeholder is a person or a company who directly or indirectly affects the work of the organization or has certain expectations from the results of its activities [7]. Thereafter, according to the Stakeholder theory, a company must meet not only the expectations of its customer, but must also take into account the needs of the whole society at global and local levels.

On a practical dimension, many international organizations, such as the United Nations Global Compact and the Committee for Economic Development, have begun to enact environmental standards and social guidelines for CSR [8]. Through the globalization era, multinational companies have taken steps to assume their social and environmental responsibilities in response to consumer demands. There has never been a time when the goals of the international community and the goals of business are so closely aligned. This alignment has been considered as an extremely significant milestone in the development journey of CSR [2].

### ***Globalization and Global Trends of CSR***

To understand the interconnection and interrelations between CSR and globalization, we have to analyze the main driving forces of the globalization. As defined by Fred David, globalization is the process of doing business globally; therefore, strategic decisions are made based on the global profitability of the firm, rather than just domestic factors. To provide the best value for the lowest cost, a global strategy meets the needs of customers worldwide. Production centers may be located in countries with the lowest labor costs or the most abundant natural resources, research and complex engineering centers may be found in countries with skilled engineers and scientists, and marketing activities may be located close to potential markets [9]. As a competitive advantage in today's global marketplace, CSR stands out as a powerful differentiator. This is because companies are adamant about communicating their contributions to CSR to gain credibility, improve brand recognition, and increase profits. Accordingly, the global trend is calling for companies to go beyond "business as usual" and address local as well as global societal and environmental challenges [10]. As part of the western institutional reality, CSR consists of coherent systems of governance and national business systems. The ways in which CSR is viewed and practiced are influenced by these systems. The integration of CSR into corporate strategies as well as organizational particularities is becoming increasingly common in such contexts. In contrast, less developed nations have vastly heterogeneous institutional order logics that affect the translation of CSR for local practice [11].

**Assessment for Competitiveness Characteristic on a Globalized Aspect**

The globalization protesters and skeptics oppose the idea that globalization will lead to more prosperity and well-being in the world “anti-globalism” [12], whereas the globalization adherents believe that an unrestricted and borderless world economy will make everybody happier [13]. In their view, political regulation by the state should take second place to market imperatives. In place of a dominant role for economic rationality, the central idea of modernity is abandoned, that law, social and ecological frameworks must be determined by nation states.

Broadly speaking, competitiveness is the ability of a brand to sell products and services in a market filled with similar products and services. Competitiveness determines how the company is ready to withstand competition in the market [14]. The competitiveness of an enterprise is a relative characteristic, this means that competitiveness can only be assessed within groups of enterprises that belong to the same industry or produce similar products (services). It can be revealed only by comparing these groups with each other both on the scope of one country and on the scope of the world market (in case of globalization) [15], therefore to estimate competitiveness we need to compare different characteristics of companies in one industry (figure 1), and among the characteristics CSR activities should be estimated and compared.

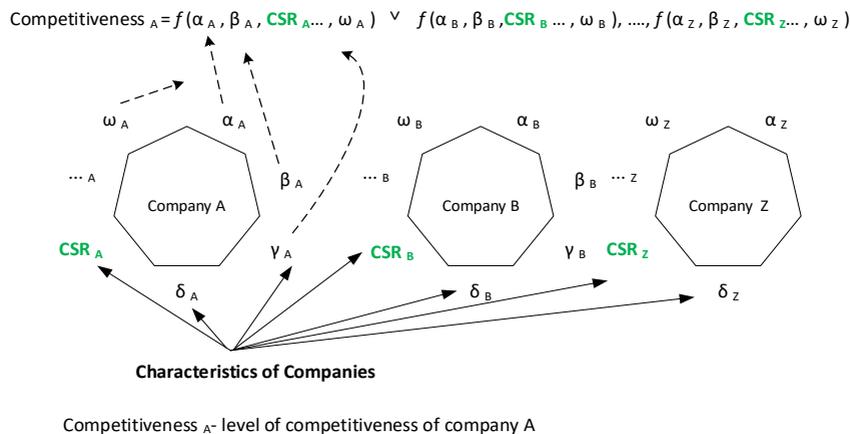


Figure 1. Competitiveness estimating

It can then be said that CSR facilitates the implementation of a strategy that keeps pace with social and environmental laws and frameworks. A company that adopts this approach earns a reputation as a responsible citizen. But in the world of globalization, consumers are beginning to distinguish between companies responsible for environmental, social and humanitarian issues and between greedy companies. Therefore, in order to gain competitive value and

compete efficiently in the era of globalization, it is possible to focus on some characteristics and indicators of CSR companies. This is different from companies that do not adopt this approach. In order for the comparison to be objective and numerical, it is also possible to be guided by some financial indicators: the average return on investment, the average net profit margin, and the average employee turnover can be calculated for all companies in one industry and provide a clear picture of the comparisons between variables.

As far as according to the Stakeholder Theory domestic companies anyway usually provide more benefits for the given society (they pay taxes in the country, employ citizens of the region, have some social programs, etc.), they have a small prevalence over the international companies which came to the market as a result of globalization. Thereafter, international companies to compete with the domestic ones have not only to adopt more CSR activities, but also inform society about it, therefore, the additional task for its advertising is to inform the customers about its CSR activities. It is valuable to note that CSR campaigns are most successful whenever customers' suspicion is low. Ideally, a company would support a cause that is low in benefit salience, spend more money on contributions than on advertising, and leave it to others to spread the word about its good deeds [16]. The risk of backfire effects from CSR advertising therefore presents marketing communicators with a reputational management challenge. For this reason, soft methods of communication, such as annual reports and corporate websites, have been recommended over harder-edged advertising approaches [17].

### **Conclusion**

Multinational corporations' performance and projects are dominated by economic factors, but collective awareness of globalization and its consequences has compelled them to adhere to legal requirements as well as environmental and social protection measures on both an internal and external level. It is largely due to the academic and practical initiatives of the international community and ethical scholars in the field of business administration. To assess competitiveness, one must select characteristics that enhance it, which may be financial, such as return on investment or growth rate, or quality, price, policy adopted to avoid monopoly, or social, environmental, and ethical contributions to society. In comparing these characteristics of companies that embrace CSR with those that do not, it becomes evident that CSR plays a critical role in addressing the obstacles and pitfalls of globalization and in promoting prosperity and sustainable development.

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