

The relationship between CSR and firm competitiveness from technological development: A case study of the Haier Group

Yang Ma

Shanxi Professional Colloge of Finance 030008, China

Abstract: *The concept of corporate social responsibility has attracted wide attention of people in recent years. It has put forward fairly higher requirements to the business. They do not only need to achieve its maximum profits, but need to contribute themselves to the development of the whole society. Based on these aspects, with the model of the value chain, this report will take the Haier Group as an example to illustrate its competitive advantages by analyzing its value chain firstly. And then demonstrate its performance in taking social responsibilities. Combining these aspects makes a discussion about the relationship between corporate social responsibility and firm competitiveness. So that to find a strong link between them.*

Keywords: *relationship; CSR; firm competitiveness; technological development*

1. Introduction

Nowadays, the economic globalization has broken the original national boundaries between different nations. At the same time, it has accelerated the flow of the goods and production factors on a global scale. On the other hand, globalization also leads to increasing competition to a large extent. In this context, for a long term development, enterprises do not only need to make the maximum profits, but also shoulder their social responsibilities to the whole society. In this process, there are more and more companies tend to regard technology as their powerful tool in improving their production efficiency. Therefore, this paper aims to take the Haier Group as an example. Based on the value chain analysis to illustrate its competition advantages, and then combining the element with its performance in taking corporate responsibilities to demonstrate the relationship between the corporate responsibility and firm competitiveness in its technological development part.

2. Literature review

2.1 What is CSR?

Professor Friedman (1970) pointed out that corporate social responsibility is equal to the legal pursuit of profit; the pursuit mainly refers to rules of the games. There is no deception or fraud [1]. This definition is considered as the narrowest definition about corporate social responsibility. A study carried out by Carroll (1979) put forward a new definition in this term. This has been widely accepted by the academic circles. He insisted that corporate social responsibility include economic, legal, ethical, and discretionary expectations. Besides, as a significant part of the society, the organization need to operate itself in these aspects at a given point in time[2]. Scherer and Palazzo (2008) added a political dimension; they concluded .that companies should combine their objectives with the development of the global economy[3].

The point to note is that all of the above definitions emphasize on increasing responsibilities of enterprises. There are some definitions which focus on the aim of the corporate social responsibility at wider views. For instance, the World Business Council for Sustainable Development(WBCSD) defined this term as a commitment made by the company. Aiming to behave ethically and take the responsibility to promote the economic development of the whole society, at the same time, bringing the benefits to its shareholders [4]. Also, there are some scholars who defined the corporate social responsibility from a strategic view. According to a study carried out by Hopkins(2003) stated that corporate social responsibility should concentrate more on creating benefits for both the company itself

and society. This can bring more profits to the enterprise within the long term[5]. Furthermore, the European Commission defined corporate social responsibility as companies' ability. They can bring positive impacts on society [6].

As a whole, all of these definitions indicated that corporate social responsibility is a kind of dynamic concept. In fact, under the environment of a different era, people's understanding of it is different. However, combining with these aspects, the corporate social responsibility mainly refers to enterprises take the responsibility to strengthen their stakeholders' benefits in the process of making profits, and devoting to society as much as possible.

2.2 What is enterprise competitiveness?

According to a study carried out by Wang et al(2014)suggested that the enterprise competitiveness refers to the abilities of the company in cultivating its resources and capabilities. To be more specific, it involves the enterprise is able to obtain external resources and make full use of them. On the base of creating value for customers, the company can achieve its value in a competitive market condition[7]. Professor Nykolyuk(2014) also stated that the company competitiveness is that the ability of the enterprise can be more effective than other enterprises to provide products and services to the market so that to gain more profits. To be noteworthy, under the intense market competition environment, it is obvious that having a competitive advantage is fairly significant to each enterprise. Generally, the company need to have more than one competitive advantage to gain a favourable position in the same market. These advantages can be its better value and quality of products and service, and any other aspects that compared with its competitors, it does better. Therefore, it is clear to see that there are more and more enterprise are willing to pay more attention to striving to tap their potential, to improve their competitiveness [8].

2.3 CSR and Competitiveness

Professor Baron(2001)suggested that there is a strong link between corporate social responsibility and firm competitiveness. The company engaging in its social responsibilities can increase its financial performance as well as its social image to some extent. To be more specific, taking social responsibilities has positive impacts on the competitiveness of the company[9]. There are many methods that can achieve them. Such as by improving its techniques building good relationships with its consumers, suppliers and communities[10]. A study carried out by Sen and Bhattacharya(2001) also concluded that corporate social responsibility plays a pivotal role in enhancing companies' image and reputation, and mitigating the conflicts among stakeholders as well[11]. All of them have confirmed that the positive link between corporate social responsibility and enterprise competitiveness. However , this link cannot be widely accepted by several experts. For example, a study carried out by Swift and Zadek (2002) pointed out that in some cases, the benefits of corporate social responsibility are just good for the firm itself rather than the whole society. At the meantime, the function of corporate social responsibility depends on the size of a company. It tends to be good for a large number of multinational companies. For the majority of small and medium-size economies, the corporate social responsibility has become an economic burden in their early stage of the business to a certain extent. Generally, in order to meet the market's standard of the corporate social responsibility; there are some trade potentials has been harmed in the process of adapting the standard[12].

2.4 Research question

Based on the above mentioned, although these aspects are complex and controversial issues, there is one point that can be confirmed is that corporate social responsibility has a profound influence on firm competitiveness. However, the type of results of corporate social responsibility mostly depends on the size of the company. Therefore, in order to have a great understanding of these impacts, this paper taking a multinational enterprise as an example want to discuss the following question:

Q: How does the corporate social responsibility be able to effect on a multinational company's competitiveness from the perspective of its technological development?

3. Methodology

The theory of Value Chain was first put forward by Michael Porter(1985). The theory insisted that

in order to survive and develop, enterprises must create values for their corporate shareholder and other interest groups, including employees, customers, suppliers and relative industries of the areas. In most cases, the process of making profits mainly involves a variety of activities. Specifically, these activities can be divided into two categories: primary activities and support activities. The primary activities include internal logistics, production operation, external logistics, marketing and sales, service and so on. And support activities including procurement, technology development, human resource management and enterprise infrastructure and other aspects. And all of these activities can be used to indicate a value chain[13].

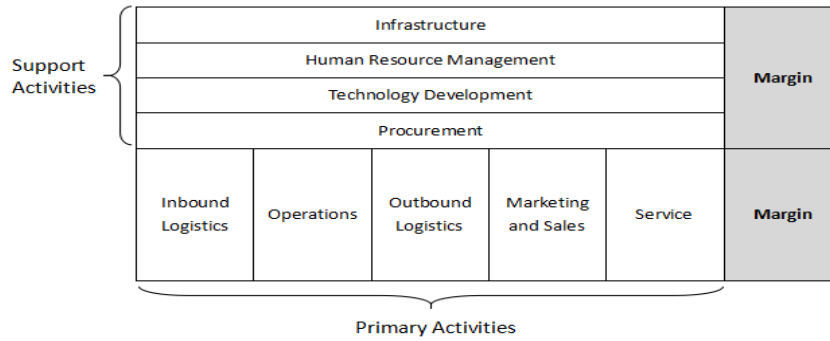


Figure 1: The basic model of Porters' Value Chain

Source: Michael Porter (1985)

The basic idea of the theory is that for an enterprise, it may involve many "value activities" in its process of making profits. However, it does not mean that each link of the whole process can create value. The created value of a company is mainly from several certain activities of its value chain. These activities that can truly create value that is the "strategy link" of the enterprise value chain. In other words, the advantage of an enterprise in competition, especially in maintaining a long term competitive advantage greatly depends on the certain strategic advantage in its value chain. Furthermore, the monopoly advantage of industry comes from its specific links as well. The point to note is that these links play a significant role in catching the whole value chain. As for the company, the ability to create value in its certain links has become an important factor in determining its success or failure as well as the key to forming its core competitiveness. To be more specific, the strategic link can be product development, process design, and marketing or information technology and so on. In fact, different industries have different value chains. At the same time, the role of the same link is not the same in various industries.

Therefore, based on the theory of Porters' Value Chain, this report is going to focus on the part of technology development to research on the impact of corporate social responsibility on firm competitiveness.

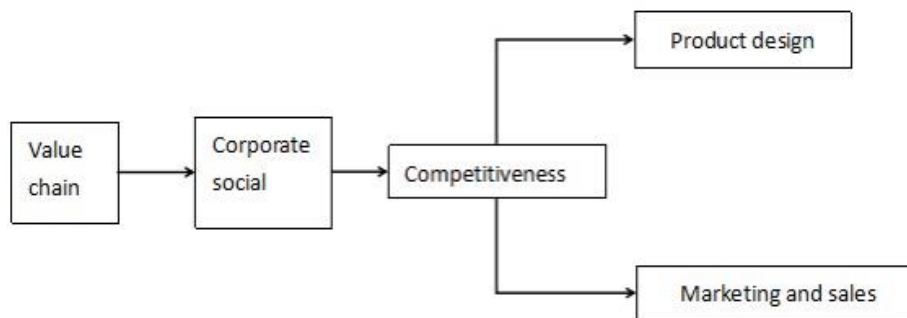


Figure 2: The research model of the relationship between corporate social responsibility and firm competitiveness.

As shown above (figure 2), the first part of the study will use the Porters' Value Chain to analyse the most obvious competitive advantage for the company. And then combine this element with the corporate social responsibility to evaluate the role of the corporate social responsibility for the

company. Besides, the final part will concentrate on illustrating the relationship between the corporate social responsibility and firm competitiveness from the product design, marketing and sales aspects, respectively.

4. A case study of the Haier Group.

The Haier Group is one of the most successful Chinese companies in the world. It has become the first brand of white goods globally as well. And so far, Haier has established over ten comprehensive research and development centers, 25 industrial parks, 122 overseas manufacturing centers with more than 60000 employees[14]. In 2019, Haier group achieved a turnover of 30.8 billion dollars. Including a total revenue of 7.3 billion dollars in its overseas markets. It has achieved a dramatic increase in company income and has reached more than 10% of market share in the world. It has become only one of the brands which have achieved double-digit growth in the global top ten brands[15].

Based on its solid economic foundation, the Haier Group takes the concept of social responsibility into its every link of production processes, including the product design, production, sales, and so on. The company regarded the "green products, green enterprises, green culture" as its core value. The conception of green has been throughout the enterprise's development strategy and corporate culture. Haier always adheres to "green low-carbon" as its guiding principle. The "green procurement" was regarded as its core direction in the part of purchasing materials. To ensure the implementation of green procurement policy, the company has signed relevant commitments with its suppliers to bring a positive influence on its suppliers in terms of providing the green materials.

The enterprise devotes to providing global customers with the most advanced green living solutions. In order to continuously introduce more energy-saving, environmental protection "green products", the Haier has invested a lot of resources in developing new products as well as improving production technology. Moreover, its study of the key technologies of the green-designed products has reached the international advanced level. For instance, its refrigerators of Casarte Italian three-door has integrated the global top design resources to bring brand-new life experience for global consumers. The electricity consumption of the refrigerator has decreased by nearly 20% than ever before. Also, the product is one of the most energy-efficient products in the refrigerator within the same specification. Haier's air conditioning has successfully developed a broadband CFC-free, frequency conversion technology. The biggest advantage of this technology is that it can achieve run the widest frequency, its frequency conversion air conditioning industry minimum can achieve 0.1 HZ frequency operation, up to 150 Hertz. This has reached the international leading level with saving 59.3% of the energy. In fact, its innovation capability is clear, according to the statistics carried out by its official website shows that by the end of 2019, the company has applied a total number of 52742 patents, including 33227 invention patents [16].

There is a report carried out by About Haier (2015), which shows that as the biggest refrigerator, washing machine and air-conditioner suppliers, Haier also pays attention to "green manufacturing". In 2014, the group invested 13.55 million RMB in polluting prevention. In terms of energy-saving and reducing consumption, Haier invested 24.05 million RMB in improving its equipment and production efficiency. So that to reduce its energy and material consumption. "Green recovery" is another important link of the firm. The group has established an ecological industrial park in China with the most advanced equipment of home appliances recycling project, and it has independent intellectual property rights in this project. The ecological industrial park has a total number of 1.8 million units (sets) annual processing capacities. It can not only reduce the environmental pollution of waste household appliances, but also recovery materials at the same time. At present, Haier group has recycled more than 5 million units of waste household appliances [17]. These achievements are mostly credited its largest and strongest technical force in the domestic home appliance enterprises' service.

5. Findings and Discussion

5.1 The value chain analysis of Haier Group

In the case of the Haier Group, it is clear to see that in the value chain of the company. Each of its links presents a great performance. To be more specific, in term of its inbound logistics, owing to its supply chain composed of various sectors. Therefore, this part plays a significant role in achieving other following parts of production. In most cases, the part of supplying determines the operational

efficiency of the enterprise's whole process [18]. Its idea of "green procurement" has guided Haier to continuously purchase high quality and environment-friendly materials. Turning to its operations part, the company regarded innovation as its core value. Based on the "innovation-driven", the group is committed to meeting the needs of its customers with solutions to achieve a win-win situation between the users. For the firm itself, Haier puts "green ideas" into its new product development; this has improved the quality of its products as well as obtains profits to a large extent. There is no doubt that the ability of innovation has become a powerful weapon for the enterprise to open up a broader market. In addition, as for its outbound logistics, marketing and sales, the company has established perfect network management systems; these provide strong supports to its production activities. At the same time, Haier Group has set up the perfect after-sales serving system. Its trained employees in this sector have timely serviced for every customer of the firm so that the company can achieve the high consumer satisfaction.

Taking all above factors into consideration, the point to note is that the "green ideas" has throughout every part of its value chain. As the most important link of the operations of the enterprise, by constant technological innovation and new technology application, that improves its production efficiency to a large extent. At the same time, this also has made profound influences on the other parts of production. For these reasons, although the company has many advantages in its value chain, comparing these elements, it is clear to see that the most obvious advantage is from its technology development. This part has made significant impacts on its every link of the value chain.

5.2 The corporate social responsibility in this group

Professor Beal (2014) concluded that organizations do not exist in isolation; they always make all kinds of contacts with individuals and other organizations in a certain way. Thus their behaviors inevitably involved ethical issues. The role of the enterprise plays in society also determines the way that it should take its social responsibilities. With the progress of modern economic and social, the enterprise is not only responsible for profit but responsible for the environment and the whole society [19]. Therefore, as a multinational company, there is no doubt that the Haier Group should shoulder more social responsibilities. And that is exactly what the enterprise has done.

As mentioned before, based on its solid capital foundation, the Haier Group has established a perfect environment management system. In addition, as an electrical home appliances manufacturing and service providers, the company has built up the whole life cycle of the green management system with green design, green manufacturing, green management, green recycling. To be noteworthy, these elements have throughout the entire enterprise's management activities. Under the guidance of green strategy, the Haier Group constantly improves the level of energy conservation and environmental protection. At the meantime, its high energy saving and environmental protection products have made a significant influence on consumer habits, and also effectively shoulder the social responsibility of environmental protection to a large extent. Besides, to increase energy efficiency, control the energy consumption and reduce pollutants, the Haier Group has invested much money and sources in strengthening energy-saving. Meanwhile, it also focuses on developing new energy-saving technologies, new equipment and new materials. All of them have accelerated its transformation of technologies. From a long term point of view, these aspects can be a powerful tool in promoting the whole industry to an environment-friendly way. In other words, the firm's contribution is significant to the entire society.

5.3 The Competitiveness analysis of Haier Group

Although based on the value chain analysis of the Haier Group, there are many competitive advantages in its value chain, the element of its technology development was proved that throughout every link of its primary activities, being the most obvious competitiveness for the company. The technology has become the most powerful tool in improving its production efficiency and the quality of its products. Depending on the technological innovation, the firm has achieved enormous economic benefits as well as social benefits. A study carried out by Shorthose and Maycroft (2012) pointed out that in the past, the organization could rely on limited innovation to survive in the market. However, with the accelerating process of globalization, for the majority of organizations, they need more good products to beat their competitors. At the same time, they need innovation to improve their production efficiency and reduce costs. In addition, the consumers' expectations are also driving producers to focus on innovation. Innovation plays a vital role in keeping the long-term development of the enterprise [20]. Professor Rainey (2006) also stated that owing to the intensity of market competition; it is fairly

difficult to survive without innovation. Innovation guide a new way to a large number of organizations. In most cases, if the price of a product cannot compete with other competitors, innovative products and ideas will help enterprises to obtain a competitive advantage in the same market [21]. The fact is true for the Haier Group. The company has paid more attention to this part. Combining the "green ideas" with its product design and sales, the firm has held such a large number of patents. Relying on making full of the results of its technological innovation, the enterprise can make a favourable position in the global market. In this part, the competitiveness of the enterprise is fairly clear.

5.4 The relationship between corporate social responsibility and firm competitiveness.

According to the above analysis, the point to note is that there is a strong link between the two elements. To be more specific, there are various benefits for the company to take its social responsibilities. One of the most obvious benefits is from the increasing competitiveness of the business itself. In the case of the Haier Group, due to the company earnestly fulfill its social responsibilities in protecting the environment. The firm also achieved its development of innovation. The protection of the environment is one of the basic incumbent responsibility and obligation. Still, driving by commercial interests, there were more and more enterprises sacrifice the environment in exchange for temporary economic gain. This vicious cycle of the economy was proved to be wrong in the majorities of economies [22]. The Haier Group has put its green conception into its every link of production activities. At the same time, by making full use of the results of its technological innovation, the group has reduced the consumption of sources and the contamination to the environment to a large extent. In addition, the design of its products can not only satisfied by its consumers but guides their conception in protecting the environment. This also has a significant influence on the whole industry. The competitiveness of the firm in this part is likely to be more obvious in the long term as well[23].

Therefore, based on these aspects, the point to note is that corporate social responsibility is able to increase a multinational company's competitiveness to a certain extent. In fact, it plays an important role in promoting the development of the whole society. Besides, for multinational companies, taking their social responsibility can be considered as an important strategy for them to make long term profits as well as keep the balance of their stakeholders.

6. Conclusion

To sum up, taking all above mentioned into consideration, it is clear to see that with increasing market competition, it is fairly necessary for the multinational company to catch its core competition advantages as well as shoulder its social responsibilities. For a large number of multinational companies, due to their solid economic foundation, facing the development of the society and the public supervision, they should shoulder more social responsibilities in many aspects. The point to note is that the operate social responsible can also be regarded as an efficient strategy for them to make a long term development. Furthermore, according to the analysis of the case of the Haier Group, it is proved that there is a strong link between corporate social responsibility and firm competitiveness. In fact, there are many benefits for the company to take its social responsibility. Still, the benefit of increasing firm competitiveness is proved to be the most obvious one in the business. By combining the corporate social responsibility with individual goals of the firm, the company can increase its competitiveness to a large extent.

However, due to the research model is based on the Value Chain analysis: there are some limitations in using this method. Professor Raphael (2000) suggested that although the model is suitable for analyzing all business. It does not mean the method can be adapted to some specific situations of the business [24]. In addition, the Porters' Value Chain cannot work for the long term. Moreover, this research mainly studies the relationship between corporate social responsible and firm competitiveness from the technological development part. Due to the case of Haler Group has a strong ability in technology innovation. Therefore, the conclusion of the study is not representative of every type of business.

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