Developing a Framework for Researching CSR in a B2B Context

The purpose of this working paper is to initiate the development of a theoretical framework to gain greater insights into the role of Corporate Social Responsibility (CSR) in B2B organisations. CSR is an important issue for both governments and organisations evidenced by a significant increase in both the academic and practitioner literature dealing with it (Bielak et al. 2007; Carroll & Shabana, 2010; Ming-Dong, 2008; Reinhardt et al., 2008). CSR research has traditionally focused on B2C firms (Howell, 2003; Laws, 2007; Vaaland et al., 2008) or B2B firms with high corporate reputations operating either close to end consumers or under the gaze of powerful external stakeholders (Roberts, 2003; Kytle & Ruggie, 2005; Gonzales and Gonzales, 2006). Limited research has been undertaken on CSR in B2B firms operating further away from end customers and stakeholders, with Lindgreen et al. (2009a) identifying this as a major gap in the extant literature. Therefore in this paper we construct a theoretical framework to evaluate the role of CSR in these organisations, which will later be used to develop an exploratory research project in the B2B context. Ultimately this research aims to identify whether CSR activities have the same salience in these sorts of organisations.

Relevance of researching CSR from a B2B perspective

CSR is a complex construct with limited measures, multiple definitions (Dahlsrud, 2008; Lindgreen et al., 2009b) and meanings, and to date has not been explained by a single general theory (Lindgreen & Swaen, 2010). It has existed for a long time (Avi-Yonah, 2005) but is still theoretically at an embryonic stage with empirical issues that still need resolving (Morimoto et al., 2005; McWilliams et al., 2006). For our purposes CSR is defined as organisational activities that exceed minimum legal, social and environmental requirements at a given moment in time (Carroll, 1979; McGuire, 1963). The reason for considering CSR from a separate B2B and B2C perspective is that traditionally the field of marketing has been viewed as organisations supplying either end consumers (B2C) or those supplying intermediary or final organisations (B2B). Although some academics (Cooke, 1986; Cova and Salle, 2008; Vargo and Lusch, 2010; Gummesson, 2009; Sheth, 2010; Wind, 2006) have argued over the years that both fields are converging and should be treated similarly, there still exists significant differences in terms of purchasing behaviour, purchase size, and other attributes justifying a separate treatment (Lichtenthal & Mummilaneni, 2009; Workman & Webb, 1999; Ellis, 2010). End consumers ultimately drive the economy but the value of their purchases is significantly less than that of business consumers (Morris & Honeycutt, 2001). Globally B2B accounts for $10 trillion of the total export and imports of global goods and services traded compared to only $5 trillion for B2C markets (Wright, 2004). Therefore B2B should be an important area of research. However, even in marketing research B2C marketing overshadows its B2B counterpart in terms of money spent on research, publication avenues, number of papers written per year and most significantly number of researchers investigating it. In the CSR literature this misalignment is even more pronounced where B2B is rarely even mentioned. Historically the problem of researching marketing from a single B2C perspective rather than including B2B has led to a distorted, incomplete view of the business world (LaPlaca & Katrichis, 2009). Theoretical distortions have also been noted in other areas of marketing research notably in services and relationship marketing. Therefore a combined B2B/B2C approach should provide a more complete picture of the role of CSR in organisations interacting with stakeholders in the environment. Researching CSR in the B2B sector is particularly pertinent at the present time because the trend within B2B firms has been to increasingly outsource supply activities through independent suppliers. This leads to managing multiple production critical supplier relationships through networked partnerships or strategic alliances (Thorelli, 1986) resulting in increased operational and
social risks in addition to increasing the complexity of relationships between firms and their external environment (Kytle & Ruggie, 2005). CSR is therefore becoming more relevant within these supply chains (Maloni & Brown, 2006; Carter & Jennings, 2002a,b; 2004) as branded manufacturers and retailers are increasingly being pressured by formal and self-regulatory bodies as well as other stakeholders including end consumers to justify the behaviour of all intermediary suppliers involved in their supply chain (Strange, 2008).

Developing a research basis for CSR in B2B
In attempting the development of a theoretical framework for evaluating CSR in B2B organisations one rapidly comes across the problem of separating a purely B2B unit of analysis without any interference from the B2C environment. In an idealistic, positivist, empirical research setting it is usual practice to identify, within closed systems, a dependant variable of what one is trying to measure (CSR activity in this case) and an independent variable (purchasing influences, decision making) in an isolated B2B setting. This is a difficult task as CSR influences a range of stakeholders of varying importance and multiple organisations involved in a supply or demand chain including final consumers all interacting with each other (figure 1, appendix 1). CSR interactions between organisations in supply-demand chains and the environment are open systems (Wood, 2010) suggesting that an interactional, relational business network approach as developed by the Industrial Marketing and Purchasing (IMP) Group (Hakansson, 1982; Hakansson & Snehota, 1995; Hakansson et al 2009; Anderson et al, 1994; Moller & Wilson, 1995) may be more suitable. Additionally interpretive/qualitative case approaches may be more suitable than Positivist/quantitative research methodologies in these research settings.

The IMP group (http://www.impgroup.org/about.php) of researchers has made significant contributions to B2B research since its formation in 1976 (Turnbull et al, 1996; Sousa, 2010). Primarily their approach has changed the view of B2B purchasing decisions as not being simple, single transactions involving a large number of unrelated individual competing suppliers but are complex buyer – supplier interactional relationships with each transaction influencing others and involving smaller groups of co-operating suppliers. Although not being the first to develop or use network theory (Hakansson et al, 2009) their application of business networks, where supplier – customer interactions and relationships influence and are also influenced by other actors’ interactions embedded in a network, has been a major development in business marketing. Recently newer theoretical perspectives such as Service Dominant Logic applied to a B2B setting (Vargo & Lusch, 2004; 2010) have also provided additional theoretical insights into how customers potentially jointly co-create value with suppliers, a factor that is completely ignored in traditional, transactional marketing and business strategy frameworks. CSR, under this networked perspective, can be seen as the potential social and environmental marketing mix resources, activities and processes required, by the embedded networked stakeholders (actors), including the level of required interactional and co-creational activities, to develop ethical, socially responsible and sustainable strategies (product, pricing, distribution, promotion, HRM, operations and physical evidence). The required CSR activity including the extent of the activity is believed to be dependent on the level of social controversy and the potential environmental impact of an industry as well as how highly reputed a company is within an industry. High social controversy and high environmental impact industries (figure 2 – appendix 2) such as weapons, extraction industries e.g. oil, mining; and well known companies such as PriceWaterCoopers are likely to generate significant CSR interest compared to lesser known firms operating in more placid industries. The extent to which the marketing mix is used
either completely or partially in social and sustainable development within networks should vary according to different contexts and would be an interesting research question.

Therefore in researching CSR in a business network could be constructed as follows with a graphical representation provided in figure 3 – appendix 3. Firstly CSR is perceived as having properties of a pseudo-product desired by stakeholders. Therefore organisations require CSR resources to survive and interactional, relational networks are a means of creating, supplying and efficiently delivering CSR to appropriate stakeholders. This is achieved through, using the appropriate IMP terminology, “efficient resource ties, strong activity links and appropriate actor bonds” across a network of stakeholders comprising of different intermediary and final product/services organisations, regulators – self regulatory bodies, activist and other environmentally concerned groups and individuals, shareholders and end consumers. CSR activities can be seen as reinforcing the necessary values and beliefs required for stabilising relationships within networks by maintaining commitment and trust (Morgan & Hunt, 1994; Achrol, 1997). High values, trust and commitment should provide strong relational ties and stabilise the network through strong co-operation between actors. Low values, trust and commitment, on the other hand, should lead to greater opportunistic and transactional competitive behaviour therefore destabilising networks (Powell, 1990). Two types of CSR organisational typologies are believed to exist in networks. The first type are those that produce CSR resources and processes and include all firms supplying goods and services to the major firms and logistic and warehousing firms in distribution channels responsible for distributing goods to channel members eventually leading to end consumers. The second type of CSR organisation is one that creates the demand for CSR alongside end customers and stakeholders and includes mainly retailers. CSR networks are believed to be dominated by focal or major firms (Achrol, 1997) defined as firms possessing a high corporate brand image and reputation and are well known to end customers and stakeholders. Major firms can either be B2C firms operating within a business network such as Waitrose or Sainsbury’s, or B2B firms supplying end products or services such as major professional services firms such as Accenture. End consumers and retailers are considered as brokers of CSR by ensuring the requirements of sustainable and minimal environmental impact of goods and services of consumers and stakeholders are met through co-creation and production by their intermediary and final product and service suppliers.

There are therefore a number of potential research avenues for CSR in B2B including: How sustainable and socially responsible products/processes are developed within different business networks; the extent to which CSR is practiced throughout the whole supply-demand network; is CSR within B2B firms mainly motivated by end consumers, regulators forcing them to be socially responsible, so is CSR within B2B being primarily driven by what Berger et al (2007) describes the “narrow business case model” (solely financial returns), “the narrow social-values led model” (solely non-economic social/environmental motives) or a mixture of the two called “the broader syncretic stewardship model” (see figure 4 – appendix 4); Is CSR only relevant or likely to be more intense in certain types of industries such as high environmental impact and socially controversial ones as well as for organisation with high corporate images, can a network framework be developed to account for this; Are B2B/CSR networks only present in situations where high trust and commitment is required so that it is cost effective to co-operate and interact in relationships as opposed to being opportunistic and transactional when trust and commitment is lacking or not required? In conclusion these are just a few of the potential research questions for a future project but the main one being how much of CSR remains primarily the domain of the focal firm and the extent to which it is developed throughout the whole network for all intermediary and final offerings?
References


Figure 1 – Drivers and influencers of CSR/ethics

Figure 1 depicts the various proposed influencing factors potentially driving CSR at the individual as well as within the societal, environmental and organisational settings. This theoretical model represents a complex interaction of networks consisting of individuals driven by CSR needs influencing as well as being influenced by societal norms, regulators and pressure groups all interacting with each other. These groups are believed to influence the CSR agenda of organisations. The width and direction of the arrows represent the proposed potential magnitude and direction of CSR influence within the external business environment as well as within the relational business interactions (B2B) between firms. The only interactions that appear to be important in relation to CSR within B2B are those transactions that directly impact upon the external stakeholders. The other B2B interactions represented in figure 1 represent supposedly a significant volume and value of global trade but the influence of CSR in the decision-making processes within these interactions is uncertain. A proportion of the individuals identified in figure 1 include the end B2C consumers who could also be the same individuals who are employees and managers within B2B firms. Individuals within regulatory/activist can also be end consumers.
Appendix 2

Figure 2 – Different industries and their likely impact on the level of their CSR and ethical activities

Formalised CSR strategies with formalised social reporting processes and codes of conducts will be expected in B2B firms who have or likely to have an impact on the environment and affect major firm near to market and environmental stakeholders as well as those firms which have a negative controversial ethical image.
Figure 3 represents the output from a ‘Rich Picture’ analysis of the CSR, B2B literature undertaken to define the research problem, research questions and issues for a potential study. Assumptions were made to structure the problem as a generalised complex, interacting network of stakeholders (actors) within the B2B and B2C potentially driving CSR. The interpretation of the ‘Rich Picture’ output should start with the centre box at the top of figure 3 which consists of the central actors in the system defined, in this paper, as the “major firms” consisting of a vast array of profit and non-profit organisations of varying sizes, structures and turnover, competing in the manufacturing and service sectors. Major firms differ from other firms in the supply and distribution chain represented as they are assumed to have the primary relationship and possess a strong reputation with end market stakeholders. The stakeholders described in figure 2 are considered to be the major drivers and influencers in CSR/ethical behaviour throughout the system, to date CSR studies have focussed on the pressures placed upon the major firms by their customers (Gonzalez and Gonzalez, 2006, Fraser and Fraser 2008; Lindgreen et al, 2009b) demanding CSR behaviour (represented by the B2C component in figure 2) as well as other stakeholders (represented by the B2S component in figure 3). In terms of the B2C sector the major firms can be either a manufacturer or a retailer or a group of manufacturers linked to a retailer either directly or through wholesalers. The supplier section in figure 3 consist of all the intermediary and final product manufacturers, intermediary and final service providers supplying the numerous other intermediary firms as well as major firms in the system. It is important to differentiate between the different types of B2B firms in this section as they all have different characteristics from each other suggesting that the role of CSR maybe different amongst the different types of supplier organisations. The intermediary manufacturers and service providers are likely to have their CSR needs driven by the stakeholders of major firms particularly customers as they are placing increasing demands to know information not only about the products and services but also information concerning their suppliers.
Appendix 4

CSR / ethics driven by B2B organisation as B2B customers having similar CSR /ethical needs and making similar demands of B2B suppliers to near market stakeholders

CSR / ethics driven by Near Market Stakeholders (B2C Customers + Environmental Agencies)

CSR / ethics driven by Key Individuals Influencing other Members of DMU

Key: Relative size and direction of influence

Figure 4 – The research questions of evaluating the importance of CSR/ethics in B2B decisions

CSR influence in B2B firms could involve a complex trade-off of the near market stakeholders/consumers (narrow CSR perspectives) combined with the influence of group members of the B2B Decision Making Units (DMU) placing the same CSR demands on their own suppliers of all intermediary and final offerings (broader CSR perspective) within a network and finally key individuals with their own CSR bias (narrow perspective) influencing the majority of DMU members in adopting their CSR stance. Therefore do end stakeholders predominantly drive CSR and is it primarily regulator/self-regulator / profit driven or is it a combined effort of being altruistic and profit driven throughout the whole B2B network.

1 It is useful to note that Vaaland et al (2008) highlight the fact CSR has been predominantly treated as a B2C issue: “Downstream perspective: This tendency is related to the customer perspective and implies that the CSR articles only focus on the downstream part of the supply chain. In particular, there is lack of attention to reverse marketing or the value chain as an entity. A pertinent question in this context is how social or ethical irresponsible actions in the upstream part of the supply chain affect the succeeding actors and the end-user. Whereas CSR is an issue in relation to all business partners, the empirical studies focus on consumer marketing and customer responses, thereby excluding business-to-business marketing. In this context, it is worth noting that no CSR related articles have been published in the Journal of B2B Marketing during the last decade. In the other journals very few articles address the business-to-business context”. Drumwright (1994) states: “Although marketing research has explored social responsibility as a consumer purchasing criterion [refs], very little research has examined social responsibility as an organizational buying criterion.”

2 “Robert Grayson and Peter LaPlaca (the founding publisher and editor) felt that, historically, business and industrial marketing had trailed behind consumer marketing. In their opinion, the primary reason for this was that the academic community was not doing the research and subsequent publishing which would provide practitioners with new insights and methodologies. Grayson and LaPlaca also believed that, to correct this problem, a journal devoted solely to the areas of business and industrial marketing was needed, a journal which sought to bridge the gap between academic research and “real world” application” (Lewin & Johnston, 1996)

3 Although the concept of relationships and relationships in networks studied within B2B as well as in relationship marketing they are different in origin and although a few overlaps do exist they are treated as different disciplines (Mattson, 1997; Moller & Halinen, 2000).