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Corporate Social Responsibility and its interrelation with Customer Relationship Management and Competitiveness in the Restaurant Industry in Guadalajara

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Abstract

The purpose of this paper is to identify the relationship between a set of variables and determine their level of participation in the development of restaurant industry's Competitiveness. For this research we proposed a quantitative approach, based on regression models. 250 questionnaires based on 31 questions and 163 reagents were applied to managers of the Restaurant Industry in Guadalajara, Mexico.

Activities associated with corporate social responsibility and Customer Relationship Management can be taken into account as an approach to develop strategies for this industry in order to guarantee their surviving, development and consequently to support company's competitive goals.

The results were analysed using factor analysis, Cronbach's alpha and subsequently regression models, which indicated that implementation of social responsibilities and CRM actions linked with Knowledge Management, provide appropriated conditions for organizations to develop competitive advantages, benefits and future revenues.

Keywords: Competitiveness, Corporate Social Responsibility, Customer Relationship Management, Knowledge Management.

Paper type – Academic Research Paper

Corporate Social Responsibility

Recently, corporate social responsibility has been taking more importance in the agenda of companies, this mainly as a result of two factors. The first is the recognition of governments to be partially unable to meet the basic needs of its inhabitants optimally, sufficient and general. In this sense, there is great demand from society for the improvement in their conditions of life, which cannot be covered by authorities and as a consequence are cover by private initiatives to satisfy the needs of the population.

The second one is related to the globalization phenomenon, where pressure from international organizations and governments has positively influenced the conduct of companies to behave ethically and to have a positive impact on those regions where they are established. Similarly, companies are collaborating through the imposition of limitations by governments and as well, demanding actions to generate positive impacts in the society.

Corporate Social Responsibility, also known as "corporate social responsibility", "corporate citizenship", "corporate accountability" or "corporate responsibility" is defined as the financial, legal, ethical and altruistic responsibility, which is assumed by a company through the development and implementation of strategies to work with a social cause, (Kelly, 2001; Werhane, 2007; Kima & Reber, 2008) also, it seeks to reduce the negative effects of everyday's activities of enterprises (Dahlsrud, 2008). In this sense, Bronn & Vrioni (2001) agree that CSR is an expression of ethical standards of a company, a reflection of the values that govern the behavior derived from socially responsible and legal systems and an entrepreneurial culture which aims to ensure compliance with social needs. In this regard, Van Der Putten & Dubbink (2009) states that society is also responsible for issuing the principles on which the company will have to act responsibly by attending regulations.

CSR can be classified into two main groups: one group comprises the multidimensional aspect that companies must carry out through social responsibility activities as a part of observing the rules and regulations imposed by the state. While in the second group, the company takes action for the welfare of their clients and society in general, also known as social marketing (Kotler, 1991).

There are different definitions of CSR, however, all authors converge on the idea that its main purpose is to improve the quality of life of society and at the same time it seeks to increase the financial benefits of the company. Hence, a socially responsible company is one profitable company with a CSR agenda equated in importance to other vital activities and also it is aware of the positive or negative impacts on the environment (Dahlsrud, 2008).

Benefits of Implementing CSR

In recent years, there has been a notable increase of aware and better customers whose purchasing decisions are supported by a cost-benefit analysis of the offering products for companies. Another factor that greatly affects the decision-making is a positive image projected through the CSR, which can be translated into a powerful competitive advantage that can differentiate the companies from their competitors thus obtaining the preference of customers (Vrioni & Bronn, 2001). Hence, consumers are benefited from CSR since they obtain higher added value originated from the positive impact on social, health and environment; therefore the customer can reward companies that act ethically by conditioning their purchase (Mohr, Webb, & Harris, 2001; Molteni, 2006)

Finally, it must be mentioned that the costs of development, implementation and maintenance of CSR programs are very expensive and therefore are subject to the financial capacity that the company has (Estallo, Giner, De-la Fuentes & Griful-Miquela, 2007). Similarly, the duration and effectiveness will depend on a correct and consistent administration (Heal, 2005), otherwise, it could origin negative effects to his image and income (Gugler and Shi, 2009; Molteni, 2006).

Competitiveness

Competitiveness is described as the capacity of companies, regions and countries to create higher wealth and generate satisfactory levels of sustainable employment striving to benefit their shareholders and population at the time that they are participating in an international competition (OECD, 1996).

As well, competitiveness is a multidimensional concept divided into distinct stages as mentioned previously: nations, industries and corporations (Ambastha & Momaya, 2004). Porter (1998) considers that international competitiveness is explained from a macroeconomic examination of particular aspects like accessible and reasonably priced employment, abundant raw materials, healthy financial statements, reasonable exchange and interest rates, high-quality administration practices; and through other advantages resultant from a positive trade balance, and an elevate and rising industry productivity. Furthermore, Mohammed (2008) indicates that competitiveness involves the capabilities of a nation to create an environment that endorses the continuous and increasing international trade while improves the quality of life of its population, especially in terms of earnings. Flanagan (2005), also, argues that the most important purpose resulting from competitiveness at the national level must be the human development and enhance the quality of life of its inhabitants.

On the other hand, the second perspective of competitiveness is placed at the industry level, that is defines as the extent of a business sector to satisfy the needs of clients by offering an appropriate mix ratio of goods and services based on attributes and characteristics such as cost, utility and originality. Returning attractive revenues to investors must be a distinctive from a competitive industry, besides the achievement of objectives related with customer's satisfaction (Flanagan, 2005).

At the firm's level, competitiveness is directly related to the performance of the market, where high efficiency is considered the key to success. Once companies have guaranteed their survival, competitiveness depends on the creation and development of new products and services with added value for customers and superior value's return for its Shareholders (Schuller, & Lidbom, 2009). According to the perspective of John Kay (1993), competitiveness is described in four components: capacity for innovation, internal and external strategic relationships, corporate image and strategic assets. In this context, the structure of competition has been extended to tangible and intangible resources that provide an advantage over their competitors (Hamel & Prahalad, 1989)

Moreover, competitiveness also comprises entrepreneurial attitudes such as adaptability, flexibility, superiority, etc., and it is necessary to understand the competitiveness not only as merely productivity but also as a

strength that includes the level of skills developed by an organization, institution or person to participate at equal or superior in the market (Vilanova, et al., 2009).

Several authors have suggested quantitative indicators to measure and analyze the competitiveness, considering factors such as financial; however, other authors also consider important to add intangibles elements (Martin & Stiefelmeyer, 2001). Additionally, Porter suggests that productivity as a good indicator of competitiveness at the firm's level.

Customer Relationship Management (CRM)

Nowadays, enhanced products and services are not enough to compete, it is also necessary to improve and develop relations with the consumer, especially now that their expectations have increased (Puschmann, T., Alt, R., 2001). And despite the academic literature has argued at length the positive effects of managing customer relationships, it has not been until recent years that the CRM has become a need for companies (Pan, SL, Lee, JN, 2003).

For Wright and Ashill (1996), the available market information in a company should increase, considering that the market becomes more or less predictable. Therefore, it can be determined that the Marketing Knowledge will be very useful for business at the time to understand customers and economic environments, allowing firms to make smart decisions, following successful actions and thus maintain a competitive pattern (Kjell, 2002).

In competitive markets, companies invest substantially in the implementation and development of customer relationships (Bohling, Bowman, Lavalle, Mittal, Narayandas, Ramani et al., 2006). Parvatiyar and Sheth (2001) attributed the development of CRM to recent technological changes, especially in innovative interfaces related to customer information, and the philosophy of total quality associated with cost reduction efforts. The authors explain that the main purpose of CRM is to increase the productivity of marketing and increase the value of relationships between consumers and business. It was understood that the CRM is focused on developing and maintaining long-term relationships for mutual and significant benefits for both companies and customers (Buttle, 2001).

While the customer relationship management (CRM) has been defined in different ways (Grönroos, 1995, Morgan & Hunt, 1994; Rigby, Reicheld, & Schefter, 2002, Payne and Frow, 2005, Winer, RS, 2001), common characteristics can be found in all concepts: Using technology to create a dialog that allow companies identify their products and services to attract, develop and retain consumers. Currently there are modern CRM packages that include applications that store information such as finance, inventory and resource planning.

Other researchers, such as Srivastava et al. (1999) proposed the CRM as a management process that identifies the needs of consumers in order to create awareness, build customer relationships and acquire information about the perception of the organization and its products. It can also be said that even in smaller organizations, CRM is characterized by the integration of customer information from various sources through technological resources (Clark, McDonald, and Smith 2002).

In general, CRM focuses on acquiring customers, know them, provide them with services and anticipate their needs (Goodhue, DL, Wixom, BH, Watson, HJ, 2002), but it is also considered as the result of the continuing evolution and integration of marketing ideas, technology and information (Boulding et al., 2005).

It stressed that the integration of CRM requires a strategy or model, an analysis of organizational capacities and the company's willingness to adopt and implement this model. The CRM will require a functional and cross integration of processes, people, operations and marketing skills through information, technology and enterprise applications (Kendrick & Fletcher, 2002, Payne 2001, Payne & Frow, 2005).

In addition, companies need to reorganize their operations and contemplate the customer as the center of all processes and strategic decisions, before acquiring a platform for CRM. Therefore, only when a structure and customer-oriented philosophy has been introduced, the company is ready to implement this system (Pettrissans, 1999 and Buttle, 2000; Bona, 2003 and Herschel 2004). The authors Payne and Frow (2006) argue that successful implementation of CRM depends on four factors: organizational changes aimed at CRM, employee commitment, the pre-deployment assessment and management of projects related to CRM.

On the other hand, the CRM might not be successful. Among the main reasons for failure is the lack of strategic planning before implementation (Day, 2000), technology implementation problems and lack of

organizational integration and customer orientation (Maselli , 2001). Moreover, Kale (2004) states that there are seven sins that cause no or negative results of CRM: (1) viewing the CRM Initiative as a Technology Initiative, (2) Lack of customer-centric vision, (3) Insufficient Appreciation of customer lifetime value, (4) INADEQUATE support from top management, (5) underestimating the Importance of change management, (6) failing to re-engineer business processes; and (7) underestimating the Difficulties Involved in data mining and data integration.

Handled effectively, CRM will then be a reaction chain generated based on new strategic initiatives to communicate with customers. It has documented positive effects of its implementation, such as more effective marketing and sooner introductions of products and services to the market (Grant & Schlesinger, 1995; Hill, 1998; Ruediger, Grant-Thompson, Harrington, & Singer, 1997; Dick Lee, 2000). Customers are satisfied because CRM helps companies to differentiate their offerings and companies can improve customer experiences by effectively managing their information and their relationships through various stages (Mithas et al., 2005)

Hypothesis

H1. To higher levels of Corporate Social responsibility, the greater the level of competitiveness.

H2. To higher the implementation of CRM systems, the greater the level of competitiveness

Analysis of Results

The corresponding analysis were realized separately in order to determine the impact of each group of independent variables related with the development and application of CRM activities on the dependent variable “Competitiveness”. The first model, analyzed how company’s competitiveness can be enhanced trough the improvement of products and services taking into account the necessities and customer’s characteristics as a result of CRM system’s implementation. However, for the second model it was necessary to make some changes in order to compare dependent variables, therefore variable competitiveness focuses on the company’s level of sales as an indicator of it. The results are shown below.

Table 1 shows that the reliability obtained by the Cronbach Alpha has a level of 0,707 which indicates that the selected variables are interrelated by 70.7%. As a result, it can be considered that these variables are highly eligible to make statistical studies are presented below.

TABLE 1: RELIABILITY STATISTICS

Cronbach's Alpha	N of Items
.707	8

Source: Own Elaboration

In Table 2 it is described the ability to explain the total variance regarding the dependent variable "Competitiveness". In this case the value of R for the first model, it was demonstrated that the variance of the dependent variable is predicted by the independent variables (CRI2, MPP8 and MPP9). Consequently, the linear relationship between the criterion variable and predictor variables is fairly significant. On the other hand, for model 2 the competitiveness variable predicted by the independent variables (RSG1, RSG4, RSB4) represents low levels of both R and R2, as a consequence the level of error is highly significant proving that there is no close association between selected variables.

TABLE 2: MODEL SUMMARY^B

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.685 ^a	.470	.462	.651
2	.312 ^a	.097	.085	.931

Model 1 a. Predictors: (Constant), CRI2, MPP8, MPP9 b. Dependent Variable: CRI1

Model 2 a. Predictors: (Constant), RSG1, RSG4, RSB4 b. Dependent Variable: FP2

Source: Own Elaboration

At last, Table 3 shows that the ANOVA p-value associated with the value of (F) for model 1 has a uniform level; therefore it is considered statistically significant. As well, it is determined that this case the null hypothesis is rejected. However for the model, the results do not evidence significance; consequently, the null hypothesis is accepted.

TABLE 3: ANOVA^b

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	19.661	3	6.554	7.5	.000 ^a
Residual	182.152	210	.867	55	
Total	201.813	213			
2 Regression	78.749	3	26.250	62.	.000 ^a
Residual	88.882	210	.423	019	
Total	167.631	213			

Model 1 a. Predictors: (Constant), CRI2, MPP8, MPP9. b. Dependent Variable: CRI1

Model 2 a. Predictors: (Constant), RSG1, RSG4, RSB4. b. Dependent Variable: FP2

Source: Own Elaboration

Conclusions

According to the results obtained from this research it can be noted that in the case of the restaurant industry in Guadalajara, there is a fairly significant relationship between CRM activities and competitiveness, which enhances the creation of a competitive advantage through the correct supply of products and services as a result of the investigation of customer needs, characteristics and preferences.

Concerning corporate social responsibility, its implementation leads to a slight increase in the level of competitiveness of companies that integrate the local restaurant industry. However, it also was possible to demonstrate that such activities are carried out without continuity and consistency and, as well, companies do not have a properly structured program. Therefore, it can be interpreted that CSR at the restaurant industry in Guadalajara is an activity not equated in importance to other functional activities of the companies and due to the current economic situation implementing it only represents an expense that does not return profits.

Finally, it is important to remark that CRM and corporate social responsibility represent an essential role in the competitiveness of enterprises, as a consequence managers and entrepreneurs will have to incorporate them into their business strategies, align to their core activities and designate them higher investment in order to make use of potential the advantages.

Finally, to lessen limitations, it has been suggested that additional research using samples from other industries or countries in view of the fact that research focuses only on the restaurant industry in Guadalajara,

Jalisco. Moreover, as quantitative data rather than qualitative data were collected, the research does not illustrate the particular work conditions of participants.

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