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CSR communication in Spanish quoted firms

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ABSTRACT

Humans communicate their activities and performance in several ways (word of mouth, signs, written language, webpage, social networks, etc.). Currently, businesses use different mechanisms to communicate their Corporate Social Responsibility (CSR) activities to foster their reputation, consumer loyalty and social recognition. Meanwhile, sceptic firms use CSR communication as a mere whitewashing strategy. Using a triangulation methodology for Spanish quoted firms (IBEX-35), this paper aims to identify the main CSR communication channels. Our study concludes that CSR communication will undergo constant change due to the evolution of communication mechanisms.

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1. Introduction

This century is widely known as the age of globalization and knowledge management. The dark side of this age, however, is its current economic crises (from 2008 onwards), accounting scandals of large firms (Enron, Worldcom, Parmalat, etc.) and the economic collapse of several countries (Greece, Iceland, etc.). Such scandals show that classic business management models (Friedman, 1970) are unfeasible, as they were unable to prevent the collapse of large firms and countries. In this context, large quoted firms must pay attention to a wide range of stakeholders (Freeman, 1984), with competing interests. Given the present instability, CSR becomes a key variable.

There is no clear agreement in the literature regarding the origins of CSR. Some authors (Bénabou & Tirole, 2009) track the origins of CSR to the Religious Society of Friends or Quakers in the 18th and 19th centuries. Based on their religious and ethical beliefs, the Quakers used socially responsible investment funds that banned investing in firms that used substances deemed harmful to our society (tobacco, weapons, alcohol and games). Other authors trace the origins of CSR at the beginning of the 20th century based on principle of charity. Philanthropy is understood as a corporate action, rather than an action by individual shareholders based on their will (Davis et al., 1980).

Most authors date the origins of CSR to the 1950s (Boatright, 1993). The end of the Second World War created rapid growth in the size and power of American firms, which implied a change in their business perspectives and the constant emergence of CSR practices among large firms. But, CSR was done exclusively on a practical level and lacked theoretical grounding. The publication “Social Responsibilities of the Businessman” (Bowen & Johnson, 1953) filled this theoretical void, defining CSR as “entrepreneurial commitment to promote corporate policies to foster decision making or to follow lines of action that are desirable in terms of goals and values to the society as a whole”. In his works, Bowen establishes the basis for a wide range of relevant subjects akin to CSR, such as corporate governance, stakeholders, greater representation of the workforce in different areas related to decision making, external social auditing, policies on prices, wages, R&D, advertising, public relations, human resources, community, etc. and the development of ethical business codes to disclose good business practices.

From Bowen and Johnson’s (1953) work onwards, different authors have proposed a wide range of CSR definitions. A relevant definition (EU Commission, 2001) could be: “voluntary firm integration of social and environmental concerns in terms of business operations and in terms of their relations with their partners”. On the other hand, a wide range of standards emerged to measure CSR issues (Dahlsrud, 2008). Another difficult aspect to tackle is related to liability in terms of CSR business information to be disclosed by firms (Carroll, 2016). Logically, if academics were somehow placed in the CSR departments of firms, this liability gap could be bridged. However, reality suggests that few academics...
were really involved in CSR departments, then undermining the enlargement and enforcement to disclose CSR information. Besides that, transparency in terms of CSR information and practices is required for any type of business firms.

The key variable that fosters business politics and plans in terms of CSR is “communication”, which can be studied from a theoretical perspective (McLeod & Chaffee, 1973) and a practical one (Shannon & Weaver, 1949). Key variables related to communication are shown in Table 1 and Fig. 1.

The following figure summarizes the communication process:

### 2. Literature review

A good “communication system” is essential for businesses to implement socially responsible principles and practices. A firm can create an adequate communication system based on a climate of trust and cohesion that alters the behaviour of different stakeholders in favour of the firm. Employees that work in a socially responsible firm in which their interests and opinions are considered will feel motivated so increasing business performance (Bricelj et al., 2007). Therefore, communication is a key instrument for socially responsible management in developed and emerging economies.

The benefits of CSR communication are not confined to the areas of reputation, image, consumer loyalty and social recognition. An organization must consider responsible actions to be a fundamental part of their strategies and simply a whitewashing strategy, for stakeholders are constantly getting better informed. In some cases, it is feasible that the CSR communication system is a mere declaration of intentions by the top management (Cea, 2010). Upon reviewing the CSR sustainability reports of the main EU banking firms, 15 of them contain a sparse communication system, which hinders the intentions stated by top management. In some cases, firms offer specialized CSR news that may be useful for different stakeholders (Brown, 2009).

One major concern of this research is the limited specialized literature on CSR from information to communication (Bittner & Leimeister, 2011). The main goal of CSR for firms is to improve relationships with all stakeholders. Increasing numbers of firms are constantly assigning resources to socially responsible advertising via different media (Green & Peloza, 2015).

CSR communication is a voluntary issue, which implies that firms are free to disclose whatever information they choose. The most common communication mechanisms between firms and stakeholders are CSR Sustainability Reports and Corporate Websites. In their CSR Sustainability Reports, firms address stakeholders in their different communication processes in several ways: by addressing all stakeholders’ concerns from a general perspective (Pérez, 2015) or by addressing a specific stakeholder group and focusing on its specific interests.

Upon witnessing the aforementioned range of CSR communication studies based on different perspectives, any researcher would tend to ask what such studies have in common. All academic studies on the topic point out that, currently, CSR communication mechanisms across different stakeholder groups scarcely exist. A study (Melé et al., 2000) related to the 500 largest Spanish firms clearly supports that idea; only 20% of the largest Spanish firms had created an ethical code of conduct, and employees were fully unaware of its existence. To alleviate this problem, various initiatives were created involving academics and experts (Elving et al., 2015) whose

Figure 1. The communication process.

Source: Shannon and Weaver (1949).

<table>
<thead>
<tr>
<th>Variables</th>
<th>Theoretical Perspective (Mathematical Communication)</th>
<th>Practical Perspective (Mathematical Communication Applied by Firms)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transmitter</td>
<td>Person who possesses the information and will eventually share it with others.</td>
<td>Any type of firm that discloses any type of communication</td>
</tr>
<tr>
<td>Channel</td>
<td>Method of transmitting the message that contains information linked to the receiver of the process of communication.</td>
<td>Any type of communication mechanism by which the communication process is carried out</td>
</tr>
<tr>
<td>Receiver</td>
<td>Person to whom the message is addressed. The communication process is only feasible when the receiver assigns or address the message with the same meaning or code as the sender.</td>
<td>How stakeholders (shareholders, employees, business managers, NGOs, the State, community, competitors, suppliers, customers and environment) receive firms’ communication and apply it.</td>
</tr>
<tr>
<td>Code</td>
<td>Set of signs, symbols and rules necessary for the process of elaboration of the message, which must be known by the transmitter and receiver.</td>
<td>Language with which business communication is disclosed</td>
</tr>
<tr>
<td>Disturbance</td>
<td>When the transmitter sends a message, the receiver must be able to decode it to understand its meaning. Interference or disturbances during this process may prevent the achievement of communication.</td>
<td>In some cases, firms’ communication channels may hide embarrassing issues (i.e., risk or value added) or disclosed them using dubious language in order to hinder the issue or lead the potential reader to misleading conclusions.</td>
</tr>
<tr>
<td>Decoding and Understanding</td>
<td>Person(s) to whom the message is addressed must be able to understand and decode the message and apply it to their own specific situation.</td>
<td>How any type of stakeholders understand and disclose information derived from the main CSR communication channels.</td>
</tr>
</tbody>
</table>

Source: Shannon and Weaver (1949).
main goal was the design of a standardized CSR communication model (Ziek, 2009).

A clear example of an initiative regarding CSR communication was the 4th Roundtable of the Internal Communication Observatory entitled “CSR as a factor of motivation for internal communication”, which explored the relationships between CSR and CSR Communication (Moir, 2001). During the event, the CSR and internal communication departments of several large firms shared their personal experiences regarding the implementation of CSR. The main conclusions were: (a) firms are responsible for the communication process to motivate and involve their employees in socially responsible activities; (b) employees must have a proactive attitude towards CSR (initiatives must be formally presented to employees) and firms also need to foster and support any CSR initiative. All firms present at the 4th Roundtable were able to implement the CSR as part of the communication process, but failed in implementation regarding employee proactivity in terms of business communications.

Undoubtedly, communication channels were revolutionized at the end of the 20th century with the emergence of the Internet, which became a popular and widespread tool at the beginning of the 21st century. Internet usage was mainly limited to the creation of websites and blogs and online chat. By the middle of first decade of the 21st century, a CSR communication revolution emerged with the creation of social networks. The major social networks (LinkedIn in 2002, Twitter in 2006, Facebook in 2007, WhatsApp in 2010, etc.) are a relatively recent historical phenomenon.

However, what is a social network? Basically a social structure made up of a set of social actors (individuals and organizations), with dynamic ties and other social interactions between them and besides with some main features (Boyd & Ellison, 2007) as: (a) any user must be able to create their own specific profile or account; (b) any user must be able to create a list with other potential users with whom they share things in common; (c) any user must be able to search and browse through all activities carried out within the social network through their own profile, as well as activities shared on the social network by other users.

Academics’ approaches to tackling on the influence CSR communication systems are based on the following features:

(i) A holistic perspective (Colleoni, 2013). Meanwhile, other authors prefer to focus their research on a specific social network based on stakeholders’ statements and reputations (Manetti & Bellucci, 2016).

(ii) Most authors prefer to narrow their approach based on a specific social network, such as Blogs (Fieseler & Fleck, 2013); Twitter (Ettter, 2014) and Facebook (Kim et al., 2014).

(iii) Other CSR communication systems consist of live streaming of videos on platforms such as YouTube. A debate exists about whether YouTube should be considered a social network. Undoubtedly, YouTube shares certain criteria with other social networks (Boyd & Ellison, 2007), although YouTubers believe that YouTube is not part of conventional social networks. Firms expend resources buying a specific YouTube channel on which they share their main activities in video format.

Having thoroughly analyzed current CSR communication systems, it is important to discuss the evolution of this topic (Linke & Zerfass, 2012). The answer is rather complex, given the unstable and changing environment at all levels (political, legal, economic, social, cultural and technological). It is impossible to determine what new CSR communication mechanisms will be discovered, so our current research will focus on existing mechanisms that firms have not yet utilized to a great extent. One recent CSR communication channel is through mobile systems such as Apps and Podcasts. On smartphones and other mobile devices, there are several platforms where one can download Apps (Google Play Store, iTunes Apple, etc.) and Podcasts (iVoox, Spreaker, etc.). The main Apps and Podcast platforms allow users to rate them and post their own comments and may turn into a useful CSR communication system when firms consider comments posted by users (Romo & Espinosa, 2012).

It must be stated that the main Apps and Podcast platforms address a wide range of subjects, but firms generally have not yet used these types of platforms to foster their CSR communication systems.

The main problems about the use of Apps and Podcasts show a widespread feeling among Internet users which think all things posted online should be free of charge, and this feeling collides with the users willing to pay, constant updating, user comments and firms’ reactions to such comments. The aforementioned variables may create a positive or negative image of firms. If most comments result negative and firms do not bother answering them or solving these problems will produce a negative image for such firms.

Expanding the topic of Podcasts as a CSR communication tool is an audio archive, which can be downloaded and listened to in different places (computer, MP3, iPod, mobile, etc.). Such archives are distributed through a RSS archive, which means that any user can freely subscribe to the Podcast, download episodes and listen whenever they like. The University of Texas at Austin states that a Podcast contains the following parts: it must be related to a specific topic, it must be downloadable, it uses a given computer program, usually has a director of the Podcast who guides the topic, and usually has feedback derived from computer software. Although there is a wide range of platforms suitable for handing and sharing Podcasts, the platforms most commonly used by Spanish users are iVoox and Spreaker, which do not contain any Podcasts entitled CSR and CSR communication. The exception is a generic Podcast on iVoox by “Radio Nacional de España”, which barely touches on the subject, giving a general view of ethics and CSR. This clearly demonstrates that it is an unexplored subject, and firms have not given much attention to this communication mechanism.

Another future CSR communication system that firms are beginning to use, the Cloud Computing (Patrignani et al., 2016), involves the storing and accessing of data and program on the Internet instead of on a computer’s hard drive. Some specific Cloud Computing program – Google Drive, iCloud, Google Apps, Cloud Drive, SkyDrive, Dropbox and Google Docs – are used by firms as a mechanism, fostering teamwork and telework, but being an internal communication system, it is difficult to decipher its specific use by firms.

One of the most recent CSR communication tools, Big Data, is defined as new technology that allows analysing, quickly and efficiently large amounts of data from a wide range of sources. Historically, Big Data in CSR firms emerged as a theoretical concept more so than a practical issue (Marsden et al., 2017), since few firms had truly implemented Big Data in their activities. In the short to medium term, it is expected that firms will begin to implement Big Data in their activities.

Another interesting CSR communication system is Virtual Reality (360◦), an artificial environment created with software and presented to the user in a way that allows the user to suspend disbelief and accept it as a real environment and can be used to simulate a real environment (useful for training and education) or an imagined environment (useful for games and interactive stories). Hardly any firms have implemented Virtual Reality (360◦) as part of their current activities, which implies that it is rather a theoretical CSR communication mechanism than a practical one.

The newest CSR communication tool is Blockchain, defined in various ways, as an incorruptible digital ledger of financial transactions that can be programmed to record not just these transactions but virtually everything of value and by some authors (Pathak, 2016) as a massive ledger of transactions that operates in a
decentralized network format. Key Blockchain communication includes the following elements (Preukschat et al., 2017): a node (relies on the complexity of the network to communicate with each other, being classified as either public, private or hybrid); a standard protocol (computer software may communicate with each other, providing a common standard to define communication between participating computers in the network); a peer-to-peer network or P2P (network of nodes more directly connected to the same network) and a decentralized system (all connected computers that control the network are equal in all terms, with no hierarchy between the nodes). Although firms are beginning to understand the issue, hardly any have truly implemented Blockchain in their programs.

As a conclusion, triangulation methodology can be applied in business firms CSR communication process, classifying them in: initial or 1.0 (Word of Mouth, Electronic Word of Mouth, CSR sustainability reports, websites, mail, phone and chat), current or 2.0 (social networks like LinkedIn, blogs, Facebook, Twitter, WhatsApp, YouTube, Google+, Instagram, Pinterest) and future or 3.0 (Apps, Podcasts, Cloud Computing, Big Data, Virtual Reality, and Blockchain). Fig. 2 discloses the main links of CSR communication channels from a theoretical perspective:

As an overall conclusion, CSR communication is a business tool with multiple advantages, but with limited implementation on SMEs. In most firms, CSR communication is carried out by high-level managers (top-down approach) to satisfy the expectations of external stakeholders. CSR communication tools are rarely used by employees as a potential tool to foster corporate image (Blomback & Scandellius, 2013). Therefore, it is interesting to explore opportunities for growth in terms of CSR communication, as well as the motivation of employees, which may result in good CSR business communication systems.

3. Methodology and results

Our paper explores the main trends and mechanisms of CSR communication in businesses from a theoretical perspective. However, to what extent do they disclose such mechanisms? To answer this question, we formulate the following hypotheses:

Hypothesis 1. Basic or Initial (1.0) CSR communication mechanisms have a high impact on a firm’s communication, which implies that firms use them regularly in their activities.

Hypothesis 2. Current (2.0) CSR communication mechanisms, despite their relatively recent creation, have a moderate impact on a firm’s communication, which implies that firms are beginning to use them in their business activities.

Hypothesis 3. Future (3.0) CSR communication mechanisms have a low impact on a firm’s communication, which implies that firms now rarely use them in their business activities.

Previous mentioned hypotheses may sound feasible, but in order to contrast them, a survey was arranged to determine the level of use of CSR communication systems using a five-point Likert scale (very rarely, rarely, occasionally, frequently and very frequently). The survey was launched using Google Drive and sent to the main Spanish quoted firms (IBEX-35). The following graph illustrates the main results (Fig. 3):

Browsing initial CSR communication mechanisms, it must be stated that Word of mouth (WOM) and electronic word of mouth (eWOM) were ruled out because these concepts are natural and difficult to measure, and hence, respondents did not attempt to answer it. On the other hand, the open category “other” was ruled out because users did not recall other simple alternatives apart from those previously stated. From the beginning of the 21st century, all
large firms have had their own corporate websites and email, so it was not much of a surprise that webpage and email turned out to be a massive communication system. Surprisingly less than half percent (42%) of the firms use chat. Despite the fact that chat came about with the websites and email revolution at the beginnings of the 21st century, the cost of maintenance and the fact that users prefer other simpler ways of communication may explain such result. Results undoubtedly support our Hypothesis 1.

Current CSR communication mechanisms include social networks. Social networks, despite being a relatively recent creation, are constantly emerging, and for that reason we have focused on the most relevant social networks. The results show that social networks can be divided (in terms of their use) into the following categories: (a) massive use (Twitter 100%, LinkedIn 100%, Facebook 89% and YouTube 86%); (b) medium use (Instagram 69%, Google+ 63%, Blogs 49%, Pinterest 46%); (c) sparse use (Flickr 34%, Slideshare 31% and Vine 0%). Despite being in constant evolution, it is to be expected that social networks are here to stay; at least in the short to medium term and that firms will tend to use them more frequently as a method of CSR communication.

Regarding our Hypothesis 2, most of the social networks analyzed (75%) are in massive and regular use, which implies the acceptance of this hypothesis. Applying a strict statistical analysis would reject our second hypotheses based on the sparse use of some social networks like Flickr, Slideshare and Vine. However, a flexible statistical analysis would suggest that, as so few items fell under this category, they could be classified as outliers. Leaving aside such outliers, the hypothesis could be accepted.

Undoubtedly, predicting the future of CSR communication it is a complex task, particularly in a complex environment such as that which we are currently facing. Many firms do not attempt to discuss the future of CSR communication, and those that eventually do so offer a rather dubious message.

Our proposal to outline the future of CSR communication analyses the following items that have recently emerged and are assumed to have relevance in the short to medium term: Apps (Google Play Store, iTunes, etc.), Podcasts (iVoox, iTunes, Spreaker, etc.), Cloud Computing (Dropbox, Google Drive, One Drive, etc.), Big Data, Virtual Reality (Oculus Rift or VR) and Blockchain.

With respect to this matter, it can be stated that the majority of the population in developed countries owns at least a smartphone mobile device, which implies a massive use of Apps (80%). The remaining items are beginning to become known by firms and firms are beginning to use them, thus the low current acceptance rate by large quoted firms in Spain is not surprising (Cloud Computing 26%, Big Data 17%, Virtual Reality 14% and Blockchain 11%). Such results undoubtedly support our Hypothesis 3.

4. Conclusions

Our paper explores CSR communication tools used by Spanish quoted firms (IBEX–35). Based on this analysis, we summarize these main conclusions:

1. Humans have always used different modes of communication (signs, oral and written language, Internet, social networks, etc.). Although all variables related to communication processes are important, decoding and understanding are the most relevant, since these imply the ability to know how to apply the message to a specific situation or circumstance.

2. Many firms (particularly large quoted companies) intend to use CSR information and communication tools to foster their reputation, image, consumer loyalty and social recognition. However, companies ought to be aware that stakeholders are becoming better informed, and hence using CSR communication as a mere whitewashing strategy can backfire.

3. This paper focuses on CSR communication channels, using a triangulation method as to classify different methods of communication (initial, current and future). Our hypothesis is that firms normally using “initial CSR communication methods” are beginning to use “current CSR communication mechanisms”, while they still rarely use “future CSR communication procedures”.

4. The key point is how to determine the level of application of different CSR communication mechanisms by Spanish quoted firms.

For that reason, a survey was created asking members of CSR departments, and particularly those in charge of communication activities, about their level of use (Very Rarely, Rarely, Occasionally, Frequently and Very Frequently) of different items that were listed and sent to Spanish quoted firms (IBEX–35). The results undoubtedly support the first hypothesis (initial CSR communication mechanisms have a high impact on a firm’s communication) and the third hypothesis (future CSR communication mechanisms have a low impact on a firm’s communication). Regarding the second hypothesis (current CSR communication mechanisms have a moderate impact on a firm’s communication), if we rule out outlier social networks such as Flickr, Slideshare and Vine, this hypothesis is accepted.

5. As for future trends, it is very difficult to predict the future of CSR communication. We shall sketch out our main predictions regarding communication mechanisms in the following scenarios: (a) initial or basic; (b) current; (c) future.

(a) Initial or Basic Communication Mechanisms: it is to be expected that reporting (CSR, Sustainability, Integrated Reporting, etc.), Websites, email and phone systems will prevail as relevant communication systems in the short to medium term. Logically, some changes will be made in basic communication mechanisms (i.e., more images and videos than text on websites or changing fixed systems for mobile systems), but with not much impact in comparison with currently.

(b) Current CSR Communication Mechanisms (Social Networks), despite their relatively recent creation and undoubtedly turmoil in terms of communication, are expected to persist in the short to medium term. However, challenges and opportunities and massive changes are to be expected in Social Networks. So, Facebook’s strategy has shifted from being a traditional Social Network to an “instant messaging network” (WhatsApp).

(c) Future Communication Mechanisms: forecasting the future of CSR communication is a very complex issue. As stated previously, instant messaging networks derived from Apps have surpassed a traditional Social Network. In developed countries a high percentage of population owns a mobile phone and/or a smartphone. Such data clearly support the idea that Mobile Apps will long run persist.

The use of Cloud Computing has implied flexibility and reduced costs, so it appears that this CSR communication system will persist, suggesting that a serverless area is emerging.

Big Data is a CSR communication tool that emerged recently and is beginning to be used by large quoted firms. Despite its novelty, some authors (Amado et al., 2017) have approached the future of this mechanism and have stated that data volumes will grow; methods for analysing data will improve, tools for analysis without the analyst will emerge; machine learning, privacy, and Chief Data Officers (CDOs) will become important for firms; businesses will try to monetize their data and an algorithm market will emerge. The vast amount of data and the difficulty of its proper use may imply that firms will tend to filter their data in terms of relevance.
This suggests that Big Data will be used as Smart Data, Fast Data or Actionable Data in the middle to long term.

Virtual reality (VR) is a novel recent CSR communication tool that firms are hardly using. It is currently beginning to be used in the gaming industry, the movie industry, for watching sport on TV, visiting places, surgery, space exploration, teaching people to fly and improving quality of life. It is expected that the use of VR will change how humans perceive reality and cause learning techniques to become more physical and sensory orientated. However, it is very unlikely that in the short run VR will turn into a leading-edge technology in the short run.

The most novel CSR communication system approached is Blockchain. The main use of Blockchain has been in terms of cryptocoins such as Bitcoin and Ethereum. Being a very novel CSR communication system, its future use remains uncertain. Apart from cryptocurrency, Blockchain could be used in cross-border payments, smart contracts and identity management.

Finally, other future CSR communication systems that are currently novel and rarely used but are expected to be used include artificial intelligence, smart speakers, virtual spaces, chatbots, etc. Although the future is unpredictable, it is expected that some CSR communication mechanisms will become useless and fade, others will be used for a time and traded for a smarter technology, and still other CSR communication mechanisms will resemble expectations more so than reality. However, it can be said that the need for CSR communication was, is and shall continue to be a necessity for humankind. Communication will remain in a constant state of flux, and only the type of communication mechanisms will be altered.

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