The Effect of Corporate Social Responsibility in Achieving Competitive Advantage at Jordanian Supply Chain

Ahmad Yousef Areiqat\textsuperscript{1}, Tawfiq Saleh Abdelhadi\textsuperscript{1}, Ayman Ahmad Abu Rumman\textsuperscript{1}, Sakher abdrabuh Al-Bazaiah\textsuperscript{1d}

\textsuperscript{1}Business Administration, Al-Ahliyya Amman University  
Amman-Jordan  
ahmadareiqat@ammanu.edu.jo

Abstract—The study aimed to identify the effect of social responsibility dimensions in achieving competitive advantages at Jordanian supply chain companies. To achieve the study objectives qualitative study has been conducted, extensive literature review and bibliographic analysis has been conducted, meanwhile, annual reports and secondary data have been collected with reference to the theoretical literature in this field. The study’s population consist Jordanian supply chain companies which are: Royal Jordanian – Royal Falcon- Royal Wings – Fly Jordan – Air Arabia – Jordan supply chain companies. The collected data were coded for the purpose of analysis. The statistical analysis was used to describe the sample characteristics and to measure the attitudes towards the statements that measure the study independent and dependent variables. After extensive literature it has been found that the major dimensions of social responsible are economical, legal, ethical and philosophical social responsibilities. Analysis indicated that there are no differences of corporate social responsibility effect on achieving the competitive advantage at Jordanian supply chain companies due to company’s age, Company’s size and Company’s number of employees Results also indicated that there are differences effects of corporate social responsibility but not significantly by Company’s operational capital. For future research empirical research is recommended to generalize this proposed model.

Keywords—Supply chain companies, Competitive Advantage, Corporate Social Responsibility (CSR).

1. Introduction

In recent years organization especially services corporations have started tending to adopt the strategic corporate social responsibility in their operations and relations with customers. In this regard Ref. [1] pointed out that the link between corporate social responsibility and competitive advantage has imposed itself on service firms such as banks, transportation firms, training and consulting institutions because their success depends on their sustain communication with customers. Nowadays corporate social responsibility became the basic substrate for competitiveness among companies especially those that perform their business locally and abroad, such as banks, supply chain firms, universities. Where banks may, as well as airlines that carry foreign travelers from the countries they reach. And because social expectations differ from country to other, CSR offers the protection to the clients from management stumble in such global services. This protection is due to that CSR is the cornerstone of corporate governance which became now a subject to accountability by formal parties.

Therefore, firms who apply the principles of corporate social responsibility are more confident in the eyes of many groups of stakeholders including current and potential customers, because these firms have turned to the commitment of social responsibility, in terms of ethical theories of corporate social responsibilities of corporations to society [2] The related literature argues that companies earn many advantages through practicing the principles of corporate social responsibility. Accordingly, this
study will examine this issue from the viewpoint of the Jordanian supply chain companies.

1.1. Problem Statement and Questions

Corporate Social responsibility has received great attention from both the organizations and stakeholders, and this was due to several factors, such as issuing the standards of corporate governance, where corporate governance characterized in many features, one of the most important features is practicing the social responsibility which makes organizations responsible about the actual performing of social responsibility in terms of protecting the environment from pollution to ensure the organizational survival and continuity in the current competitive environment. Also turning of individuals from local mindedness to global mindedness has contributed in forcing organizations to deal ethically with the stakeholders especially in developing countries. The expected outcomes from adoption and application of corporate social responsibility will affect the market share, and transparency of reports disclosed and earning a competitive advantage. Accordingly, the problem of this study takes the following statement. “Are there significant effects of corporate social responsibility dimensions (Economic, Legal, Ethical and Philanthropic) on achieving competitive advantage for Jordanian supply chain companies.” This problem will be discussed through the following questions:

1- Is there a significant effect of economic responsibility on achieving competitive advantages at Jordanian supply chain companies

2- Is there a significant effect of legal responsibility on achieving competitive advantages at Jordanian supply chain companies

3- Is there a significant effect of ethical responsibility on achieving competitive advantages at Jordanian supply chain companies

4- Is there a significant effect of Philanthropic responsibility on achieving competitive advantages at Jordanian supply chain companies.

1.2 Significance of this study

In the business world companies face different requirement from diverse stakeholders, customers need good products and services, investors need high protection from investment risk, suppliers need the credible to ensure their rights on the company, the government need the company’s taxation commitment, the employees need to be appreciated by the management and the company itself needs to become faithful through ethical dealing with all of these groups. And if the company achieved all these needs it will become the focus of society. Therefore the importance of this study stems from here because the company’s commitment in applying corporate social responsibility contributes heavily in distinguishing the company from other companies that do not care in practicing their social responsibilities.

The study also has other aspects of importance among them are:

Theoretical Importance: the application of what was stated in the literature that is related to CSR dimensions and its relation to competitive advantage, to the extent that can be applied to Jordanian supply chain companies.

Empirical Importance: the questionnaire and the analysis of the data will reflect the extent that the Jordanian supply chain companies apply the concept of the CSR and identify the strength and weaknesses.

1.3 Operational Definitions

Economic Responsibility: The economic responsibilities. Involve being profitable. The primary motive for a business organization is to provide goods and services to the society at a reasonable price and to make a profit in the process. Profits from selling goods and services go to shareholders and other investors to keep a company survive and grow. In addition, they also need to pay their employees, increase value for their shareholders, and take care of the other stakeholders’ interests [3].

Legal Responsibility: Legal responsibilities are the second layer of the CSR pyramid and are coexisting
with economic responsibilities as fundamental precepts of the free enterprise system. Firms are expected to operate under the legal system and regulations while creating profits for shareholders. Firms are fulfilling the "social contract" between firms and the society by being legally responsible. Legally responsible also reflects the "codified ethics" of business operation, as well as the pursuit of economic responsibilities set by lawmakers [5].

**Ethical Responsibility:** Ethical responsibilities involve activities and practices that are expected by the society and done by firms voluntarily regarding fair, justice and the respect for or protection of stakeholders’ moral rights. Ethical responsibilities are voluntary choices of firms since they are not codified into any law or regulation. These responsibilities reflect social norms, expectations and concerns of consumers, employees, shareholders and the community [6].

**Philanthropic Responsibility:** Philanthropic responsibilities involve firms’ activities that are aiming to become good corporate citizens by performing altruistic activities. Society and communities expect firms to use their resources to promote social welfare. This includes actively engaging in acts or programs to promote human welfare and goodwill. Philanthropic responsibility distinguishes itself from ethical responsibilities by a sense of discretion. The public will not regard firms that fail in fulfilling philanthropic responsibilities as unethical because philanthropic is not in the fields of ethics and morals [4].

**Competitive Advantage:** A competitive advantage is an advantage gained over competitors by offering customers greater value, either through lower prices or by providing additional benefits and service that justify similar, or possibly higher, prices. For growers and producers involved in niche marketing, finding and nurturing a competitive advantage can mean increased profit and a venture that is sustainable and successful over the long term.

2. Literature review

The field of corporate social responsibility has grown considerably over the last decade. Many businesses are becoming more active in contributing to society now than used to be the case. Corporate social responsibility (CSR) issues are now being integrated into all aspects of business operations and explicit commitment to CSR is made in the visions, missions and value statements of an increasing number of companies all over the world. CSR reports issued usually go beyond profit maximization to include the company responsibilities to a broad range of stakeholders including employees, customers, community and the environment.

2.1 Corporate Social Responsibility

[7] Reported that corporate social responsibility has many definitions. In this context Ref. [8] argued that corporate social responsibility refers to actions made by companies with respect to their employees, communities, and environment that goes beyond what is legally required from the company.

Corporate social responsibility simply refers to strategies corporations conduct their business in a way that is ethical and society friendly. It can involve a range of activities such as working in partnership with local communities, socially sensitive investment, developing relationships with employees, customers, and their families, and involving in activities for environmental conservation and sustainability [9].

Ref. [10] reported that corporate social responsibility definition has been changed in meaning and practice. The classical view of corporate social responsibility was narrowly limited to philanthropy and then shifted to the emphasis on business society relations particularly referring to the contribution that a corporation provided for solving social problems. ISO 26000—defines corporate social responsibility as “responsibility of the organization for influence on its decisions and actions over the society and the environment, by means of transparent and ethical behavior, which contributes for stable development including health and wellbeing of the society; compliance with the interested people expectations; keeping up the laws and international standards of behavior” [30].
Ref. [11] argued that “Corporate Social Responsibility relates to attitudes, values, and actions that a firm collectively and consistently adopts and sustains in order to specifically promote the social well-being of the organization’s stakeholder groups while simultaneously advancing the survival, growth, and sustainability of the organization”.

According to [12] corporate social responsibility refers to company’s voluntary activities, such as environmental and social attributes, philanthropic activities, exceeding expectations, and using advanced human resources management programs).

Ref. [31] defined social responsibility as “company’s obligation to exert a positive impact and minimize its negative impact on society” Ref. [13] defined corporate social responsibility as “voluntary integration of social and environmental initiatives into corporate strategies and practice, as well as corporation interactions with business stakeholders”

2.2 Corporate Social Responsibility concepts Development

Corporate Social Responsibility concept started in the 1920s, but it failed to become an important topic until the 1950s due to Great Depression and World War II. By 1953, Bowen made the first significant contribution when he published his book, The Social Responsibilities of the Businessman. Bowmen proposed the first definition of corporate social responsibility as “the obligations of business to pursue those policies, to take those decisions or to follow those lines of action which are desirable in terms of the objectives and values of our society”. In 1979 Carroll made a change in the topic when he developed the corporate social performance model in which, social issues and corporate social responsiveness were considered as the leading philosophy for corporations to behave in a socially responsible manner [14].

2.3 Dimensions of Corporate Social Responsibility

There are at least four types of social responsibility. Management should take into account these behaviors when taken into account the application of any meaningful strategy, and should note that economic responsibility is essential, since they include maximizing profitability and shareholders’ equity, payment fair for employees, and the sale of goods and services at affordable prices, and payment to suppliers in a timely manner, and appropriate investment in the communities in which it operates.

2.3.1 Economic Dimension

Companies are economic entities established to provide goods and services to society. Profit maximization is the primary incentive for entrepreneurship. There is a need for a business organization to perform in a manner consistent with maximizing earnings per share and to be committed to being profitable as much as possible and to maintain a strong competitive position; maintain a high level of operating efficiency [15].

2.3.2 Legal Dimension

Companies are expected to comply with laws and regulations. Legal responsibility involves basic notions of fair operations. Legal responsibility stresses on the need for a company to do its activities in a manner consistent with expectations of government and law and to abide with law, corporate citizen; provide goods and services that meet minimal legal requirements [16].

2.3.3 Ethical Dimension

Ethical responsibility encompasses activities and practices that are acceptable or unacceptable by the society. It refers to strategic managers’ values about right and wrong business behavior or conduct.

2.3.4 Philanthropic Dimension

Philanthropy includes corporate actions, towards promoting human welfare or goodwill, in response to society’s expectations. It is voluntarily assumed by a company such as public relations, good citizenship, and contribution to education or community. The company should do its business in a manner consistent with philanthropic and charitable expectations of society and voluntarily assist projects that enhance a community’s quality of life
2.4 Reasons for Implementing Corporate Social Responsibility

Over the last decades, corporate social responsibility has gained more importance as an idea, as a corporate strategy, and as an organizational value for corporations [17]. It has been stated that corporate social responsibility activities make the corporation more attractive to all stakeholders represented by employees, business partners, shareholders, governments, and customers. It increased company’s brand loyalty, image and awareness, long-term commitment, and environmental protection; therefore it reduces the loss of corporate reputation. Ref. [18] reported that because corporate social responsibility activities have positive effect on corporate reputation, the majority of organizations pay attention to corporate social responsibility issues, and participate in corporate social responsibility [19] Indicated that companies try to profile themselves as responsible companies for the purpose of minimizing negative consequences of corporate social responsibility issues and reputational damage. Ref. [20] reported in this regard that corporate social responsibility activities are deemed basic for corporate marketing strategies because they help in strengthen organizational and brand image and identity.

The main reasons behind the interest in corporate social responsibility are:

1- Natural environment rapid degradation, growing number published by media, increasing globalization, spectacular affairs that change competing ways, increase consumers awareness and the power of organizations representing them.

2. The transition from productive society to service society that leads changes in production;

3. Companies movement from one country to another. Large anonymity at the time of globalization involves the necessity to pay more attention to corporate social responsibility

4. Consumers nowadays are changed and they became more conscious and critical. They become interested not only in product price and its expiry date but in other issues such as country of origin, a way of production, preserving employees’ rights by producer or environment protection principles.

2.5 Advantages of Social Responsibility Implementation

According to [21] United Nations Considers that social responsibility implementation provides organizations with the following:

1-Financial performance improvement

2-Reducing operating costs

3-Enhance brand image and reputation companies who implement social responsibility.

4-Enhance sales and customer loyalty.

5-Increased productivity and quality

6-Increase the ability to attract and retain staff

7- Reduction of Organizational Control.

2.6 Competitive Advantage

Competitive advantage is an advantage gained over competitors by offering customers greater value, either through lower prices or by providing additional benefits and service that justify similar, or possibly higher, prices. There is no single agreed definition of competitive advantage it can be viewed as the unique position that the firm develops in comparison with competitors, the term ‘competitive advantage has been discussed intensively in business strategy. Many researchers have defined the concept of competitive advantages, such as [22] stated that building sustainable competitive advantages revolve around differentiating a product from the competition along attributes that are important and relevant to customers. Ref. [23] defined competitive advantage as the capacity of an organization to create and maintenance defensible position over its competitors. Ref. [24] also suggested that competitive advantage obtained by the firm when its actions in an industry or market created economic value and few competing firms are engaging in similar actions.
2.7 Competitive Advantage Concept

The concept of competitive advantage has a long history and tradition in the strategy literature. Ref. [31] was the pioneer scholar who attempted to define competitive advantage [29]. Later on, many scholars discussed and researched competitive advantage. Therefore, many definitions emerged for example [26] has identified two streams concerning competitive advantage’s conceptual demarcation. The first aspect defines competitive advantage in terms of performance, such as high relative profitability, above average returns, benefit-cost gap, superior financial performance, economic profits, positive differential profits in excess of opportunity costs and cross-sectional differential in the spread between product market demand and marginal cost [32]. While the second aspect defines competitive advantage in terms of its sources or determinants such as particular properties of individual product markets, cost leadership, differentiation, locations, technologies, product features and a set of idiosyncratic firm Resources and capabilities.

Competitive advantage is an advantage that enables the corporation to provide the value to its clients/customers which motivates them to purchase the corporation’s products or services rather than those of its rivals [26].

2.8 Competitive Advantage Achievement Types

[27] Has identified types to achieve organization competitive advantage which includes:

Cost: Company can reduce its costs through efficient use of production capacity at its disposal as well as continuous improvement of product quality and innovation in product design and mastery of operations, as it is this is mainly important to cut costs as well as helping managers to support and Assignment Company’s strategy to have excellence in the field of cost

Quality: Ref. [28] indicated that quality is an important competitive advantage that indicates to doing things properly to make products compatible with the needs of customers.

Flexibility: Flexibility regarding the company’s operations to enable them to respond rapidly to the needs of customers efficiently.

2.9 Methods of achieving competitive advantage

The basic methods that lead to the achievement of excellence than others can be achieved by the following:

1-Superior Efficiency
2-Superior Quality
3-Superior Innovativeness
4-Superior Customer Responsiveness

2.10 Sources of Competitive Advantage

The sources of competitive advantage are the factors that impede the Ability of firms to enter or exit an industry [33]. The market positions (low cost, differentiation or niche market focus), as well as valuable, rare, inimitable and non-substitutable financial, physical, human, relational resources) and capabilities.

3. Methodology

Since this research aims to identify the effects of commitment and application for the principles of corporate social responsibility on creating competitive advantage in Jordanian supply chain companies represented by Royal Jordanian, Royal Falcon, Royal Wings and Air Arabia, the researcher believes that using the qualitative approach through reviewing the annual reports of these companies is more appropriate than distributing a questionnaire on the employees, or conducting interviews with them, because these tools may include a lot of bias. Also, this approach depends heavily on the post-positivist methodological approach.

Post-Positivist Methodological Approach:
Researchers in post-positivist methodology approach can ensure meaning and access new knowledge, and they are able to support the social movements, which were already committed by the society towards achieving social justice. Ref. [30] has summarized the characteristics of Post-Positivist Approach as follows:

- Research is wider than those who consists of many specialized of different phenomena that known as a research.
- Because theory and practice must be not separated, so, we cannot ignore theory for accessing to just the facts.
- The motivations of the researcher to seriously commitment in his research is the critical and central to such research projects.
- The common idea that research is interested only in using useful techniques for collecting and categorizing data became now inadequate.

Therefore, one can say that post-positivist social researcher plays a learning role, rather than a testing role for the ready hypothesis. And this means that the researcher can conduct the research without hypothesis prepared previously.

4. Discussions

The Jordanian supply chain companies always strive to achieve the highest standards of quality and to provide distinctive services to their customers, through technical and administrative staff training. In addition to that, the Jordanian supply chain companies adhere to maximum security and safety. Proof of this is the formation of quality control committees and the application of safety standards adopted locally and globally. One of the most visible signs of commitment to social responsibility is the training of supply chain technicians in Iraqi and Nigerian companies, and companies supervised by the United Nations [34].

The organization and management of supply chain in Jordan are managed by the supply chain Academy, which is followed by the Arabian Wings Company, Gulf Wings, and Queen Noor Civil Aviation College, in addition to Civil Aviation Regulatory Commission, whose mission and vision reflected the commitment to exercise social responsibility as follows:

Vision: A Safe environment for all operators

Mission: Improve the application of Safety, security and environment standards in civil aviation. Also, the vision and mission of Royal Jordanian Company show that the company is compliance in practicing its social responsibility as follows: the company's mission contains the evidence of exercising the corporate social responsibility such as:

1.1. Providing the highest level of safety, security, and reliability.
1.2. Customers can enjoy a seamless travel besides exceptional customer care.
1.3. The company respects people's opinions and learn from them
1.4. The shareholders get an attractive return on investment.
1.5. The company delivers the best to its stakeholders.
1.6. The company listens and responds to both the external and internal customer needs.
1.7. Understanding and helpful to the customers.

The impact of the commitment of Jordanian supply chain companies is reflected in the following:

1.1. Royal Jordanian operates its aircraft on 62 destinations compared to 29 competing destinations.
1.2. In 2007, Royal Jordanian joined to the global alliance (One World), that includes the best and largest airlines in the world, and this due to the good reputation of the company internationally, and the competitive services provided to the customers.
1.3. A number of travelers increase across the years, where it jumped from 2000 in 2006 to about 3500 in 2011. And this leads to significant increase in total revenue from 544,909 million Jd in 2007 to 736,004 million JD in 2011.
1.4. For the Arab Wings Company, the net income was 246,702 in 2003, but in 2014 it amounted 28,164,985.

1.5. Donations for the charities of humanity and social amounted 118.278 in 2014, distributed, the following is for example about these donations:

- King Hussein Cancer Foundation: 15,018
- National forum for Awareness and Development: 15,000
- Club Lions of Balqa: 1,000
- Teach a Child may 22, 2014: 7,100
- National Association for the conservation of Petra: 1,500
- Gaza Relief, and many others: 10,011

The royal falcon company has been liquidated under the jurisdiction of the Amman Count of Rights, No. 133/2017 in 12/10/2017 (Jordan Civil Aviation Commission).

The main results of the study are:

- There is a clear commitment to Jordanian airline's exercise of their social responsibilities.

- The manifestation of this commitment is, training for local and foreign companies, attention to providing safety for travelers and donations for human charities.

- There is a clear effect for the commitment to CSR on achieving competitive advantage in Jordanian supply chain companies represented by the increase, in traveler’s number and revenues.

The researcher recommends the following:

- It will be better merging the companies in one company in order to create a strong company that more able to compete with global companies.

- Jordanian supply chain companies should focus on applying CSR through increasing the donations to public charities.

- Jordanian supply chain companies should support the scientific research allocating an annual amount for this purpose.

5. Conclusion

The globe has to provide us tremendous resources but these resources are for all. All organizations are using these resources and earning profits, as a result, they are producing pollutions, heat and many other things. Thus, it is the responsibility of the organization not only works on these issues but to serve the society as they are creating problems for them. It has been revealed that in developing countries, organizations are getting much more benefits by doing fulfilling social responsibilities. It not only creates a good image for that organization but also provide more satisfaction to its customers that are the ultimate goal for any organization. Jordan is developing country; its organizations can also get benefits from corporate social responsibilities, especially public sector organizations. The aim of this study was to identify the factor of social responsibilities and to determine the effects of corporate social responsibilities on the competitive advantages. The methodology of this study consists of secondary data that contain on annual reports and other data about the companies. Meanwhile, extensive literature review and bibliographic analysis have been done. The finding of this study revealed that there are no differences of corporate social responsibility effect on achieving the competitive advantage at Jordanian supply chain companies due to company’s age, Company’s size and Company’s number of employees. Results also indicated that there are differences of corporate social responsibility Effect by Company’s operational capital.

References


