

Corporate Social Responsibility and Competitiveness in the Restaurant Industry in Guadalajara.

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EXECUTIVE SUMMARY

The aim of this paper is to identify the relationship between Corporate Social Responsibility and Knowledge Management with competitiveness. We applied 250 questionnaires containing 31 questions and 163 reagents to managers of the restaurant and hotel industry in Guadalajara, considering Corporate Social Responsibility and Competitiveness for this research. The results indicate that the implementation of Corporate Social Responsibility is related to Knowledge Management which contributes to the creation of competitive advantages that will generate future revenues and diverse benefits.

Keywords: Corporate Social Responsibility, Competitiveness, Knowledge Management, SMEs, Restaurant industry.

THEORETICAL FRAMEWORK CORPORATE SOCIAL RESPONSIBILITY

As a definition, CSR is the financial, legal, ethical, and altruist responsibilities frequently assumed by a corporation, executing strategies to manage social matters (Kelly, 2001; Werhane, 2007; Kima & Reber, 2008). Therefore, firms with strong CSR policies will make the effort to be profitable, observe the law, be ethical, and finally try to be good citizens (Zhang et al., 2010). Additionally, Dahlsrud (2008) defines CSR basically as administrative practices to certificate that companies diminish the harmful effects of their daily activities on society when they are also capable of causing a positive effect on it. Corporations should not take social responsibility as merely legal and economic obligations; instead CSR should be considered as voluntary, cooperating and helping their suppliers, customers, employees, and the society in which they perform (Lea, 2002; Piacentini, MacFadyen, & Eadie, 2000).

Along with the previous definitions, it can be determined that the authors concur with the major principle of social responsibility, which is to increase the quality of life among inhabitants, while achieving financial benefits for the corporation (Hopkins, 2003). As a result, a socially responsible corporation is the one that leads a profitable corporation and is mindful about positive or negative effects on the environment, social, and economic areas (Dahlsrud, 2008).

KNOWLEDGE MANAGEMENT

Knowledge management is the process of gathering knowledge--n data bases, papers, experience--and distributing it to places and people where it can produce the best results (Hibbard, 1997). This concept is arising again as a leading interdisciplinary model that compromises creation, codification, and sharing in order to endorse learning and innovation. Therefore, it is a discipline that endorses an integrated approach to identifying, managing, and sharing all of an organization's knowledge assets, including unarticulated expertise and experience derived from employees.

Kim (2000) suggests that KM comprises the detection and study of existing and necessary knowledge and the subsequent planning and control of actions in order to develop knowledge assets and to accomplish organizational objectives. Darroch (2003) expresses that KM is defined as the process that creates, manages, and disseminates knowledge within and among corporations. From a perspective based on internal resources of the company as the base of the competitive advantage, Barney (1991) affirms that information and knowledge has become key factors for successful companies.

COMPETITIVENESS

According to the established definition by the OECD (1996), competitiveness is explained as the ability of firms, regions, and nations to generate relatively higher income and levels of sustainable employment for the benefit of shareholders at the time that they are exposed to international competition. However, it is important to understand competitiveness as a multidimensional issue, which will depend on the perspective use (Ambastha & Momaya, 2004). Under this logic, Porter (1998) notes that international competitiveness is described from a macroeconomic analysis of certain factors such as available and affordable labor, abundant natural resources budget deficit, exchange rates, interest rates, low unit labor costs, management practices, a positive trade balance, and a high and increasing industry productivity. Flanagan (2005) argues that the main objective derived from the competitiveness of a nation is human development, as well as improving quality of life of its inhabitants.

On the other hand, there is a competitive approach from the perspective of the industry level, which is considered the extent to a business sector that the needs of consumers are satisfied through offering a proper mix ratio of manufactured goods based on service features and characteristics such as cost, value, and originality. This sector must focus not only on objectives related to customers but also in satisfying the requirements of its constituents and, to that end, seek to offer attractive return on investments (Flanagan, 2005).

The final perspective is at the firm’s level where, as stated by Schuller & Lidbom (2009), its competitiveness depends on market performance where an elevated efficiency could be considered the key to success and once companies have guaranteed their survival, then competitiveness aims to create new developed options for shareholders. As Kay (1993) stated, this is described as: the capacity to innovate, key internal and external relationships referring to strategic relations, Reputation and Strategic assets. In that context, the competitiveness structure has extended into key tangible and intangible resources that provide a competitive advantage for the company (Hamel & Prahalad, 1989). In addition, competitiveness must account for more energetic firm aptitudes such as adaptability, flexibility, superiority, or marketing. It is necessary to understand competitiveness not exclusively as productivity, rather than the ability of a company to design, produce, and/or market products superior to those offered by competitors, considering the perceived value for customers (Vilanova et al., 2009).

HYPOTHESIS

Hypothesis 1. To greater Corporate Social Responsibility, greater levels of competitiveness

TABLE 1
Internal Consistency and Convergent Validity of the Theoretical Construct

Variable*	Indicator	Factorial Loadings	Robust Value	t-	Loading Average	Cronbach's Alpha	Composite Reliability	Average Viability
RSG	RSG1	0.672***	1.000 ^a		0.765	0.846	0.851	0.589
	RSG2	0.834***	11.275					
	RSG3	0.788***	8.908					
	RSG4	0.767***	11.995					
RSP	RSP5	0.701***	1.000 ^a		0.717	0.748	0.761	0.515
	RSP6	0.750***	10.082					
	RSP7	0.701***	7.615					
RSI	RSI1	0.775***	1.000 ^a		0.722	0.759	0.768	0.526
	RSI2	0.765***	13.444					
	RSI4	0.627***	9.518					
RSB	RSB2	0.847***	1.000 ^a		0.736	0.701	0.708	0.554
	RSB3	0.625***	5.615					
	BKO4	0.710***	9.421					
	BKO5	0.761***	11.257					
Financial Performance	FP1	0.796***	1.000 ^a		0.840	0.904	0.906	0.708
	FP2	0.885***	19.214					
	FP3	0.867***	15.726					
	FP4	0.813***	14.812					
Cost Reduction	PC1	0.783***	1.000 ^a		0.806	0.881	0.881	0.650
	PC2	0.784***	15.188					
	PC3	0.810***	15.916					
	PC4	0.845***	14.829					
Technology	TE1	0.667***	1.000 ^a		0.805	0.903	0.903	0.611
	TE2	0.807***	11.264					
	TE3	0.814***	9.837					
	TE4	0.856***	10.694					
	TE5	0.845***	11.394					
	TE6	0.839***	12.153					

$S-B\chi^2$ (df = 610) = 1,052.5942; p < 0.000; NFI = 0.896; NNFI = 0.910; CFI = 0.912; RMSEA = 0.058

^a = Value parameters in the identification process

*** = p < 0.001

* 1. RSG: Effective development and conduction of CSR programs. / 2. RSP: Expression of the CSR (philanthropy, social economic development, business ethics, etc. / 3. RSI: Importance and commitment of employees regarding CSR programs. / 4. RSB: Relation of costs and benefits of CSR program.

METHODOLOGY

This research work was carried out by applying questionnaires to managers, administrators, and owners of establishments that integrate the restaurant industry in the metropolitan zone of Guadalajara, which is located within the state of Jalisco in Mexico. It was possible to obtain the primary information through the application of 250 sources from an average of 900 establishments which are considered to be SME enterprises and are registered in the national chamber of restaurant industry. The questionnaire was the product of a collaborative project between various educational institutions and was structured in eight sections, covering the same numbers of variables; among which were: Corporate Social Responsibility, Knowledge Management and Competitiveness. We evaluated the responses using the Likert scale in order to determine the degree of agreement or disagreement with each item. After this, it was necessary to code the information, and then tabulate it by capturing the data from each of the questionnaires that we considered as valid. We analyzed the results using confirmatory factor analysis (CFA), Cronbach's alpha, and subsequently structural equation models (SEM).

The model structure is based on an independent variable, competitiveness, and two dependent variables: Corporate Social Responsibility and Knowledge Management. Competitiveness is integrated by the sub items technology (TE), costs (PC) and financial performance (FP). Knowledge Management is composed of the variables: Informal and formal training and advisory (BFT), implementation and development of new ideas (BPE), encouragement of workers and employees to participate in team projects with outside experts to obtain KM (BKO) and level of empowerment (BOC). Finally, Corporate Social Responsibility is integrated by the sub items: Effective development and conduction of CSR programs (RSG), expression of the CSR such as philanthropy, social economic development, business ethics, etc. (RSP), importance and commitment of employees regarding CSR programs (RSI) and the relation of costs and benefits of CSR program (RSB).

TABLE 2
Discriminant Validity of the Theoretical Construct Measures

Variables*	1	2	3	4	5	6	7	8	9	10	11
1. RSG	0.589	0.076	0.057	0.044	0.075	0.088	0.041	0.045	0.070	0.063	0.042
2. RSP	0.206-0.346	0.515	0.112	0.043	0.154	0.164	0.104	0.124	0.047	0.051	0.076
3. RSI	0.155-0.323	0.220-0.448	0.526	0.083	0.203	0.160	0.114	0.086	0.047	0.055	0.065
4. RSB	0.114-0.306	0.113-0.301	0.177-0.401	0.554	0.055	0.081	0.069	0.040	0.083	0.042	0.045
5. BFT	0.187-0.363	0.213-0.465	0.311-0.591	0.108-0.360	0.640	0.290	0.211	0.175	0.064	0.044	0.077
6. BPE	0.216-0.376	0.285-0.525	0.274-0.526	0.169-0.401	0.395-0.683	0.682	0.170	0.200	0.147	0.147	0.158
7. BKO	0.129-0.277	0.211-0.435	0.217-0.457	0.156-0.368	0.317-0.601	0.284-0.540	0.541	0.113	0.080	0.041	0.059
8. BOC	0.144-0.280	0.244-0.460	0.188-0.400	0.101-0.301	0.294-0.542	0.327-0.567	0.226-0.446	0.668	0.047	0.069	0.062
9. FP	0.183-0.347	0.131-0.303	0.122-0.314	0.179-0.399	0.142-0.366	0.281-0.481	0.187-0.379	0.130-0.306	0.708	0.078	0.078
10. PC	0.183-0.319	0.149-0.301	0.147-0.232	0.110-0.302	0.107-0.311	0.294-0.474	0.125-0.281	0.185-0.341	0.189-0.369	0.650	0.069
11. TE	0.141-0.269	0.197-0.353	0.160-0.352	0.127-0.299	0.184-0.372	0.311-0.483	0.151-0.335	0.176-0.324	0.205-0.353	0.196-0.328	0.611

Diagonal represent the average variance extracted, while above the diagonal the shared variance (squared correlations) are represented. Below the diagonal the 95% confidence interval for the estimated factors correlations is provided.

* 1. RSG: Effective development and conduction of CSR programs. / 2. RSP: Expression of the CSR (philanthropy, social economic development, business ethics, etc. / 3. RSI: Importance and commitment of employees regarding CSR programs. / 4. RSB: Relation of costs and benefits of CSR program. / 5. BFT: Informal and formal training and advisory in order to develop KM. / 6. BPE: Implementation and development of new ideas; importance of innovation. / 7. BKO: Encouragement of workers and employees to participate in team projects with outside experts to obtain KM. / 8. BOC: Level of empowerment. / 9. FP: Financial performance/ 10. PC: Impact of costs in competitive products. / 11. TE: Technology development.

RELIABILITY AND VALIDITY

We evaluated the measurement scale reliability and validity by Confirmatory Factor Analysis (CFA) using the maximum likelihood method in EQS 6.1 (Bentler, 2005; Brown, 2006; Byrne, 2006). Likewise, we also evaluated reliability from Cronbach’s alpha coefficients and the composed reliability index (Bagozzi & Yi, 1988). Following recommendations by Chou, Bentler, and Satorra (1991) and Hu, Bentler, and Kano (1992) on statistical correction of estimation models, we used other estimation methods when normality was assumed.

The results suggest that final measurement model provides a good fit ($S-BX^2 = 1052.5942$; $df = 610$; $p = 0.000$; $NFIT = 0.896$; $NNFIT = 0.910$; $CFI = 0.912$; and $RMSEA = 0.058$). Table 1 shows these results and the model components.

Evidence of convergent validity can be found in the CFA results which show that all related factor items are significant ($p < 0.001$), all standardised factor loads are above 0.60 (Bagozzi & Yi, 1988) and the average standardised factor loads for each factor easily exceed 0.70. Discriminant validity is measured in two ways as shown in Table 2. First for a confidence interval of 95%, none of the individual elements of the latent factors in the correlation matrix contains the value 1.0 (Anderson & Gerbing, 1988). Second, the variance extracted between the pair of constructs is greater than the corresponding Variance Extracted Index (Fornell & Larcker, 1981). On the basis of these criteria, we can conclude that the different measurements show sufficient reliability, convergent, and discriminant validity.

ANALYSIS OF RESULTS

The statistical results for the research hypotheses were obtained using structural equation modelling using the same variables to check the model structure and obtain the results, which would allow us to verify the hypotheses. Table 3 shows the results obtained.

TABLE 3
Structural Model Results

Hypothesis	Path	Standardized path coefficients	Robust t-value
H1: To greater Corporate Social Responsibility, greater levels of Competitiveness.	Corporate Social Responsibility → Competitiveness	0.720***	13.758
H2: To greater Knowledge Management, greater levels of Competitiveness.	Knowledge Management → Competitiveness	0.447***	9.899
$S-BX^2_{(596)} = 817.1676$; $p < 0.000$; $NFI = 0.947$; $NNFI = 0.955$; $CFI = 0.956$; $RMSEA = 0.042$			

*** = $P < 0.001$

Table 3 shows the results from applying the structural equation modelling. Thus, hypothesis H₁ ($\beta = 0.720$, $p < 0.001$, significant) shows that the Corporate Social Responsibility has significant and positive effects on competitiveness level. Hypothesis H₂ ($\beta = 0.447$, $p > 0.001$, significant) shows that Knowledge Management has significant and positive effects on competitiveness level.

CONCLUSIONS

The results of this research show, firstly, that Corporate Social Responsibility generates higher levels of competitiveness in companies that are part of the restaurant industry in Guadalajara. Also, they indicate that small and medium enterprises like

these (SMEs) which have a strong link with philanthropic society causes are most valued by consumers, leading organizations to substantially improve their competitiveness from the perspective of developing a positive image to society.

However, it should be noted that the companies in the restaurant industry in Guadalajara undertake social responsibility activities only to the extent possible and only with available resources. In other words, the company is aware of social responsibility actions and it participates in social causes that have been already identified. Nonetheless, practicing of CSR is sporadic and casual, and has no structured and systematic plan to assess, identify, and continue them.

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