

## PUBLIC POLICIES FOSTERING SOCIAL RESPONSIBILITY AT REGIONAL LEVEL: AN OPPORTUNITY FOR PLACE BRANDING

**María Isabel Sánchez-Hernández** (*University of Extremadura, Spain*)<sup>✉</sup>  
**Dolores Gallardo-Vázquez** (*University of Extremadura, Spain*)

### Abstract:

This paper develops the proposition that Corporate Social Responsibility (CSR) is an opportunity for branding a region. Rooted in the conceptualization of regional competitive advantages found in the academic literature, and considering the pioneering Law 15/2010 of CSR in the Region of Extremadura in Spain, it is argued that a favourable institutional context could be the best starting point for fostering a regional brand consisting of a responsible image of the region.

However, a qualitative study carried on in 2012 based on five focus groups with the participation of 46 managers in Extremadura has revealed that, at the moment, regional public policy in Extremadura lacks of a marketing strategy for such regional branding.

**Keywords:** *Corporate Social Responsibility (CSR); public policies; region branding; place marketing*

## POLITICAS PÚBLICAS DE FOMENTO DE LA RESPONSABILIDAD SOCIAL A NIVEL REGIONAL: UNA OPORTUNIDAD PARA LA MARCA DE LUGARES

### Resumen:

Este artículo desarrolla la proposición de que la Responsabilidad Social Corporativa (RSC) es una oportunidad para desarrollar una marca-región. En base a la conceptualización de ventajas comparativas en la literatura académica y considerando la pionera Ley 15/2010 de RSC en la Comunidad Autónoma de Extremadura en España, se argumenta que un contexto institucional favorable podría ser el mejor punto de partida para fomentar una marca regional en base a una imagen responsable de la región.

Con todo, un estudio cualitativo llevado a cabo en 2012 sobre cinco grupos de trabajo en los que participaron 46 gerentes extremeños ha revelado que, por el momento, la política regional pública de Extremadura carece de una estrategia de marketing para dicha marca regional.

**Palabras clave:** *Responsabilidad Social Corporativa (RSC); políticas públicas; marca regional; marketing de lugares*

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<sup>✉</sup> Faculty of Economics and Business Sciences (University of Extremadura), Avda. de Elvas s/n 06071-Badajoz (Spain)  
e-mail: [isanchez@unex.es](mailto:isanchez@unex.es)

## 1. Introduction

By 2001 the European Commission suggested one of most cited definitions on Corporate Social Responsibility (CSR) in the text of the *Green Paper* focused on the promotion of a favourable framework in the European Union (EU) territory. A number of authors and institutions have also devoted their efforts in this same sense. As an specific example, in Spain CSR has been defined by the Ministry of Labour and Social Affairs as “*a set of commitments of various types, economic, social and environmental, adopted by enterprises, organizations and public and private institutions adding value to fulfil their legal obligations, contributing both social and economic progress within the framework of sustainable development* (MTAS 2005). This concept of CSR has been reaffirmed, and at the same time simplified, by the final definition approved by the European institutions (European Commission 2011).

On these bases, the new EU policy on CSR is developing an action agenda until 2014 covering different areas of interest. It is remarkable that two of these areas are especially focused in Regional Development when the region is characterized by public policies fostering social responsibility, as this is the case of the Autonomous Region of Extremadura in Spain. We refer the area of interest of remarking the importance of national and sub-national CSR policies and the area of enhancing the visibility of CSR and dissemination of good practices.

Since 2010, the Region of Extremadura has developed its own plan for the promotion of CSR at regional level. The starting point is the Law of CSR in Extremadura (Law 15/2010, 9<sup>th</sup> December). This law has had an important host national and as a result, other autonomous communities in Spain and the Spanish national government itself are considering issuing other similar regulations. Today the law has been developed by the Decree 110/2013, of 2<sup>nd</sup> July, by establishing the Autonomous Council to promote Social Responsibility of Extremadura, the Office of Corporate Social Responsibility, and the procedure for the qualification and registration in the Register of social responsible companies in Extremadura is regulated. Consequently, and very soon, the regional government will award the seals of socially responsible companies in Extremadura.

The importance of CSR concept, increasingly widespread in organizational practices, coupled with the globalization of markets and the need to be competitive in the new international context, has positioned the CSR as a source of competitive advantages (Bagnoli and Watts 2003; Galbreath 2006; Porter and Kramer 2006; Bies et al. 2007; Maxfield 2008; Weber 2008; Siltaoja 2009; Fernández-Kranz and Santaló 2010). Thus, the position of public policies will contribute to perform such actions and the support provided by some developed projects justifies that regional government is properly oriented towards CSR.

Following Mark-Herbert and Von Schantz (2007), when companies are encouraged to actively work with CSR – and that is the case in Extremadura - it is not only an opportunity given to the companies, it is also in many cases expectation by customers, employees, society and other stakeholders. Rooted in the notions of place-based marketing, place image has been considered important in regional positioning in commercial relations and the export promotion of products and services in international markets. The reason is that a favourable image for the region with which a product is associated can bestow it a competitive advantage (Agrawal and Kamakura 1999). In practice, some products use to include references to their origin in marketing strategies, when companies believe that the origin's image is good and will help the product or service as a unique selling proposition (Papadopoulos and Heslop 2002). This is the recognition that geographical and political entities such as regions, behave rather like brands. The public policy in Extremadura fostering CSR could become a powerful stereotype. Regional government has the possibility to promote systematic campaigns intended to help their responsible firms to compete. Additionally, marketing Extremadura as socially responsible will influence behaviour in all regional development purposes and all types of target markets. CSR public policy could help to create the stereotype of Extremadura as a responsible place for tourism, free of transgenic agriculture, a good place for investing or the best place for living.

The objective of the paper is making evident that public policies, and more exactly, regional policies, can help to foster CSR and this constitutes an opportunity for place branding. This way, we are focusing several important topics: CSR, regional public policies, and place branding. We consider the conjunction of these topics will provide a valuable insight for the improvement of companies' performance, regional competitiveness and the degree of legitimacy of policies adopted by public government. In this sense, if it

is aware of the importance of fostering CSR, we consider that the competitiveness of the region will increase.

The paper presents the following structure. After this introduction, it starts by the analysis of the current regional government-led initiatives to foster CSR among companies in Extremadura. We move to the conceptual basis to build a regional brand based on CSR. Then, we present the qualitative approach of our analysis describing the data collection and method. Finally, we close with discussion and conclusions considering limitations of the study and suggestions for further research.

## 2. Social responsibility at a regional level

First of all, we note, as showing the importance of CSR for competitiveness, the concern of governments to regulate the topic under study. Thus, the 28<sup>th</sup> February 2008, it appeared in the Official Journal State (OJS) the Royal Decree 221/2008, of 15<sup>th</sup> February 2008, in which the *State Board of Social Responsibility of Companies* was created and regulated, and stood out among its objectives the creation of a discussion forum carried by the CSR- building initiatives. Later, the 9th December 2010, the Autonomous Community of Extremadura defined the Law 15/2010, of Business Social Responsibility in the region. To the best of our knowledge, it is the first region in Spain and in the EU, presenting a law of this nature. That must be interpreted as the biggest public effort to promote CSR on voluntary bases, because the law is non coercive. Thus, it is necessary to highlight the regional government interest in encouraging a responsible behaviour in managing firms in order to achieve improvements in regional competitiveness.

The Law 15/2010 pretends to boost in a non-coercive way the responsible behaviour of companies. The law assumes that CSR is a management tool able to put companies in a state of permanent dialogue. This is the law's essence, keeping companies in touch with their agents of interest, their stakeholders. The law's intention is to put companies in coordination with clients, with employees, shareholders, suppliers and distributors, with the government (at various levels), and with the local community, civil society and all those actors affected in one way or another for their productive activity. The intention is helping to stimulate dialogue and to discover the opportunities and threats that the productive sector will face in the implementation of responsible actions. Currently, there is no consensus about the principles and rules to be adopted by a company to be considered socially responsible, so that the law can help business in Extremadura to achieve that recognition at regional level.

In order to present the pioneering Law15/2010 and to offer a general overview of its key points, Table 1 summarizes the most important aspects considered in.

We want to remark the article 11 about the creation of the Autonomous Council for the Promotion of Responsibility Social Extremadura. In this sense, the Law says that an Autonomous Council will be created for this aim and will be responsible for promoting and fostering social responsibility policies in companies. At the same time, this Council will have to issue non-binding reports and to conduct studies at the request of the Governing Council or on its own initiative; to prepare and submit an annual report to the Governing Council of the region; to be as Observatory of Corporate Social Responsibility in Extremadura; to promote and encourage initiatives and practices of CSR in companies operating in Extremadura; to evaluate and report on the development of social responsibility actions.

Related to the benefits of the declaration of "Socially responsible company for the Autonomous Community of Extremadura" (article 12) we remark the following. First, the grant aid: in this section, the Board of Extremadura will establish as an endpoint or weighting in the granting of subsidies, the rating of "socially responsible company of the Autonomous Community of Extremadura". Second, the Board of Extremadura will establish the following aid: to finance the costs incurred in taking measures developed for the configuration as a socially responsible company; for the dissemination and promotion of this distinction by companies, both individually and collectively; for approval of that distinction with any other force in the markets in which it is intended to operate. Third, tax benefits, in the sense that regional rules regulating their own taxes will establish tax benefits set for companies found "socially responsible company of the Autonomous Community of Extremadura". Fourth, priority in awarding contracts with the public administration, and fifth, advertising, in the sense that Board of Extremadura will boost measures to accurately disseminate the qualified companies with the declaration provided in this law.

Once the Law has been presented, we move to the theoretical background for considering the Law a good starting point for building a regional brand in Extremadura.

**Table 1.** An overview of the main points considered in the Law 15/2010 for the Region of Extremadura

Article	Aspect	Content
Article 1	Object	The promotion of Corporate Social Responsibility in the Autonomous Community of Extremadura
Article 2	Scope	Firms which develop their activities in the Autonomous Community of Extremadura. Also it is addressed to public authorities in Extremadura and Public Management of Autonomous Community as it is a contracting entity, consumer, investor, employer and service provider
Article 3	Definition of "socially responsible company of the Autonomous Community of Extremadura"	Those ones that moreover the strict compliance with existing legal obligations, have adopted the voluntary integration in their governance and management, in their strategy, and in their policies and procedures, values and ethical codes of social concerns, labour, the environment and respect for human rights that arise from the relationship and transparent dialogue with its stakeholders, and taking responsibility for the consequences and the impacts of its actions
Article 4	Configuring the elements to be considered a "socially responsible company"	<ul style="list-style-type: none"> <li>- Ethics and corporate values</li> <li>- Human resources and labour relations</li> <li>- Environment</li> <li>- Corporate Social relationships</li> <li>- Responsible treatment for information and communication</li> </ul>
Article 5	Evaluation of Social Responsibility	The company has to develop a sustainability report according with the following principles: transparency, the inclusion of interest groups, and to be auditable, complete, relevant, appropriate to the specific organizational context, accurate, neutral, comparable and clear
Article 6	Verification of Social Responsibility	It will be taken by an external social audit firm, to be carried out by an entity or independent specialized audit body, certification or quality standards or corporate social responsibility certification firm who holds formal accreditation in effect

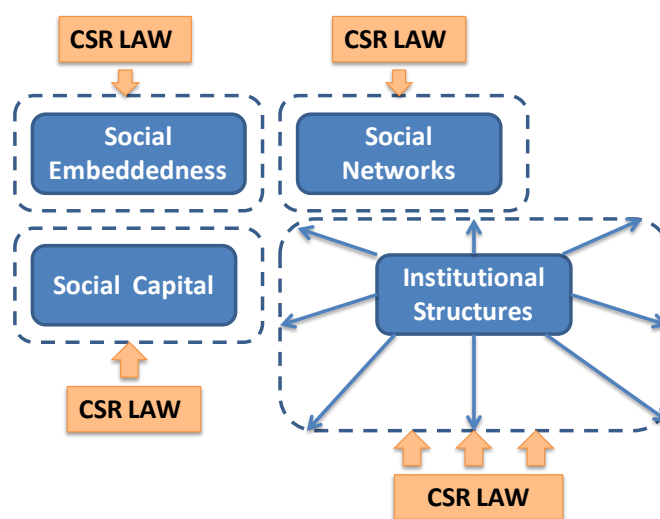
Source: own elaboration from the text of the Law 15/2010 for the Region of Extremadura

### 3. Social responsibility to build a regional brand

Place branding is been studied by researchers and used by practitioners trying to manage places as brands (Papadopoulos 2004; Bruwer and Johnson 2010; Zenker and Martin 2011; Nedomysl and Jonasson 2012). However, Blichfeldt (2005) wondered whether it is possible to build place brands. Turning to the origins of branding and taking into account the differences between such origins and the dimensions of place brands, he concludes that places are so different from traditional brands and, consequently, it has to be accepted that place brands are difficult to manage.

Nowadays, within the globalizing economy, regions are engaged in a process of territorial competition subjected to big pressure. Regional branding is aimed at creating a more distinctive image and reputation helping to increase regional competitiveness (Messely et al. 2010). At this respect, Kitson et al. (2004) have discussed what is meant by the competitiveness of regions. They explained that, at its simplest, regional competitiveness is the success with which regions compete with others attracting exports markets, capital and workers and competitive regions are places where both people and companies want to locate and invest in. But regional economies do not go out of the market such as uncompetitive firms are forced to do. According to Porter (2001) the competitive advantage of regions differs from firms, indeed regions are more than aggregations of firms and the regional economy is more complex than the sum of its parts. Because of that, the competitive advantage of a region is something distinctive and formative. The main key aspects of competitive advantages of regions are:

- The degree of *social embeddedness*, referring to the degree to which the regional economic activity is constrained by non-economic institutions (Rutten and Boekema 2007).
- The existence of facilitative *social networks*, assuming that participation in regional networks and, even more, in clusters can be beneficial to the competitiveness of organisations and a precondition for learning process and innovations (Deimel et al. 2009).

**Figure 1.** Potential effects of CSR Law in regional competitive advantage

Source: based on Porter (2001)

- The reinforcement of *social capital*, considering that it establishes trust and productivity (Schuller 2007).
- The existence of *institutional structures*, referring a favourable institutional context consisting of institutional rules and standards that create coercive, normative or mimetic institutional pressures that unfold as isomorphic processes of organizations (DiMaggio and Powell 1983).

Figure 1 is a simulation of what should be the potential effects of the Law 15/2010 in the competitive advantage of Extremadura by employing the regional competitive advantage conceptual model described which points to the competitive advantages created by the region's capital assets.

#### 4. A qualitative approach

The Law of CSR in Extremadura is proof that the existence of *institutional structures* (in the sense claimed by Porter), not only exist, but they are strong in the region. As the own Board of Extremadura has published in 2011 the first Social Responsibility Report showing how the regional government assumes sustainable management and accountability, and the Law is encouraging companies to start the CSR journey, in our opinion, if the public administration itself, and some dynamic firms in the region, engage in socially responsible practices, other public administrations (municipalities for instance) and other firms (especially competitors and those with proximate relations to the firm) will face strong mimetic pressures. In this context, and considering the potential power of place marketing, the regional identification with CSR behaviours could be used as a starting point to brand the region and to differentiate it from others.

With the purpose to know whether organizations and enterprises in Extremadura are motivated by the Law of CSR a qualitative research have been conducted in the region in 2012 bearing in mind the idea of developing a "responsible regional brand" able to capture the notion that, despite the fact that there will be strongly responsible and not so responsible firms in the region, there will be common features within the region related to responsibility, which would affect the competitiveness of all firms located in and the competitiveness of the region as a hole.

The research was carried out by analyzing qualitative data from five focus groups with representative companies and organizations belonging to selected sectors in Extremadura organized as clusters. The regional government in Extremadura in 2000, with the aim of promoting business cooperation to enhance competitiveness, decided to develop a "clustering policy" for SMEs in the region. A regional cluster was defined as a set of companies, interacting each other around a specific industry, production technology and capital, in order to constitute interactive systems which could improve the competitiveness of the region (Chávez et al. 2006). Details are shown in Table 2.

**Table 2.** Study Data Sheet

Selected sectors	Technique / Dates	Participants
Third Sector	Focus group - 05/October/2012	12
Cluster of Leisure and Sports	Focus group - 09/March/2012	10
Cluster of Knowledge	Focus group - 12/March/2012	7
Cluster of Cork	Focus group - 12/March/2012	7
Cluster of Tourism	Focus group - 20/March/2012	10
Total	5 Focus groups (13 hours of conversation)	46

To get information from the informants, a semi-structured and collective interview guide was developed. This guide served the purpose of steering discussion around common themes, but also left the researcher team to decide on the sequence and wording of questions in the course of the focus group. The interview guide was designed to tackle CSR conceptions, motivations in terms of vision, values, and principles and stakeholder management. Each focus group consumed around two hours and a half. They were conducted in Spanish, video-recorded with authorization, transcribed, translated into English and treated with the software *Atlas/ti 7.0*.

The responses focused, mostly, on a superficial knowledge of the Law, although they expressed a great awareness to the CSR and a high regard in its daily management. As in the qualitative analysis the empirical evidence is the quotation, we note that the most prominent opinions make clear that CSR is assumed naturally by organizations and companies.

Specifically, participants considered that “*CSR must to be in the ADN of business in Extremadura*” and “*public administration should encourage responsible behaviour, not just to promote a new certificate*”. We can therefore say that they assume CSR as a central axis of their business.

However, we should also keep in mind that factors such as a highly competitive environment, the perceived potential cost of socially responsible practices and the concern/danger about the possibility of entering a hard process of certification and audit, contribute to create the feeling of uncertainty in the future. Consequently, they are demanding support from the regional government in order to transform their organizations and business in responsible entities able to develop the regional economy in a sustainable way.

## 5. Discussion

The efforts fostering CSR in Extremadura are remarkable. The qualitative research revealed highly motivated organizations and companies in the region ready to follow the CSR journey. Reflecting further on the findings, it is clear that the Law of CSR in the region, as reported by the managers interviewed, is fostering sustainable development.

In this sense, this research provides important implications for managerial practice. On the one hand, managers in Extremadura should be aware of several benefits that can be gained from the certification of responsible behaviour. On the other hand, the findings speak to managers about how some specific responsible actions could impact on the successful development of the region. Therefore, managers might to be more proactive trying to create a network around their clusters assuming the umbrella of a “regional responsible brand” to promote the region abroad to gain competitive advantages.

However, it seems to us that public regional policies to promote CSR in Extremadura have been developed in a very fragmented manner at the moment. It is true that professionals and politicians involved in place marketing used to experience some problems and a multitude of bottlenecks (Eshuis et al. 2011), but it is also true that managers in Extremadura, at the time of writing these pages (i.e. two years after the promulgation of the Law 15/2010) were not yet familiarized with the concept and practices. In our opinion, this it is a clear sign pointing to the lack (and convenience) of a marketing strategy for regional branding in Extremadura.

## 6. Conclusions

CSR could be the best ambassador of the region of Extremadura but place marketing plans focused in place branding must be enhanced by public administration. In a context of awareness towards sustainable economy, based on responsible business management, this paper has made evident that public policies, and more exactly, regional policies, can help to foster CSR and this constitutes an opportunity for place branding. Based on Porter's contribution to regional competitive advantage, who pointed to soft externalities, such as the degree of social embeddedness, the existence of facilitative social networks, social capital and institutional structures, we have highlight how the Law 15/2010 promoting CSR in Extremadura could contribute to regional competitive advantage.

The proposed Extremadura brand, based upon the image of responsibility, should be presented as a relationship with consumers and other stakeholders, focusing on behaviours and reality rather than exclusively image. Therefore, the CSR efforts could culminate in a unique selling proposition for Extremadura in the near future.

To conclude, we believe that our study represents a substantial contribution to the knowledge of CSR in a regional context. Qualitative research in the topic within a socio-economic context favourable to responsible behaviour, like is the case of the region of Extremadura with a law promoting CSR, has been non-existent, and to the best of our knowledge, this study is the first that comprehensively investigates managers perceptions about CSR in such context. However, there are some limitations because we used focus groups as the unique method for getting information. Future research efforts should consider complementary information collection methods and quantitative analysis.

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