

CORPORATE SOCIAL RESPONSIBILITY AND CONSUMER PROTECTION CASE STUDY: PRODUCTIVE COMPANIES OPERATING IN THE WEST OF ALGERIA

MESSEN Kerroumia,

Lecturer, Faculty of Economics,
Laboratory: Management and Evaluation of
Institutions' Performance, Saida University,
Algeria

ABSTRACT

This study aimed to search the commitment limit of the productive companies (operating in the west of Algeria), towards social responsibility, and what reflects on the consumer on one hand, and on these companies on the other hand protection. We deepen the research in this area by answering the following question: Can commitment towards social responsibility (which is often seen as a new burden to the rest of the companies' obligations) create advantage and value by protecting the rights of consumers in productive companies? In order to achieve the goals of this study (70) questionnaire-lists were distributed among sample of companies' managers, also (120) questionnaire-lists were distributed among sample of consumers in addition to the local community views. Results of the study showed that the degree of commitment towards social responsibility and to the protection of consumers rights' were slightly higher than the hypothesis mean. The study affords some of recommendations among them the necessity of going forward to practicing the philosophy of social responsibility by centering on continuing and determining the stakeholders' needs in general and the consumers' needs in particular, which constitutes competitive advantage for these companies.

Keywords: social responsibility, consumers' rights', competitive advantage, productive companies.

JEL codes: M31, M14

INTRODUCTION:

Companies that show concern towards increasing the quality of life and development of society tend to enjoy a greater reputation. These companies treat employees better and enjoy good relations with their suppliers and partners. Reputation has often been defined as the most important competitive advantage which a company possess (Marjo, 2006). The aim of this paper is to examine how CSR can contribute in building a strong relationship with stakeholders, and how it can serve as a useful tool to develop sustained competitive advantage for companies. Moreover, to help managers integrate the social and environmental activities to gain strategic outcomes. This research paper is based on testing a key hypothesis which states that, *“Stakeholder satisfaction with corporate social and environmental responsibility constitutes a Strategic competitive advantage.”*

The research paper is structured as follows. Section II displays the literature on the link between social responsibility, consumer protection and competitive advantage. Section III presents the results of the empirical study that has been undertaken in the town of SAIDA, situated in the west of Algeria. Section IV concludes the article.

LITERATURE REVIEW:

CORPORATE SOCIAL RESPONSIBILITY:

The term CSR was first coined in the 1950s; In 1953, (Bowen, 1953) wrote the seminal book ‘*Social Responsibilities of the Businessman*’ which gained peculiar attention in management studies in the 1970s. But until today, numerous definitions of CSR have been proposed and often no clear definition is given making theoretical development and quantifying it difficult (Abigail et al. 2006). According to (Surocca et al. 2010), CSR is about meeting the needs of wider stakeholders in the society. CSR, as defined by Stanford University’s Graduate School of business: Corporate Social Responsibility (CSR) is a company’s obligation to consider the interests of their customers, employees, shareholders, communities, and the ecology and to consider the social and environmental consequences of their business activities. By integrating CSR into core business processes and stakeholder management, companies can achieve the ultimate goal of creating both social value and corporate value.

Literature tried to explain in various ways the importance of corporate social responsibility in business strategy. Some authors even consider that "corporate social responsibility initiatives must be integrated and internalized by an organization so as to be placed in the heart of the organization" (Dey & Sircar, 2012), to obtain benefits such as: improving reputation, increasing customers’ confidence, increasing employee motivation and market share. Businesses should be aware that the inclusion of social responsibility objectives in the strategy of the organization must be triggered not only by the desire to build a positive image, by operational efficiency or the prospect of competitive advantage, but as a condition of building sustainable businesses. Figure.1 provides an overview of CSR, and is intended to assist companies in understanding how to use this standard.

CONSUMER PROTECTION:

Generally consumer is defined as: an individual member of the general public ‘purchasing’ or using property, products or services for private purposes, or a person who buys goods or services generally for personal, domestic or household use.

Consumers are increasingly a driver of Corporate Social Responsibility (CSR) activities of companies. Surveys have shown that up to 90% of consumers consider the social responsibility of companies in their purchase and consumption behaviour (Andreas, 2015).

The following table represents Consumer rights as defined by ISO 26000

Table 1: Guidance on social responsibility, ISO 26000:2010

Issue 1: Fair marketing, factual and unbiased information and fair contractual practices
Issue 2: Protecting consumers' health and safety
Issue 3: Sustainable consumption
Issue 4: Consumer service, support, and complaint and dispute resolution
Issue 5: Consumer data protection and privacy
Issue 6: Access to essential services
Issue 7: Education and awareness

COMPETITIVE ADVANTAGE:

“Competitive advantage grows out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price. There are two basic types of competitive advantage: cost leadership and differentiation.” (Porter, 1985). According to (Kotler et al. 2004), competitive advantage is “an advantage from competitors that derives from the fact that consumers are given added value, either through lower prices, or through more benefits that justify bigger prices.”. The link between corporate social and environmental responsibility (CSER) and competitive advantage is outlined (Porter & Kramer, 2006). In the context of products of equal quality & price and growing consumer demands, it becomes necessary to identify what differentiates a company from its competitors. Companies that have a positive image will obtain recognition and will be able to change their purchasing behavior at some level. Several examples of CSR initiatives in different companies and the achieved competitive advantages are presented in Table 2.

Table 2: Sources of competitive advantage through CSR (Gond, & Igalens, 2010 P. 90).

Using social responsibility as a tool to create a competitive advantage	Mechanism Description	Practice illustrations
Legitimacy and license to operate, CSR as a guarantor of reputation and instrument of Corporate marketing	Obtaining a license from public authorities often depends on the reputation of the company. CSR can contribute to build an advantage in terms of reputation vis-à-vis competitors.	Lafarge has sometimes benefited from its socially responsible image to obtain licenses to exploit natural resources in sensitive areas, while competitors were denied such permits
Increase rivals' costs, CSR as a mode of alteration of competitive forces	Promoting more stringent regulations in the sector by companies with strong CSR can raise the costs of compliance of competitors and entry costs on the potential market entrants.	Dow Chemical has contributed to the implementation of higher standards for the prevention of environmental pollution in the chemical sector in the United States
Increased attractiveness to more productive workforce, CSR as a signal of quality in the labor market	CSR enhances the attractiveness of the company to potential employees, especially those with high potential.	The company Accenture promotes its CSR programs in its communication to students and young graduates.
Increased sales, CSR as a marketing tool influencing consumer behavior	CSR can build a distinctive marketing positioning may be understood as a product attribute highly valued by some consumers.	Companies such as Patagonia and The Body Shop have built their marketing strategy on CSR.Cause-related marketing practices when buying a product generates a donation to a humanitarian cause.
Risk reduction and cost control, CSR as a form of organizational efficiency	CSR can achieve savings in energy and environmental fields reducing resources waste and social and environmental risks	HSBC has made a saving of millions of dollars simply by removing the lighting of illuminated signs of its agencies after 22h
Influence on organizational behavior, CSR as an instrument of strategic HRM	CSR can affect work attitudes such as commitment and satisfaction and behavior "extra role" related towards HR performance.	A 2005 study of English consulting firm The Corporate Citizenship Company shows that CSR can reduce turnover and increase employee loyalty vis-à-vis their organization.
Learning skills, CSR as a strategic national resource	CSR stimulates learning in social and environmental management and contribute to the construction of new knowledge.	The management system of stakeholders established by the Danone has generated a wealth of knowledge that could later be deployed in the company

EMPIRICAL STUDY:

This section will explain how companies that commit to social and environmental responsibility have had a good image in the eyes of consumers.

This qualitative brief study will present several examples of corporate behavior in Algeria and the corporate

social and environmental responsibility (CSER) initiatives. In order to achieve the goals of this study (70) questionnaire-lists were randomly distributed among samples of company managers, also (120) questionnaire-lists were distributed among samples of consumers, in addition to the local community view. In this study private, public and mixed institutions are chosen. It is specialized in the production of different basic products such as: Abrasives, Cement industry and food industry like milk, water, pastries. Most of these institutions obtained International certifications such as ISO 9000, ISO 14000 and ISO 18000.

So we tried to assess the degree of social and environmental commitment in these companies, by using the 21st version of SPSS, where we measured the most important statistical standards, and examined the main hypotheses.

THE STUDY SAMPLE:

The study population consisted of workers and employers of the productive companies operating in the west of Algeria, in addition to the views of customers living in the same territory. We randomly chose the sample, questionnaire lists were distributed to 95 workers, after excluding the invalid ones, the number of respondents were 70workers; In addition, we distributed 180 questionnaires to customers the number of valid questionnaires is 120.

The sample features are distributed as follows

Table 3: Study Sample

Sample Characteristics	Category	Proportion %	
Gender	Male	82.9	Workers and Employes
	Female	17.1	
Age	Less than 30 year	24.3	
	From 31 to 40 year	40.7	
	More than 41 year	35.0	
Education	Secondary school education	2.9	
	Professional training	16.7	
	University education	81.4	
Gender	Male	75	
	Female	25	
Dealing with the Company	Less than 4 years	25	
	From 5 to 10 years	50	
	More than 11 years	25	
Income level	Low	16.66	
	Medium	66.66	
	High	16.66	

SURVEYANALYSIS:

TABLE.4 STATISTICAL ANALYSIS:

Statement	Mean	Standard deviation
Axis I: Workers and Employes		
1. Ensuring equal opportunities for candidates to fill vacant posts in the company	3.76	0.432
2. Transparency and fairness in recruitment	3.41	0.496
3. Given enough time to apply for jobs	3.97	0.168
4. Recruitment is based on results of competitions which shows the efficiency of the candidates	3.49	0.503
5. Formation of a selection committee to choose the most qualified candidates	3.59	0.496
6. Training is considered as a right for workers and it increases the efficiency of the company	3.56	0.500

Statement	Mean	Standard deviation
7. Assess the performance of workers, depending on accurate rules thus granting equal opportunities to upgrade	3.81	0.392
8. The existence of compensation for workers such as health insurance, social security, life insurance	3.59	0.496
9. Justice and equality in wages	3.39	0.490
10. Lifting the performance of workers through the provision of incentives and promotions	3.56	0.500
11. Justice in wages between men and women according to competency	3.69	0.498
12. Rely on obvious ways to reward innovators.	3.61	0.210
13. Allocation of an area for working women for their own needs.	3.76	0.432
14. Granting paid holidays for women during childbirth and motherhood.	3.41	0.496
15. The provision of services such as transport, housing and catering.	3.97	0.168
16. Company of the production site for example reducing noise, providing ventilation.	3.49	0.503
17. Protective clothing, footwear, eyewear, safety caps.... to ensure the safety of workers.	3.59	0.496
18. Periodic and continuous maintenance of equipment to avoid sudden breakdowns and avoid leakage of hazardous Materials.	3.56	0.500
19. Workers' medical periodic control.	3.81	0.392
20. Allocated a Staff for rapid interventions in emergency situations	3.59	0.496
Axis II: Questionnaire of Customers the Local community and Environment		
1. The quality of the used raw materials and the design of products in terms of suitability for consumption	3,75	,661
2. Reply to criticism and customer complaints.	3,82	,780
3. Packaging method takes into account the cost, safety and trademark.	3,64	,831
4. Use of short drainage channels, provide full coverage for the market	3,95	,770
5. Control the practices of mediators to ensure the safety of customers and to protect Company image?	3,86	,923
6. Facilitating transactions and improving services to satisfy consumers.	3,64	,831
7. Taking into account the cultural, social and economic characteristics of the consumer (advertisement)	3,59	,941
8. Non-disclosure of consumers' personal information and financial transactions.	3,64	,717
9. Taking into account the additional costs and burdens on the price advertised and ensure fairness of the purchase cost to the consumer	3,68	,975
10. The accuracy of weights and sizes of products	3,68	,927
11. Sincerity of advertising and promotion policies	3,64	,885
12. The participation in awareness programs and consumer education	3,45	,841
13. Providing assistance through intervention in emergencies and disasters.	3,77	,954
14. Contributing to the establishment of infrastructure.	3,64	,935
15. Contributing to the reduction of unemployment through the provision of jobs.	3,89	,460
16. Providing assistance to the poor class on religious occasions	3,74	,778
17. Private donations to sports activities.	3,70	880
18. Voluntary contributions to charities	4,00	,847
19. Interest in environment, reduce environmental pollution in water, air and soil	3,96	,842
20. Avoid the spread of wastes and scrap resulting from the production process.	3,84	1,003
21. Seeking for permanent development and gaining more universally recognized certificates (ISO for example).	3,80	,795
22. Proper and rational use of natural resources	3,75	,661
23. Good and rational use of energy	3,82	,780
24. Contributing to sustainable development, protection of ecosystems and biodiversity	3,64	,831

Answers were measured using a 5-point Likert scale (from 1 = totally disagree to 5 = totally agree). So we tried to assess the degree of social and environmental commitment in these companies, by using the 21st version of

SPSS, where we measured the most important statistical standards, and examine the main hypotheses.

Correlation (Pearson) :	Consumer Satisfaction	
	Correlation	Sig
Commitment towards local community and environment	**0.764	0.000
Commitment towards workers	**0.788	0.000
Commitment towards consumers	**0.703	0.000
CSER	**0.884	0.000

REGRESSION:

$$Y = -0.295 + 0.361 X_1 + 0.323 X_2 + 0.391 X_3$$

Y = Consumer Satisfaction

X1= Commitment towards local community and environment

X2 = Commitment towards workers

X3 = Commitment towards consumers

CONCLUSION:

We examined the relationship between the corporate social and environmental responsibility and consumers' satisfaction; we find evidence of a significant positive relation between the competitive advantages, which a company can obtain through its consumers, and the corporate social responsibility.

- most Algerian companies interest to engage in Corporate Social Responsibility (CSR) and integrate it into corporate vision and mission in order to achieve the maximization of both economic profits and non financial performance.
- This type of activities achieve the companies' economic goals, increase the share of sales, defamation good reputation, get a strategic advantage and increase the competitiveness in the local and foreign markets.
- Integrating environmental and social needs require adjustments in companies, reporting relationships, and incentives.
- Marketing activities play a leading role in the of corporate social responsibility strategy.
- Major challenges remain in developing and implementing CSR strategy, such as: measurement of corporate social performance and engaging with stakeholders.
- According to this study, the environmental dimension is less present, this absence may be explained by the fact that the literature has not included this in the original definitions.
- The necessity of going forward to practicing the philosophy of social responsibility by centering on continuing and determining the stakeholders' needs in general and the consumers' needs in particular, which constitutes competitive advantage for these companies.
- CSR approaches and resulting benefits are not well known by the companies.
- In Algeria, the CSR concern usually reserved for large corporations. However, even if the leaders of the medium Algerian companies consider CSR as concern rather not important, these managers often implement actions responsible management. This fact reflects a real consideration of environmental, social issues in medium companies, but not necessarily the establishment of formal measures.
- Finally, the Algerian companies must understand that social responsibility is not just an optional act. In fact, it has become an ethical commitment that provides it with a competitive advantage on the mid and long term. Companies must perceive social responsibility as an investment, and as a return, not as a cost. This is confirmed by the recent studies and the empirical experience.

Meanwhile, this paper has some limitations. Indeed, the small sample does not allow a generalization of the results to the entire population of Algerian companies.

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Figure 1: Social Responsibility Strategy (Fabien, 2006, P. 14).

