

Using Strategic CSR to Achieve the Hybrid Middle Ground in Social Entrepreneurship: The Case of Telenor Hungary

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Abstract—To be considered a socially entrepreneurial organization today requires achieving what can be termed a “hybrid middle ground” equilibrium, comprising of economic as well as social sustainability. This middle ground requires some blend of both business and social commitments. In this paper, we use the case of Hungary's second ranked mobile operator, Telenor Hungary to illustrate an example of a company that is moving to the hybrid middle ground by transitioning from a for-profit company to a socially responsible business using the concept of strategic CSR. In this line of thinking, the organization explicitly supports programs and initiatives that have a direct link to the core business and bring operational and/or financial advantages for the company, while creating a positive social and/or environmental impact. The important lessons learned from the company transition are also discussed.

Keywords—Hybrid middle ground, social entrepreneurship, strategic corporate social responsibility.

I. INTRODUCTION

RESEARCH on social entrepreneurship has a rich heritage, tracing back to the work on non-profit organizations [17], corporate social responsibility [37] and entrepreneurship [32]. Notions of social entrepreneurship have highlighted the role of the individual or the opportunity, and have ranged from emphasizing a nonprofit definition to stressing a broader definition of social change.

Broadly speaking, two overlapping and potentially conflicting conceptions of social entrepreneurship can be identified. A first strand emphasizes social outcomes, social change and social impact. According to this line of thinking the social results of the activity are of utmost importance [31], [34]. A second strand in the literature focuses on generating revenue and a surplus and on exhibiting business prowess in the pursuit of social outcomes [27], [31].

The richness and diversity of views on social entrepreneurship is illustrated by the list of definitions provided in Table I.

Especially important is to note that the distinction between social and commercial entrepreneurship is not dichotomous, but rather a continuum ranging from purely social to purely economic. Even at the extremes, there are still elements of both. This continued blurring of boundaries between social and economic value creation suggests that there may be

numerous examples of cross-fertilization of knowledge between commercial and social entrepreneurship [22] and new elements of business strategy [11]. This creates tension because social entrepreneurs also need to build profitable businesses based upon competitive products and services, and the process of stakeholder consultation may impede competitiveness and slow down decision making [13].

Further, it can be stated that to be considered a sustainable and socially entrepreneurial organization today requires achieving what can be termed “hybrid middle ground” equilibrium, comprising of economic as well as social sustainability. The representation of this hybrid middle ground equilibrium is depicted in Fig. 1. Reaching the status of a sustainable organization—incorporating economic, social and environmental objectives—is facilitated by reaching the hybrid middle ground as quickly as possible. Some of the necessary characteristics of organizations inhabiting this hybrid middle ground are a.) Profit making motive as well as mission motive, b.) Shareholder accountability as well as stakeholder accountability and c.) Profit redistributed to shareholders as well as income reinvested in social programs or operational costs [26].

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TABLE I
DEFINITIONS OF SOCIAL ENTREPRENEURSHIP, UNIT OF ANALYSIS AND RESEARCH FOCUS [10]

Unit of Analysis	Definition	Research Focus
subset of business entrepreneurship	Social entrepreneurship is the simultaneous pursuit of economic, social and environmental goals by enterprising ventures and has gradually found a place on the world's stage as a human response to social and environmental problems [31]	Opportunity
subset of business entrepreneurship	People who realize where there is an opportunity to satisfy some unmet need that the state welfare will not or cannot meet, and who gather together the necessary resources (generally people, often volunteers, money and premises) and use these to 'make a difference' [3]	Opportunity
social entrepreneur	People with the qualities and behaviors we associate with the business entrepreneur but who operate in the community and are more concerned with caring and helping than 'making money' [33]	Individual
social entrepreneur	Social entrepreneurs are individuals who are catalysts for social transformation. They are leaders who need two types of skills: 1) the capacity to bridge diverse stakeholder communities, and 2) long term adaptive skills and response to changing circumstances [2]	Individual
social entrepreneur	A social entrepreneur is an individual, group, network, organization, or alliance of organizations that seeks sustainable, large-scale change through pattern-breaking ideas in what and/or how governments, nonprofits, and businesses do to address significant social problems [20]	Opportunity
social entrepreneur	Social entrepreneurs possess five criteria: 1) adopting a mission to create and sustain social value; 2) recognizing and relentlessly pursuing new opportunities to serve that mission; 3) engaging in a process of continuous innovation, adaptation and learning; 4) acting boldly without being limited by resources currently in hand; and 5) exhibiting a heightened sense of accountability to the constituencies served and to the outcomes created [9]	Individual
social entrepreneurship	Social entrepreneurship is defined as the innovative use of resources to explore and exploit opportunities that meet a social need in a sustainable manner [21]	Opportunity
non-profit entrepreneur	Non-profit entrepreneurs are the innovators who found new organizations, develop and implement new programs and methods, organize and expand new services, and redirect the activities of faltering organizations [39]	Individual
private sector	Private sector leaders who play critical roles in bringing about 'catalytic changes' in the public sector agenda and the perception of certain social issues [35]	Individual
non-profit innovation	Social entrepreneurship combines the economic benefits of entrepreneurship with the delivery of social and environmental outcomes, and has the potential to assist the economic and social development of individuals and societies around the world [19]	Opportunity
non-profit innovation	Social entrepreneurship is an encompassing set of strategic responses to many of the varieties of environmental turbulence and situational challenges that nonprofit organizations face today [8]	Opportunity

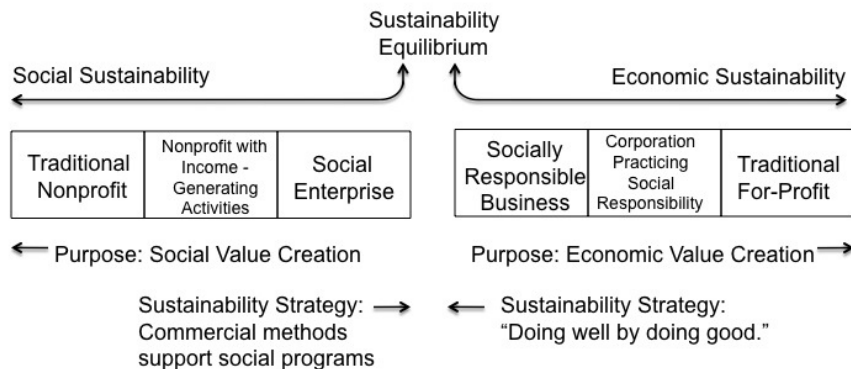


Fig. 1 Representation of Hybrid Middle Ground Sustainability Equilibrium

II. STRATEGIC CSR

According to the generally accepted interpretations, the basic idea of CSR is that “business and society are interwoven rather than distinct entities; therefore, society has certain expectations for appropriate business behavior and outcomes” [38]. In this sense, companies should extend their traditional level of responsibility for owners and shareholders to other stakeholders (e.g.: community, customers or the environment) as well. Two important characteristics of CSR are that a) it is a strategy based on voluntary actions, going beyond mandatory compliance with regulations; and b) it is financed by the company’s own resources (even if it is at the expense of its profit). While the origins of CSR activities can be found in voluntary mitigation efforts to reduce the negative externalities of company activities, some CSR initiatives

might generate positive effects on externalities [16], or a net contribution to the public good.

In the context of this article we consider three important approaches to CSR (the interested readers may find a recent very broad review of the CSR literature in Aguinis and Glavas [1]:

1. A primarily *ethical* approach in which an ethical responsibility to all the stakeholders is at the center of CSR. This is best represented by E. Freeman’s work [14], [15]. The first tenet of this approach is that almost any business decision has some ethical content or implicit ethical view [15]. The second tenet is that business is about how customers, suppliers, employees, financiers (stockholders, bondholders, banks, etc.), communities – jointly called stakeholders – and managers interact and

create value and that the job of the executives is to manage and shape the relationships with the different stakeholder [14]. The way stakeholders are defined is based on a normative approach maintaining that business is creating some kind of values to each stakeholder group, and has an ethical responsibility for the quality of these values.

2. A *pragmatic* (non-ethical) approach based on the analysis of stakeholder influence on management according to their legitimacy, power and the urgency of the issues they represent [24]. The starting point of this approach is the concept of managers' *saliency* and the conditions that define managers' attention to stakeholders and their concerns. In this case the managers' actions depend on the legal or moral right of the claim (*legitimacy*); the ability of the stakeholder to influence the firm's behavior, whether or not there are legitimate claims (*power*); and the degree to which stakeholder claims call for immediate attention (*urgency*).

The conclusion of this approach is that while a firm's stakeholders can be identified by attributes like holding power, being legitimate or making urgent claims, only those stakeholders will earn the attention of the management who are perceived to be highly salient.

3. A *hierarchical* approach to corporate responsibilities that range from legal and regulatory compliance through voluntary responsibility for company products and services to harmonizing company priorities with social priorities [5]-[7]. According to this approach corporate responsibility has three or four levels. Cadbury [5], [6] defines the three levels as follows:
 - a) *Primary level*: The company meets material obligations (to shareholders, employees, customers, suppliers, creditors), pays taxes and meets statutory duties;
 - b) *Second level*: The company is concerned with the direct impacts of primary actions, adds the most to communities' human resources and avoids damaging the environment; and
 - c) *Third level*: The company harmonizes its priorities with the society's priorities (admittedly the least well-defined area); it covers the broader interaction between business and society (in which the company operates).

Carroll [7] defines the four levels or the Pyramid of Social Responsibilities as follows:

- a) *Economic responsibilities*: Be profitable (the foundation of all further levels);
- b) *Legal responsibilities*: Obey the law (play by the rules, law is the codification of right and wrong behavior);
- c) *Ethical responsibilities*: Be ethical (the obligation to do what is right, fair and just; avoid causing harm); and
- d) *Philanthropic responsibilities*: Be a good Corporate Citizen (contribute from your own resources to the community and improve the quality of life).

The CSR Conceptual Framework

There are several dichotomies in the concept of social responsibility of corporations (or perhaps a better way to put

it: of its managers). One dichotomy is that by addressing social issues at the expense of the firm and showing responsibility to society or to selected social groups, the firm does not serve its responsibility, ascribed by fiduciary duties, to those whom their managers are immediately responsible, the shareholders and owners [28]. Claiming that social responsibility is superior to business responsibility is to create a hierarchy based on the assumption that business itself is a social construct that gains relevance only in a social context. This view not only justifies the primacy of social responsibility, but makes shareholder responsibility a secondary issue. Why then, has business been willing to accept this claim? There are two explanations. One is based on business rationale: the fear of damaging one's reputation and the consequent loss of customers; the desire to build and protect the brand; the hope of gaining competitive advantage, etc. The other is a reference to the ethical position of those leaders who are willing to accept such a responsibility, and this is related to the third level of corporate responsibility discussed above.

The social construct of CSR can be illustrated by the role of pressure groups and how companies reply to pressures. In many instances, companies have introduced several programs under the label of CSR that, in fact, *are not* CSR. Such activities include, according to most interpretations of CSR: philanthropy, charity, sponsorship and volunteer programs. These activities do not address the externalities and the harm companies cause through corporate action; they are not altering production lines or changing products/services in order to eliminate harmful or "adverse" impacts as CSR programs should.

Understanding the relationship between CSR and social entrepreneurship we also need to analyze the role of the state. Why does the state (government) need to be involved in CSR at all? Why would the state support CSR with policy tools? The underlying assumption is that CSR has social benefit and, consequently, it reduces the costs of social programs the state has to finance. In other words, CSR is a vehicle for wealth redistribution. This assumption, however, needs empirical underpinning. In any case, the state considers CSR programs as social investments. Companies focus on environmental, human rights and labor issues in their CSR programs and they claim to behave responsibly when they address these issues at their own expenses when legal regulation is missing or incomplete. The state supports these efforts for the social benefits they provide and for sparing national and local authorities the costs of addressing those externalities [36]. There are several attempts in the literature to resolve this dichotomy. According to one framework, developed in the early 2000s, four types of public sector roles can be differentiated in encouraging CSR and developing public policy: *endorsing, facilitating, partnering and mandating* [12].

The mandating approach of the state in developed EU countries aims at establishing a policy/legal framework for CSR [25] in order to help *wealth redistribution legitimized by consensual business participation* and encouraged by government. This is a clear example for harmonizing

corporate goals with social priorities. Transition economies, instead of applying so called “soft regulations” (manifest mostly in the minimum requirements for standards of business behavior), tend to introduce “hard regulations” that mandate companies to comply with regulations in areas that previously have been considered fields of internal business decision making. A potential explanation for this behavior is related to government failure or imperfections. State failure is used only in the limited sense that the State is unable to provide development opportunities, more precisely when the State is unable to provide extended social services [30]. This is comparable to market failure, which is defined in economics as a phenomenon when the free market is unable to efficiently allocate goods and services and, consequently, additional actions are needed by intervention into free market activities (or beyond the market) to deal with externalities and public good [4] [23]. State imperfections are issues relating to qualities of governance defined in political science literature under three categories: democracy, the rule of law, and efficiency or effectiveness. Our topics are related to problems with the third set (efficiency/effectiveness) that affects governments’ ability to provide social services and contribute to the public good. Problems related to state failure extend beyond economies in transition: “...the economic and financial crises that started in October 2008 have shown that issues about “bad governance” cannot be seen only as problems for developing and transition countries but also for the highly developed parts of the world” [29].

The role of the state in defining the regulatory environment within which CSR can be pursued by companies has significant impacts on strategic CSR approach of the second largest mobile operator in Hungary, Telenor – the company we consider an example for moving towards the hybrid middle ground.

III. THE CASE OF TELENOR HUNGARY

The company we know today as Telenor Hungary was originally established as Hungary’s first GSM system in 1994 under the name Pannon GSM, which developed rapidly in the following years. By 1996, Pannon’s network covered the entire country and by the end of 2000 the company had over 1.2 million subscribers. In 2002, Hungarian authorities approved the acquisition of 100% of Pannon’s shares by Telenor Group, an international telecommunications service provider based in Norway. In May 2010, Pannon adopted the Telenor name and brand identity. According to the 2012 numbers Telenor Hungary has 3.521 million subscribers and over 1100 employees. Total revenue in 2011 was about 4.9 billion NOK (approx. 610 million in Euro). In addition to voice services, broadband mobile internet increasingly dominates Telenor’s business. Today, Telenor is Hungary’s second ranked mobile operator (30% of market share).

In 2009, right after the global economic crisis, Telenor Group and also Telenor Hungary, started to rethink and reorganize its CSR strategy. On the one hand they eliminated all charity and classic philanthropy initiatives that had no

direct link to the core business and operation of the company [18]. Today, the corporate responsibility policy of Telenor is that the company does not give financial support to any organization but only mobile devices or services linked to its core business. On the other hand, the company has intensified a so called strategic CR thinking that means the support of programs that have direct link to the core business and bring operational and/or financial advantages for the company, while creating a positive social and/or environmental impact. Since then the CR strategy of the company stands on three pillars, Environment, Enable and Safe.

Environment: Telenor aims to contribute to the reduction of CO₂ emissions, the improvement of energy efficiency and other environmental impact of both the company and its customers. Telenor House, their “green” headquarter is a prominent manifestation of this thinking. Relevant features of the building are geothermal heat pumps, solar collectors, computerized energy management system, green IT projects, less paper office, free bus transport and awareness building of employees.

Enable: These programs aim to help underserved groups (such as the poor, those who have disabilities, minority groups etc.) through the innovative use and the transformative potential of telecommunications. Telenor believes that mobile communications allows people to stay in touch, access services and information instantly and get help in emergencies. In addition, mobile communication has a wider impact on society. One specific area of this program is healthcare where Telenor offers smart solutions that could benefit both society and business.

Safe: These initiatives focus on two issues: First to provide safe services and devices by ensuring safe exposure to electromagnetic fields and radiation, and by recommending certain precautions to all of Telenor Group users; second to protect its users by helping to ensure that the mobile phone and internet remains a tool for opportunity and not abuse. The main issues here are to protect children from unintended contents, online sexual abuse, child pornography and digital bullying.

IV. DISCUSSION

The case of Telenor Hungary serves as an example for a company that had the courage to terminate classic philanthropy and charity programs in order to concentrate on core business-related and strategic CR initiatives, making the notion of sustainability the focus of their CSR policy and moving toward a socially conscious enterprise.

According to their sustainability strategy, the telecommunication sector has a significant potential to contribute to the fight against climate change by eliminating the need for physical products or activities through smart solutions and improved efficiency. To pursue this potential, at one hand Telenor aims to increase energy efficiency and lower environmental impact in its operations by concentrating on their core business, but also by using renewable energy sources, purchasing energy efficient equipment, implementing waste management and pursuing recycling of electric devices.

In addition, they also aim to help their customers to reduce their own emissions and energy costs through the services they offer (such as the recently growing machine-to-machine (M2M) technology), or by offering energy efficient devices and recycling campaigns to collect old handsets.

Telenor House is an example of a complex thinking with its several diverse operational advantages and symbolizes Telenor Hungary as a contemporary, innovation twenty-first century organization. For example, one of the real sustainability linkages in Telenor House is that the green design also supports the "New Way of Working" culture that contributes to sustaining human capital by focusing on factors that contribute towards increasing employee satisfaction and motivation.

The Enable programs best exemplify how a major corporation can harmonize its business interests with the interests of the society and create also social values. In 2007 Telenor commissioned Deloitte to carry out a study that

revealed a close correlation between mobile penetration and GDP growth as well as a range of positive impacts in other areas, such as health and education and improving conditions in rural areas. Based on this thinking, Telenor Hungary has started its Digital Hungary program to promote economic development while serving the interests of Hungarian society in the process. It is designed to provide complete mobile broadband coverage by 2020, facilitating Hungary's accession to the more digitally developed regions on the continent, thus also creating a broad labor market segment.

Even during difficult times, the company was willing to invest in strategic CSR programs and as a result give up some of their profits more than that required by regulation. It can in fact be stated that the company has started to exhibit the characteristics that symbolize companies in the hybrid middle ground identified earlier. This movement of Telenor Hungary to the hybrid middle ground is represented in Fig. 2 below.

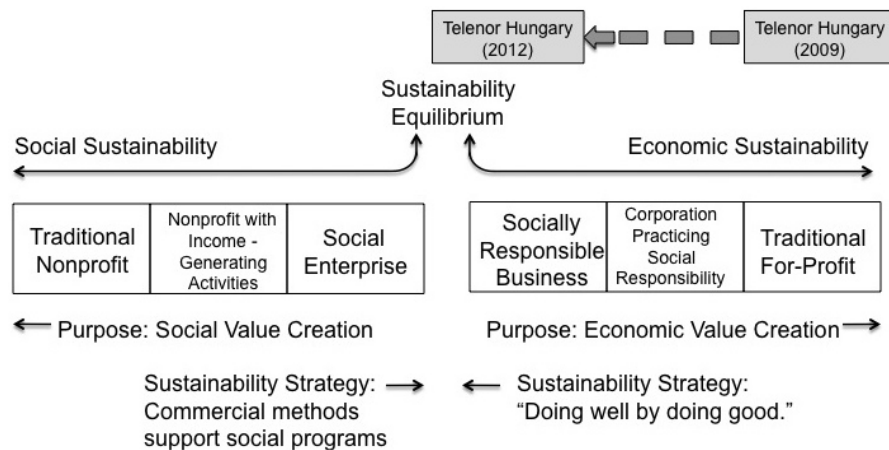


Fig. 2 Movement of Telenor Hungary towards the Hybrid Middle Ground Sustainability Equilibrium

The most important lesson to be learned from the company is the determination of the management team at Telenor Hungary to scrap all ad hoc charity and sponsorship programs (linked to the traditional CSR perception) and instead create a long term commitment to social and environmental sustainability through embedding its social responsibility in its core strategy, innovation and company development.

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