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El estudio de la gestión de los grupos de interés como vía para entender las consecuencias de la crisis económica en el sector bancario minorista

RESUMEN

Las crisis económicas refuerzan la importancia que las empresas conceden a la responsabilidad social corporativa (RSC) como medio para recuperar su credibilidad y reputación en el mercado. El estudio múltiple de casos que se presenta en esta investigación trata de mostrar el papel que juega la RSC en las actuales estrategias de gestión de las entidades bancarias en España. Algunas de las empresas en este sector son líderes mundiales en la distribución de servicios bancarios, por lo que su estudio puede ayudar a otras empresas internacionales a implementar estrategias corporativas de éxito. El análisis se basa en la perspectiva teórica de la gestión de los grupos de interés y se centra en las actividades concretas que las distintas entidades bancarias desarrollan para gestionar sus políticas de RSC. Los resultados demuestran que una aproximación estratégica a este concepto, derivada de una importancia especial que determinadas empresas conceden a los clientes y los empleados, conduce a una mayor rentabilidad de las políticas de RSC. Esta idea pone de manifiesto la relación que existe entre la maximización de beneficios y la gestión de los grupos de interés, lo que ayuda a entender la solidez que han demostrado los bancos en la reciente crisis financiera. Otras entidades, como las cajas de ahorros, que han desarrollado políticas de RSC basadas en una perspectiva de grupos de interés más amplia, se han enfrentado a problemas de solvencia y liquidez que han derivado en una profunda modificación del panorama competitivo nacional.

The study of stakeholder management as way to understand the consequences of economic crisis in the banking sector

ABSTRACT

Financial recessions strengthen the importance businesses give to corporate social responsibility (CSR) in order to enhance credibility and reputation. The multiple case study presented herein aims at disclosing the role of CSR in the current strategic management of banking institutions in Spain. Some of the companies in this country are world leaders and their study can help other international businesses to implement successful corporate strategies. The analysis draws on the theoretical perspective of stakeholder management theory and focuses on practical activities of different kinds of banking institutions to address how they manage their CSR policies. The findings demonstrate that a strategic approach to CSR, derived from a special significance given to customers and employees in the management of stakeholders, leads to profitable CSR policies. This idea underscores the connection between profit maximization and stakeholder management which accounts for the current robustness of banks in the marketplace. Other institutions developing CSR strategies around social stakeholders have encountered solvency and cash-flow problems which have seriously modified the national marketplace.

Palabras Clave: responsabilidad social corporativa, grupos de interés, entidades bancarias, estudio de casos

Keywords: corporate social responsibility, stakeholders, banking service institutions, case study

JEL classification:

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ISSN: 2253-6299

Depósito Legal: AS-04989-2011

Edita: Cátedra Fundación Ramón Areces de Distribución Comercial de la Universidad de Oviedo

The study of stakeholder management as way to understand the consequences of economic crisis in the banking sector

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1. INTRODUCTION: The power of CSR and stakeholder theory today

Corporate social responsibility (CSR) is now well settled in business practices. It first came through a troubled era, the 60's, when CSR had to fight profit maximization defenders by demonstrating its long-term advantages (e.g., Friedman 1970). However, nowadays it is a trendy strategy considered to help businesses in building outstanding corporate images and reputations. Furthermore, it is also believed to be very helpful during financial crises, since it enables businesses to recover customers' trust and minimize the negative consequences of an economic recession (Selvi *et al.* 2010). In this context, especial attention has been given to the banking and financial sectors since these institutions are expected to lead the recovery of international markets. However, few studies have so far analyzed the role of CSR in the current situation of the banking industry (Bravo *et al.* 2011). Thus, new research on CSR management in this sector is needed.

For this purpose, the principles of stakeholder management theory are applied in this paper, since its adequacy to the study of CSR in the banking industry has been widely proven (Bravo *et al.* 2011). While in other industries different classifications of corporate responsibilities would be more appropriate (e.g. sustainable development proposes three dimensions to evaluate CSR –economic, social and environmental– which are more suitable to analyze companies in tourism or hospitality sectors), we consider that stakeholder theory provides a solid background to analyze and describe CSR implementation in banking service institutions. In this sense, Clarkson (1995) considers it relevant that in the field of CSR “stakeholders’ concerns” instead of “social concerns” are talked about as businesses manage relationships with stakeholders and not with society as a general concept. According to this proposal, stakeholders are the audience of CSR actions and, thus, they are the ones that businesses need and want to please.

In contrast to the traditional orthodox paradigm proposed by the profit maximization principle, the stakeholder management perspective thinks of corporations as members of a social network oriented towards the welfare of society. Thus, their responsibility should be broadening to include other individuals different from shareholders, such as internal – managers and employees– and external stakeholders –customers, suppliers, financial institutions and society–. The stakeholders approach, then, is based on the increasing importance that diverse social groups, with special expectations about the role of corporations in society, are gaining nowadays. The relevance of these stakeholders is based on two ideas.

On the one hand, since organizations depend on stakeholders to get resources, the easiest way to get their support is to have an adequate behaviour in order to respect their interests. On the other hand, there is a moral premise that considers any stakeholder with a legitimate interest in an organization to be equally important for the company, so there is no reason for some stakeholder interests to prevail over others (Maignan & Ferrell 2004).

Furthermore, stakeholder theory has long been related to strategic management (Bigné *et al.*, 2011). In this regard, many authors have worked on analysing the link between competitive advantage and CSR through the study of both value chains and stakeholder management (Prahalad & Hammond, 2002; Strandberg, 2010a, 2010b; Porter & Kramer, 2006, 2011). The newest line of research in this area deals with the “shared value” concept, first introduced by Porter & Kramer in 2011. These authors believe that, for companies to perceive the economic benefit of CSR, they have to invest in building strong and stable relationships with stakeholders along the supply chain. Otherwise, if companies focused on thinking about the impact of CSR on public image, reputation or financial results, the positive strategic results of this concept would be overlooked.

According to the shared value perspective, companies can create value opportunities in three ways: (1) Reconceiving products and markets companies can meet social needs while better serving existing markets, accessing new ones, or lowering costs through innovation; (2) redefining productivity in the value chain companies can improve the quality, quantity, cost, and reliability of inputs and distribution while they simultaneously act as a steward for essential natural resources and drive economic and social development; and (3) enabling local cluster development since companies do not operate in isolation from their surroundings. To compete and thrive, for example, they need reliable local suppliers, a functioning infrastructure of roads and telecommunications, access to talent, and an effective and predictable legal system.

This new perspective to the study of strategic management and CSR gives us an idea of the special relevance that specific stakeholders can have for companies. Firstly, customers must be analysed and satisfied since they can broaden the commercial opportunities of businesses. Secondly, employees, suppliers, wholesalers and retailers, as significant agents in the value chain of a company, must be bared in mind. Finally, also local communities should be considered when they provide useful input for businesses such as distribution channels, talented workers or stability in the legal realm.

In this paper, a qualitative research is carried out in the Spanish banking sector in order to understand how institutions integrate CSR in their business strategy, and the role that stakeholders play when companies plan their CSR policies. The study here is a multiple case study in which six of the most important banking service providers in Spain are analysed to critically discuss how different CSR and stakeholder management approaches contribute to the consolidation of corporate strategies and profitability in the long run.

2. BACKGROUND: The economic crisis in the banking sector

Banking institutions, especially those focusing on individual customers, have experienced a significant transformation (Poolthong & Mandhachitara 2009). Specifically, globalization, deregulation, de-intermediation, financial innovation and the appearance of new technologies that modify traditional distribution channels of banking services have caused the growing homogenization of institutions (Flavián *et al.* 2005). As a result, stakeholders do not currently perceive substantial differences among banking institutions or the products they offer (Mandell *et al.* 1981), then increasing competition and narrowing the possibilities for competitive advantages. This fact is compounded by the international business climate during the last decade, conditioned by frequent financial scandals and questionable accounting and management practices (KPMG 2008). The consequence is the beginning of the global economic crisis in 2008 which led to the loss of society's confidence in banking institutions and increased the social conscience of stakeholders who demand better tools for evaluating business practices (KPMG 2008).

These facts have motivated banking institutions to take a greater interest in managing their image and retaining customers, leading the retail banking sector to be one of the most active in the incorporation of relational marketing strategies. These kinds of strategies have been presented in the last decades as the most efficient ways to achieve differentiation, by offering benefits that are different from those traditionally linked to the product and/or service itself. The management of the business' social responsibility is one of the most recent tools used to achieve such ends (Poolthong & Mandhachitara 2009). In this regard, the banking industry is especially proactive investing in CSR (McDonald & Rundle-Thiele 2008; Truscott *et al.* 2009).

In the international realm, for example, there has been a general adoption of CSR principles along with a growing investment in social actions (McDonald & Rundle-Thiele 2008). Furthermore, the Green Paper on Corporate Governance in the Financial Sector promoted by the CGSH Alert European Commission states that banking institutions have traditionally been the most linked to the United Nations (UN) Global Compact, representing 9.48% of a total of 3700 subscribing businesses in 2008. Similarly, banking institutions are also the most present in the main sustainability indexes, accounting for more than 11% of the businesses of FTSE4Good and nearly 22% of the businesses of the Dow Jones Sustainability Index (CECA 2008).

In Spain, the retail banking sector has also developed multiple social programs (Marín & Ruiz 2007), and some of its banking institutions are among the main organizations by investment volume in social actions worldwide. Thus, La Caixa, Caja Madrid and the Santander Foundation are on the list of the 20 largest organizations by investment volume in social actions, with a total of 871.5 million Euros invested in 2008. In addition, most sustainability reports in Spain are published in the banking sector (19 in 2008); with 84% of the institutions publishing this kind of reports annually (KPMG 2008).

It is also important to highlight the existence of different kinds of Spanish banking institutions with different approaches to CSR. Building societies and banks are especially relevant since they account for the highest market share and volume of assets in this country (see Table 1).

Table 1. Total assets of the Spanish banking institutions by typology (31.12.2004)

Year	Total (mill. €)	Banks		Building societies		Cooperative banks	
		(mill. €)	%	(mill. €)	%	(mill. €)	%
2000	1,077,589	624,126	57.92	413,862	38.41	39,601	3.67
2001	1,195,821	689,365	57.65	460,387	38.50	46,069	3.85
2002	1,289,134	727,609	56.44	511,040	39.64	50,485	3.92
2003	1,448,341	825,331	56.98	566,848	39.14	56,162	3.88
2004	1,656,342	943,152	56.94	648,058	39.13	65,132	3.93

Source: Momparler (2008)

First, building societies have been traditionally linked to CSR, channelled through their foundations and voluntary financing of social projects. This fact has much to do with the legal

status of this type of institutions. Building societies were created as foundations (non-profit organizations owned by private capital) with a strong social and charitable character (Momparler, 2008). Thus, CSR has become a differential trait of building societies which has always been integrated in their corporate mission. Furthermore, the profit maximization of these institutions is not devoted to shareholders or investors since these are mutual organisations where the Governance structure is only formed by customers, the local government and other local organisations considered as stakeholders (Ley de Órganos Rectores de Cajas de Ahorro, LORCA). According to this fact, the board of directors is responsible for the affairs and strategy of the society while they have a fiduciary duty to balance the interests of different classes of members –although as there are no external shareholders, members’ interests are likely to be less diverse than company shareholders’ interests and there will be no pressure to pay a dividend to external investors. Thus, a significant percentage of the net benefit of building societies is oriented to financing social projects which derive in the improvement of the welfare of local or regional communities. In so doing, these institutions can comply with social goals such as charity, quality of life, culture, equity and justice.

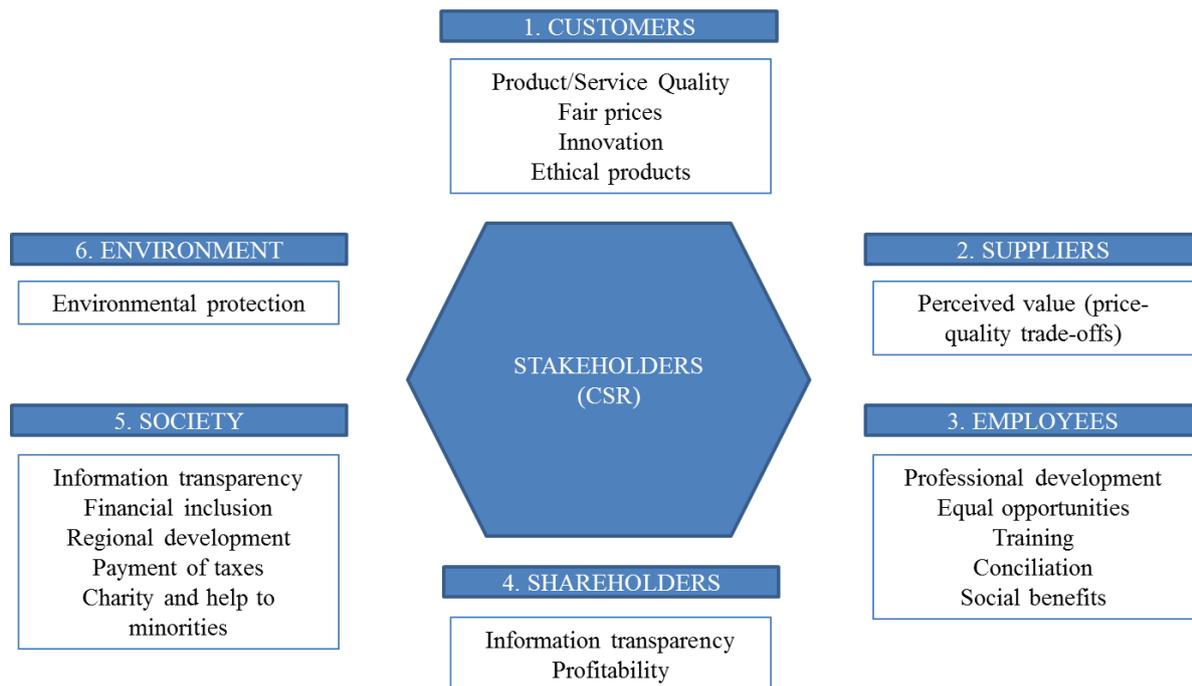
In this regard, there is a tendency to believe that their legal status makes it compulsory for building societies to invest all their benefits in social projects. If this was to be true, then these investments should not be considered as CSR since the voluntary dimension implied in the definition of the concept would not be satisfied. Nevertheless, the truth is that national laws regulating the business of building societies (the latest one is the OM 19 June 1979) bind these institutions to first constitute their reserves in variable percentages depending on the financial context and necessities of each organization in each period of time. Thus, this fact allows building societies to be flexible when investing in CSR. Actually, the law does not talk about percentages and it only binds institutions “to orient their social projects towards public health, research, education, culture and social assistance” (art 22.1. Real Decreto 2290/1977). Nevertheless, building societies keep investing high amounts of money in social projects far exceeding their legal obligations. For example, in 2010 building societies in Spain invested 1,460 million euros in social projects. All investments which exceed the minimum level required by law fall into the CSR category.

Furthermore, Sarro *et al.* (2007) consider two additional sources of CSR in banking institutions. First, banking providers are also investing in CSR when they add environmental and social concerns to the internal management of their activities. For example, when

organizations implement procedures to improve their energetic efficiency, to recycle or to reduce water waste, they are applying CSR principles. Second, building societies can also develop specific financial products and services which include CSR concerns. As an example, in recent years numerous saving products such as funds which only invest in socially responsible companies have been created.

However, it is also necessary to highlight that most building societies in Spain have recently undertaken merger processes which allow them to solve their solvency problems after the crisis as well as to be able to better compete with national banks. These mergers are taking building societies to reduce their investment in CSR since the institutions have to derive higher amounts of their benefits to reserves in order to meet the solvency rates demanded by national regulators. Currently, the investment in social projects seems to have gone back to levels of 2006 seeding doubts on the future of CSR in the sector (La Voz de Galicia, 2011).

On the contrary, banks' are anonymous societies (corporations) with a Governance structure led by shareholders and private investors. In this case, no regulation forces these institutions to derive benefits to social projects or invest in specific social or cultural areas so all the investment in these kinds of initiatives is considered CSR. Thus, their investment in CSR activities is more of an answer to the great pressure they have suffered from society because of their greater economic impact. These institutions have been involved in accounting and financial scandals which have led them to think of CSR as a source of competitive advantage. In so thinking, national banks have tried to connect their CSR policies with their corporate strategic management by investing in activities oriented to the enhancement of key stakeholders' benefits.

Figure 1. Stakeholders in the banking sector

Source: Sarro *et al.* (2007)

Taking these differences into account, then, it seems possible that stakeholder management is being implemented in different ways in each banking model, a fact which could help us understanding better some of the given circumstances in the latest financial crisis. Nevertheless, this issue remains unstudied, even though the praxis of the banking industry does have significant implications for the overall economy of a nation. Let's go one step further: the Spanish case study could make a great impact in the whole EU economy, given the size and power of some of the Spanish banking institutions (e.g., Santander Group or BBVA).

Furthermore, if it is possible to identify differences in the way banks and building societies approach the management of their relevant stakeholders, then the logical question arises: Do all strategies work well? Answering this concern implies analysing corporate behaviour regarding CSR in order to see how companies are managing their CSR strategies and how this links to corporate results. The aim in this paper is to present the results of an exploratory analysis undertaking the study of the following research questions:

RQ1: Do banking institutions apply the principles of stakeholder theory to their CSR strategies?

RQ2: How do banking institutions channel their CSR policies through stakeholder management?

RQ3: Is there a stakeholder management strategy more advantageous for CSR implementation than others?

3. METHODOLOGY

To answer these research questions, a discretionary sampling is used to select banking institutions. In a sample of this type, the analysis units, whether they are people, organisations or phenomena, are selected because they represent, at the discretion of the researcher, special characteristics of certain groups within the research universe. The sample selected does not aim to be statistically representative –the exact probability of selecting a specific element is unknown, and therefore, the sampling error cannot be calculated– but rather, the different units are selected as a function of some concrete characteristic that makes them especially interesting to the study. Therefore, this type of sampling is ideal for the development of small-scale research or research dedicated to the in-depth knowledge of a specific case or phenomenon (Ritchie *et al.*, 2003). The non-random sampling technique used in this study is called the “specific sample”, in which the researchers use their particular knowledge of a phenomenon to select representative subjects of the sampling universe (Berg, 2007). The elements of the sample are themselves selected according to specific characteristics that allow for an exhaustive and in-depth analysis of the main topics of interest in the research (Ritchie *et al.*, 2003). In this regard, the criterion of “heterogeneous sample” is used to select banking institutions that represent the “banks” and “savings banks” subsectors (Holloway and Wheeler, 1996; Robson, 2002). As an “extreme case” (Robson, 2002; Patton, 2002), the case of a banking institution –Caja Navarra– is included because of its relevance to the study of CSR. This has been the first civic banking institution of the country, so its social orientation has been widely proven. “Intensity of use” was employed to select the main institutions by market quota both at the regional and national levels. In this regard, the fact that this qualitative research was further complemented with a quantitative study based on personal surveys to customers of banking services must be highlighted. The whole study was developed in the region of Cantabria where a local savings bank (Caja Cantabria) gathers the

highest market share. Thus, this institution was included to represent the regional distribution of banking institutions. Also the biggest companies in the country were selected. In this regard, we included Santander and BBVA as well as La Caixa and Caja Madrid.

Thus, the institutions are selected to represent the broadest spectrum of cases possible regarding the size of the institutions, their geographic locations, legal structures and management models (Voss *et al.* 2002). In total, six banking institutions are studied: Santander, BBVA, La Caixa, Caja Madrid, Caja Navarra and Caja Cantabria. The interest in studying these organizations is justified by the fact that they gather a declared assets (loans) volume of 2.139.165 million € (at 12.31.09), which represents 62.75% of the total assets in the Spanish banking industry. Thus, the six institutions do highly represent the Spanish market, at least according to the total assets of the market which is one of the traditional measures statistically used to rank companies in Spain. For further information, a technical summary of each of the institutions in the sample is included in the following table:

Table 2. Technical summary of banking institutions in the case study (31.12.2009)

Institution	Employees	Assets (mill. €)	Net benefit (mill. €)	Tier1 (%)	Core capital (%)
BBVA	106,976	535,065	4,595	9.4	8.0
Santander	33,658	217,951.50	2,673.18	10.1	8.6
La Caixa	25,288	252,759.47	973.14	9.9	8.6
Caja Madrid	15,279	191,904.48	726.18	9.0	6.9
Caja Navarra	1,925	19,384.46	121.55	9.89	9.03
Caja Cantabria	14,000	10,342.62	45.38	8.63	6.25

Source: banks' and building societies' websites

Regarding the data collection, first a documentary analysis of data collected from secondary sources of information, both controlled and non-controlled by the company –CSR reports, publications in the press, stock market indexes and participation in symposia and conferences–, is performed. This allows for understanding the most objective and quantifiable aspects of corporate CSR, such as investment in social action, program implementation and the historical evolution of these two areas, among others. Second, in-depth interviews with CSR managers are carried out. These are an especially suitable tool to study systems, processes or complex experiences that need an adequate context to be explained in detail and clarified if necessary (Lewis 2003). Therefore, the information gathered by this method is mainly qualitative.

Data was coded to classify information and identify where banking institutions refer to specific issues related to stakeholder management. For the purpose of this study, formal representations of corporate CSR identity –CSR definition, desired corporate identity or corporate personality, corporate behaviour and corporate communication– are analyzed as these are common channels that companies use to disclose their CSR management (Balmer 2001). Thus, all the codes refer to (1) CSR definition; (2) CSR desired identity; (3) CSR behaviour, and (4) CSR communication. These categories are used in this paper to organize the exposition of results.

4. RESULTS

CSR definition

First references to stakeholder management in banks and building societies are identified when institutions defined their understanding of CSR. Roughly speaking, banking institutions understand that CSR is a broad concept that makes organizations “*take all possible impacts of their activities into account*” (CSR manager of Santander). Nevertheless, the managerial application of stakeholder theory is more easily identifiable in CSR definitions promoted by banks. More precisely, stakeholder approach appears to be the first basic tenet of CSR programs for these institutions since they refer to the contribution to the economic development of society, the advancement of employees’, their families’ and society’s quality of life (Santander) or the generation of value for direct stakeholders –shareholders, customers, employees and suppliers (BBVA).

On the other hand, building societies do not refer to stakeholders so often and, when done, references are general and vaguer. There are just two building societies, Caja Madrid and Caja Navarra, mentioning stakeholders in their CSR definitions, who are referred to without a detailed identification of relevant target groups. For example, Caja Madrid refers to the necessary consideration of the impact of corporate activities in all its stakeholders while Caja Navarra refers to the fulfilment of governmental concerns of the stakeholders.

Building societies chose other CSR approaches to conceptualize CSR. For example, some institutions apply Carroll's (1979, 1991) social responsibility categorization when they define CSR as corporate actions that go beyond legal requirements. In this sense, Carroll considers that an exhaustive definition of a company’s social responsibility should include corporate

economic, legal, ethical and philanthropic obligations that go beyond that prescribed by law or union contract (Jones 1980). This perspective is adopted by some of the biggest national building societies such as La Caixa. However, the most common perspective adopted by these banking institutions is that proposed by sustainable development theory (van Marrewijk 2003). In this case, CSR is found in the triple-bottom line of the organization and it covers the full range of business concerns related to the environmental, economic and social dimensions of companies. References to this perspective are found in the CSR definition given by La Caixa (social and environmental concerns, sustainable growth), Caja Cantabria (sustainability, social cohesion and environmental protection) and Caja Navarra (social, environmental and economic concerns).

CSR desired identity

CSR desired identity, the second dimension of CSR identity, is a compound of organizational values, which explain the company philosophy and culture; a mission statement, which articulates the reason for existing of a company; and a vision statement, which expresses future corporate objectives. This definition refers to the inner personality of entities, as theoretically defined by authors such as Abratt (1989).

First, new differences are identified between banks and building societies regarding the role of stakeholders when defining corporate values. More precisely, in in-depth interviews CSR managers of banks pointed to “Innovation” and “Focus on Customers” as the most notable values of their identity:

“The identity and positioning of the corporate brand are defined by the combination of three basic axes: corporate principles, priority of innovation and the idea of people working for people” (CSR manager of BBVA)

“We present ourselves as an innovative institution’ (...) ‘now; an important topic in our image is the focus on the customer” (CSR manager of Santander)

On the contrary, CSR managers in building societies define the corporate identity of these institutions more as the commitment to the society in which they operate, that is, their “Link to the Community” (Caja Cantabria):

“Social commitment is one of the values of the corporation, evident not just in our Social Projects but in the combination of all the actions of the business” (CSR manager of Caja Cantabria)

Analyzing these differences from the “shared value” perspective proposed by Porter and Kramer (2011), it is possible to glimpse a more strategic approach to stakeholder management on the part of national banks than building societies. In this regard, banks especially focus on the advancement of customers (market orientation through innovation in banking services and products), a primary stakeholder with direct influence on corporate performance. According to Porter and Kramer (2011), this is the first stakeholder to be satisfied since it directly broadens the commercial opportunities of businesses.

On the other hand, building societies concentrate on the society (through social commitment represented in social projects), a broader concept that includes diverse groups (environment, ONGs, social agents) generally not representative of primary stakeholders (Sarro *et al.*, 2007). The secondary targets to which building societies are orienting their CSR policies do not have a direct impact on the value chain of a banking institution. Thus, the principles of the shared value concept are not being implemented in this subsector and it is possible to conclude that stakeholder management is less strategically oriented in the building societies realm. Nevertheless, it is necessary to highlight that this approach to stakeholder management directly relates to the national regulation of building societies. So, managers of the institutions have little possibilities to modify this tendency and are not to be blamed on this fact.

Concerning the mission statement of banking institutions, the analysis of the documentary data reveals that there is a consensus among banks and building societies that the main activity of a banking service provider must be to satisfy the financial needs of its customers. In this sense, customers are explicitly mentioned in mission statements of Santander, Caja Madrid, La Caixa and Caja Navarra while they are also indirectly referred to in other statements, such as the one by BBVA which identifies the provision of access to banking sources as a central activity of the organization. This is achieved by offering comprehensive savings and investment services. A second significant stakeholder, society, also appears in corporate mission statements presented by building societies. According to this idea, it is common to find references to the necessary contribution to the development and sustainable growth of society in building societies speech. This stakeholder is not mentioned by banks as essential for their business activity. These results confirm the difference in the importance

given to diverse stakeholders that has been previously introduced in this section. In this case, the special focus of building societies on society has been again highlighted.

Furthermore, through vision statements banking institutions begin to define their stakeholders more clearly. First, two primary stakeholders, customers and employees, are identified as central for both banks and building societies. Moreover, shareholders play a key role in banks' vision for the future. For example, Santander wants their customers, shareholders and employees to see them as a close and strong institution. Finally, building societies refer to society as the third CSR pillar that complements customers and employees. For example, La Caixa searches for the generation of value for the society, customers and employees while Caja Madrid works to be a leading banking corporation through the offering of better services for customers and the personal development of its employees.

CSR behaviour

Stakeholder management can be also analyzed by studying corporate behaviour, a third component of corporate identity. For the purpose of this paper, the data analysis shows how, when presenting their social programs, financial entities tend to follow a stakeholder approach, organizing and gathering activities according to the group they most directly benefit. Following the pattern observed in previous sections, all banking institutions identify three stakeholders as especially important: customers, employees and society (including the environment). Banks also refer to shareholders as a key stakeholder (it is necessary to highlight that, due to their legal status, building societies do not have shareholders). Finally, some other stakeholders are identified in some cases such as suppliers (BBVA, Caja Madrid and Caja Navarra) or Academia, Government or social entities (Caja Navarra), these last ones being dimensions that could be group under the 'Society' label.

Another significant issue when trying to understand CSR programs is to identify which obligations financial entities feel they have towards each of these stakeholders. In the customer arena some of the most recurrent themes refer to the provision of top-quality services, financial inclusion and the constant search for innovation to satisfy new customer demands. These concerns have led to the proposal of new products, services and banking concepts to comply with the institutions' CSR obligations. For example, banking institutions in Spain do now offer microfinance services in their brochures. The term microfinance is usually understood to entail the provision of financial services to micro-entrepreneurs and

small businesses, which lack access to banking and related services due to the high transaction costs associated with serving these customers categories. In this regard, national banks' strategy is especially significant since they have taken advantage of this CSR initiative to broaden their distribution channels in developing countries in Latin America. The incorporation of microfinance into banks' strategic management is well represented in the BBVA's case, for example. This banking institution was one of the first Spanish organizations promoting the creation of a Microfinance Foundation which has now been running for almost five years, providing services to more than one million clients in six South American countries.

Some other important topics are the offers of socially responsible products and services or the total transparency in the relationship with financial services users. In this regard, the business case of Caja Navarra is currently being studied in several schools of businesses not only in Spain but worldwide. The distinctive feature of Caja Navarra's CSR strategy deals with the role this institution gives to their customers when deciding the destination of the money devoted to CSR. In order to comply with Caja Navarra's commitment to transparency to stakeholders, customers regularly receive information on the benefits the institution makes with the products and services the customer contracts. Furthermore, the building society gives banking services users the opportunity to decide the social cause they want Caja Navarra to invest their benefits on.

In terms of responsibilities towards employees, companies agree that the last goal must be the provision of a well-trained professional group who make the organization effective and efficient in its activities, creating value for the company as a whole. The responsibility of entities in this case is to create an attractive work space that provides means of recruiting and keeping talented workers. For example, they can achieve this goal through caring about personal and professional development of employees in the company which embeds both training and career development for each worker. The balance between professional and personal life or the respect for diversity and equal opportunities are also important responsibilities. Santander stands out in this regard since it has been recently awarded with the 'Merco Personas 2011' distinction, which certifies the institution as the best place to work in the Spanish banking sector according to its own employees.

Regarding society as a whole, priorities are also clear: contribution to the sustainable growth of communities, social commitment in different regions and financing according to ethical

and sustainability criteria. Most environmental issues centre on the minimization of the negative impact of business activity, the increase in society's environmental awareness and the inclusion of environmental criteria in the financing transactions.

For banks, duties towards shareholders refer mainly to the financial return on investments and the transparent management and communication of fundamental organizational issues. Finally, the relationship with suppliers must seek for a long-term stability and the search for mutual benefit, based on transparency, trust, equal opportunities when contracting and responsible purchase management.

Accordingly, CSR programs centre on these lines of work. However, the existence of different implementation strategies is worth mentioning. In this sense, some companies choose a *"light shower"* (CSR manager of Caja Cantabria) strategy, trying to impregnate every single societal dimension to get a harmonious growth. This is basically the strategy of building societies. Then, CSR and stakeholder management in these entities is especially affected by society and its most relevant issues. Other companies concentrate their resources on some specific actions which are the centre of their CSR policies. This is the case of Santander, specializing in support to education, and BBVA, focusing on both financial inclusion and financial education in different social layers. These types of strategies respond to a pronounced market orientation, as they target the incorporation of potential stakeholders into the financial market. Through educational programs financial providers try to boost the training of those individuals who could be employees of their organizations in the near future, while through financial inclusion they encourage the rapprochement of potential customers to financial markets, products and services.

CSR verbal communication

Finally, some interesting results have also been detected at the CSR communication level. In this sense, the most outstanding finding is that banking institutions generally perceive a greater value in the internal dimension of CSR communication (Maignan *et al.* 2005; Miller & Lewis 1991) as they understand that it is vital for the generation of *"employees' interest, motivation and implication with CSR"* (Caja Madrid). However, externally speaking (customers, partners and society as a whole), CSR communications are less common. In this sense, institutions understand that external communication is their challenge nowadays as stakeholders could understand too much communication as a *"propaganda"* (Caja Madrid) strategy that contradicts with the corporate ethical commitment and has the potential risk of

turning against a company which allocates too much of its budget to communication instead of social action. On the other hand, underestimating this marketing tool implies that the company can go unnoticed. Then, the balance between communication and action is the key. Nevertheless, banking institutions prefer not communicating many of the activities that they enrol in due to the fear of a negative reaction from public opinion in some cases (banks) or to a business tradition not oriented towards communication in others (building societies). This result matches previous findings in Europe, where van de Ven (2008) posits how “*firms seem to be reluctant to market their CSR endeavours*”.

Regarding corporate communications channels, banking institutions believe that CSR communication should be a bidirectional process, both up and downward, when more than just transmitting information, they also have to pay attention to grasp stakeholders concerns and suggestions. However, and contrary to findings in previous sections, corporate communication channels and activities do not especially differ from banks to building societies, both kinds of institutions applying similar communicational strategies. This result, along with the fact that CSR managers in banking institutions agree that their organizations are not taking full advantage of their communicational possibilities, make it clear that corporate CSR communication is a facet to be improved in stakeholder management in the banking sector. Communication to stakeholders is not being undertaken in a strategic way and it could hamper the implementation of successful CSR strategies in banking institutions. That is, if there is no strategic management of stakeholder communication, then information would not properly get to target groups and conflicts could arise from asymmetric information, misunderstanding, etc. In this sense, the importance of a strategic CSR and stakeholder management for strengthening a firm’s long-term competitiveness has been previously addressed in literature (Whitehouse 2006) while certain lack of clear strategies concerning CSR has also been highlighted (Campbell 2007).

5. CONCLUSIONS AND MANAGERIAL IMPLICATIONS

CSR has been traditionally related to stakeholder management. Since the very beginning of research in this field of study, authors have tried to define which stakeholders companies should be responsible for and which activities they should implement for that purpose. The most classical school of thought posits that the only aim of corporations should be to

maximize shareholders profits. On the other hand, according to stakeholder theory a company has many groups that it has to satisfy. So, when companies accept that they have responsibilities towards their main stakeholders they are entering the moral sphere linked to CSR. In this line, in this paper authors have proposed to analyze CSR in the banking sector by taking stakeholder theory as the basis for the study of CSR corporate identity –CSR definition, desired identity, corporate behaviour and communication.

The study leads to sound conclusions. First, not only the principles of stakeholder theory are applied to the design and implementation of CSR strategies, but also significant differences have been identified between banks and building societies when it comes to managing their relationships with target groups.

These ideas keep us wondering, then, which management strategy makes of CSR a wise choice for businesses. Results point to international banks' strategy as more advantageous in the banking realm. First, stakeholder management principles are more accepted and clearly implemented in banks than building societies. Second, when planning their interaction with stakeholders, this kind of institutions aligns their CSR objectives with operational goals. In so doing, banks identify two especially relevant stakeholders, customers and employees, which they centre their CSR policies around. Thus, the identification and management of stakeholders align with the most restrictive perspectives on stakeholder theory, which reduce the number of relevant targets to those groups most directly linked to the organization, primary stakeholders (Clarkson 1995). In this regard, customers and employees are those groups with the greatest ability to influence corporate success in the long-term. First, customers can broaden commercial opportunities for companies (microfinance) and second, employees are the face and voice of the company when managing relationships in the value chain of distribution channels, which finally also get to customers. Accordingly, CSR principles are integrated in corporate strategy and they are managed to contribute to corporate objectives, just as the latest ideas in strategic management believe it should be.

Why do we assume this approach is more effective than broader CSR strategies? We just need to have a look at the current situation of banking institutions in the middle of the world financial crisis. Spanish banks have suffered from the economic downturn, as any company in the world, but their financial position is still strong enough to cope with the situation. No special attention has been diverted to non-financial issues such as the investment in CSR initiatives oriented to secondary stakeholders. Social investment goes hand in hand with core

goals such as profit maximization. We might consider microfinance as a clear example. At the same time banks are, first, promoting their ethical standards by contributing to the economic welfare of the basis of the social pyramid and, second, they are expanding both geographically and by attending new targets. No news has revealed any cash-flow or solvency problem. Banks such as the Santander Group, for example, are even acquiring other international corporations. British Abbey Bank is one of the latest examples. This fact can be taken as a signal of the financial strength of Spanish banks' with an international scope.

The opposite situation is represented by building societies. In this case, recent solvency problems of this kind of institutions have dramatically changed the competitive scenario of banking services in Spain (Carbó 2010). In 2010 a new law was promoted to restructure building societies by allowing massive merges which could help these companies rationalizing their financial accounts. Most of building societies had recently entered the Real Estate industry, exponentially rising their selling of mortgages. However, with the beginning of the crisis and the increase in the level of unemployment in the country (almost 21% by 2008) people stopped being able to pay their mortgages. Thus, building societies had to face an enormous amount of unpaid services which just derived in a huge stock of bricks in their accounts. Solvency was by then a significant issue for these companies which started to collapse and encouraged legislators to push the new law.

We firmly believe these problems are directly related to the management of stakeholders and CSR initiatives by building societies. In this regard, building societies take diverse theories into consideration when defining their CSR policies, especially the sustainable development perspective and the three-dimensional approach. Accordingly, these institutions talk about stakeholders as a general concept and references to sustainability, social needs or sustainable growth of the community are more common. Thus, building societies align with broad definitions of stakeholder management when they focus their CSR on advancing the society welfare and fulfilling secondary stakeholders' needs, including a long range of target groups such as the environment, local communities, governmental institutions, academic organizations, etc.

When this is the situation, CSR might be considered a cost which detracts from investing monetary resources on initiatives with a more direct impact on the annual accounts of banking institutions. We can easily understand that, by applying this vague CSR approach, building societies are diversifying their activities, not focusing on primary stakeholders but contributing money to all of them to the same extent. When this principle takes over a

company, it might result in less corporate expertise in managing some business areas and more naïve decisions in this regard. This has been the case with Real Estate departments in Spanish building societies. Inexperience has taken these institutions to overinvest in this area which has finally been the one critically triggering the financial crisis in the country. At this point, the Government needs to take control over the situation of building societies, rescuing companies –the case of Caja Castilla-La Mancha has been the most significant one in Spain– and creating specific laws to regulate the industry. Nevertheless, if stakeholder management had been better aligned with financial goals, just as in banks, the situation might have been quite different today. Nevertheless, the legal status of building societies accounts for this problem and, national regulations not being changed, managers do have little opportunities to turn their CSR policies into a strategically beneficial asset.

Significant managerial implications can be derived from these results. In this sense, as researchers we consider that the stakeholder management implemented by banks could result in better corporate results in the long-term. More specifically, banks are focusing on two primary stakeholders with an especial relevance to the success of business activities (Selvi *et al.* 2010). Furthermore, these kinds of strategies are well integrated into corporate philosophy and identity so this would facilitate the design of coherent and credible CSR activities which, when focusing on the advancement of customers and employees, have been demonstrated to get better results. In this sense, previous studies have already demonstrated that customers do highly appreciate CSR policies focusing on themselves rather than those policies implemented by companies commonly investing in society or any other secondary stakeholder (Pérez & Rodríguez del Bosque Rodríguez 2011).

Also in this regard, there are several theories in literature, such as the congruence or the attribution theory that, when applied to CSR, recommend companies to design and implement CSR strategies coherent with their business activity (Bigné *et al.* 2009; Rifon *et al.* 2004). The goal would be not to raise suspicion among stakeholders. If so, then a banking institution should concentrate on generating economic value for stakeholders. And this objective would be more easily achieved by dedicating resources to primary stakeholders closely involved in business activities rather than donating money to society. Then, even though CSR policies of most building societies are perfectly aligned with their corporate desired identities, it might be that this orientation is not the most advisable one in the long run since other management styles has demonstrated to be more effective. This idea is supported by the trend followed by building societies in the Spanish market now. These institutions, confronted with the necessity

of being more competitive, solvent and being able to survive in the marketplace are entering a process of merges and acquisitions which is resulting in solid bigger financial groups with better access to financing and a management style more similar to national banks.

Finally, a deeper analysis on corporate CSR communication has revealed that stakeholder management in this dimension of corporate identity is being undertaken less strategically than it should be advisable to contribute to CSR success of both banks and building societies. In this line, even though significant differences are identified between banks and building societies when it comes to diverse issues concerning stakeholder management, no apparent differences are revealed in the way these banking institutions communicate their CSR initiatives. As previously explained, if this fact is taken into account along with the scarcity of communication channels used by institutions, there is a serious risk that information does not get to stakeholders then leading to misunderstandings, asymmetric information and incomprehension of CSR policies that would not revert on positive incomes for organizations. Stakeholder management and corporate communication should be given their strategic relevance and advantage should be taken of all new communication channels that are available to organizations in order for CSR not to go unnoticed.

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