

CORPORATE SOCIAL RESPONSIBILITY

Edited by

**Esben
Rahbek
Gjerdrum
Pedersen**



CORPORATE SOCIAL RESPONSIBILITY



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Editor: Kirsty Smy
Assistant editor: Nina Smith
Production editor: Shikha Jain
Copyeditor: Sarah Cook
Proofreader: Jill Birch
Marketing manager: Alison Borg
Cover design: Francis Kenney
Typeset by: C&M Digitals (P) Ltd, Chennai, India
Printed and bound by CPI Group (UK) Ltd,
Croydon, CR0 4YY [for Antony Rowe]



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Library of Congress Control Number: 2014942872

British Library Cataloguing in Publication data

A catalogue record for this book is available from the British Library

ISBN 978-0-85702-244-8
ISBN 978-0-85702-245-5 (pbk)

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Notes on the Editor and Contributors

The book is written by leading scholars within the field of corporate social responsibility (CSR), environmental management, sustainable consumption, organizational theory etc. The contributors have all worked hard to communicate the state-of-the-art CSR knowledge in a textbook format and make the rich and complex literature understandable to a broader audience at universities and business schools. The contributors to the textbook are as follows (ordered alphabetically):

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Robert Strand is the Executive Director of the Center for Responsible Business at the University of California-Berkeley, Haas School of Business. He also maintains formal affiliation with the Copenhagen Business School where he is Assistant Professor of Leadership & Sustainability. Robert teaches and researches on the strategic aspects of CSR and sustainability, comparing global approaches to CSR and sustainability with particular focus on Scandinavia and the United States, and theory of the firm topics that include the ethics of the corporation. He is a frequent contributor to popular and academic venues including the *Financial Times* and the *Journal of Business Ethics*. Robert holds a B.S. in Industrial Engineering from the University of Wisconsin, an MBA from the University of Minnesota, and a Ph.D. from the Copenhagen Business School. He was a U.S. Fulbright Scholar to Norway and the inaugural Net Impact Fellow to Europe. Robert also has a decade of industry experience with IBM and Boston Scientific in manufacturing, supply chain, marketing, strategy, and investor relations.

In addition to the abovementioned authors, the book has benefited from the work of research assistants Hanne Stald Poulsen and Simon Holm Klange who have written several case descriptions. Their efforts are much appreciated.

Preface

Corporate social responsibility (CSR) has become an increasingly popular concept among businesses, policy makers and academics (Pedersen, 2006). CSR is no longer dismissed as a meaningless concept or a bad joke (Lee, 2008). On the contrary, CSR is increasingly a broadly accepted phenomenon that companies have to manage, control, and communicate (Porter & Kramer, 2006; Galbreath & Benjamin, 2010). For instance, more and more companies make public their commitment to CSR and a wide range of public and private actors are providing support for these organizations by developing management standards, reporting guidelines, rating systems, labelling schemes, public policies etc. What we are seeing now are the contours of an institutional infrastructure for CSR (Waddock, 2008). CSR is a concept targeting business but has in many respects also become a business in itself.

The development has not gone unnoticed in academia. Scholars from a wide range of different disciplines are taking up on the concept of CSR and are publishing books, articles, and papers on CSR related issues. Together with the CSR managers, experts, consultants, investors, journalists, advocacy groups, columnists and researchers are also part of the fast-growing community surrounding CSR which strategy professor Michael E. Porter once described as a religion with too many priests (Morsing, 2003).

However, it is important to keep in mind that CSR has become a popular concept for a reason. The global environmental problems caused by industry call for immediate actions. Poor labour conditions are the sad reality for millions of workers throughout the world. Bribery and corruption are everyday phenomena in most countries. Discrimination and racism are by no means problems that belong to the past. In other words, even though there is a lot of lofty rhetoric surrounding the CSR debate, the underlying challenges that CSR intend to deal with are very much real and of great importance for people, profit and planet.

Even if one does not believe in climate change, ignores negative effects from globalization, and fails to recognize shortcomings in capitalism, CSR is still important because it affects the way people think about the relationship between business and society. When the discourse of CSR becomes part of the agenda in the media, at board meetings, on research conferences etc., there are a lot of good reasons to believe that CSR will sooner or later have a real impact on the organization of business and society.

Why this book?

The aim of this textbook is to introduce students at bachelor and master's level to corporate social responsibility theory and practice. In addition, the textbook will reflect on some of the key challenges which may hamper the ambition to move towards a more sustainable economy. Some of the questions that will be raised in the book include the following:

- How come CSR has become part of the mainstream business and academic agenda in the twenty-first century?
- How come the world is simultaneously witnessing an increase in the number of companies that make CSR commitments *and* a decrease in the public trust in companies?
- How does CSR move from being a peripheral add-on to become integrated in business strategy and day-to-day operations?
- Do companies become more vulnerable to criticism from stakeholders if they make public their commitment to CSR?
- How do companies develop a reporting system which satisfies the information needs of all corporate stakeholders?
- How do companies meet the multiple, and not necessarily complementary, needs and expectations of stakeholders?
- How come the market share of ethical products is significantly smaller than the percentage of citizens that consider themselves as ethical consumers?
- Should MNCs go for a CSR strategy of global reach or strive for local CSR approach?
- How do SMEs implement CSR across the supply chain when they lack the power and resources to enforce social and environmental requirements?

The purpose of this book is to introduce the students to the complex and ambiguous concept of CSR. The book will describe the history of CSR, the key CSR drivers, the main theoretical CSR perspectives, and the dominant CSR practices found in the business community. Moreover, it is also an objective book to demonstrate how companies make the abstract concept of CSR operable. The book demonstrates how companies can take meaningful steps to integrate CSR in all core business functions and in the relationships with stakeholders. After reading the book, students are expected to have a comprehensive knowledge of CSR as well as a basic understanding of how to translate CSR into practice.

The structure of the book

The textbook is divided into three parts. The first part is an *introduction to CSR* that provides an overview of the life and times of CSR and discusses the main features of

the contemporary CSR debate. The introduction will provide the students with a basic knowledge of the logic and rationales for CSR; something which is a prerequisite for understanding the current fuzz about this social phenomenon.

The second part of the book includes four chapters about the *internal organization of CSR*. As long as CSR remains a voluntary activity managers and employees in the organization remain central change agents in the planning and implementation of CSR initiatives. Ultimately, CSR is about people; people who make the decisions, people who implement the changes, and people who evaluate the performance. Moreover, it is important to note that the internal change agents are also beneficiaries of CSR since a core element of CSR is improving the working conditions for employees. The third part of the textbook focuses on the *external organizations of CSR*. A central part of CSR is the management of the stakeholders which operate outside the direct control of the company. In the wake of increasing globalization and outsourcing of production the governance of these external stakeholder relationships becomes increasingly important. Moreover, the success and failure of CSR is to a large extent dependent on the responses from external stakeholders, e.g. investors, consumers, governments, and societal pressure groups.

Esben Rabbek Gjerdrum Pedersen

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- Waddock, S. (2008). 'Building a New Institutional Infrastructure for Corporate Responsibility', *Academy of Management Perspectives*, Vol. 22 No. 3, pp. 87–108.

Guided Tour

Chapter objectives

The purpose of this chapter of corporate social responsibility have been used to make sense of the CSR concept at least one question: What are we talking about? Attention will be given to the dominant perspective and some of the components of mainstream CSR.

Chapter Objectives: Each chapter begins with a short list of key points and study goals to help you focus your learning

Case Studies: Real-life case studies of well-known organisations illustrate the theories discussed within the chapters and relate them to practice

impact on the contemporary mythological status and are highlighted (Pedersen, 2006). Whether the selection of labour rights, the negative impact undoubtedly contributed to the perception of CSR (AMA, 2006).

CASE STUDY 1.1

Just how does Nike do it?

Say 'Just do it' and people automatically think of Nike, one of the most important brands in the world. It comes to athletic shoes and sportswear about Nike. But being a global corporation, Nike has a responsibility as well.

mid of corporate social responsibility

p. 42]

Summary: Key components o

d why do people talk about it? The chapter tried t
by presenting the CSR construct and discussing v
ness phenomenon intended to tackle the social
twenty-first century.

Summaries: Each chapter concludes with a brief review of all the most crucial theories and useful information covered in the chapter

Discussion Questions:

Stimulating questions will get you thinking about key issues and debates, and are ideal for group discussion

poor working conditions
CSR has outlived its usefulness
companies occasionally fail to
reason to believe that this will e

Discussion questions

- Do you think that CSR could address examples of corporate irresponsibility?
- How do you separate moral issues from CSR?
- Is CSR able to solve the problems arising from globalisation? Why or why not? What are the challenges of implementing large-scale, systematic CSR?
- How do you alleviate the criticisms of CSR? What are the reasons for the increase in CSR in the twenty-first century?

Further reading

On CSR and the history of the concept

- Cannon, T. (1994). *Corporate Responsibility*.
- Carroll, A. B. (1999). 'Corporate Social Responsibility', *Business and Society*, Vol. 38, No. 3, pp. 251-261.
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Further Reading: Lists of the most important books and articles relating to each topic will aid and encourage further study and a deeper understanding

Select annotated web links and full journal articles

Please visit <https://study.sagepub.com/pedersen> for full journal articles relating to this chapter.

Part One

Introduction

The Anatomy of CSR

Esben Rahbek Gjerdrum Pedersen

Chapter objectives

The purpose of this chapter is to provide a short overview of the life and times of corporate social responsibility (CSR) and to discuss some of the models that have been used to make sense of this complex phenomenon. In order to have the CSR concept at least partly cleared up, the chapter tries to answer the question: What are we talking about today when we talk about CSR? Special attention will be given to the stakeholder framework that has become the dominant perspective when analysing CSR. Moreover, the chapter will reflect on some of the common features and taken-for-granted assumptions in the mainstream CSR literature.

Introduction

'The early years of CSR'

CSR has become a popular buzzword in annual reports, mission statements and policy papers. However, even though CSR (and related concepts) is often considered as a fad, it is a fad that has been on the corporate agenda for decades. For instance,

the majority of large US companies had CSR activities and CSR officers in the 1970s (Eilbirt & Parket, 1973; Våland & Heide, 2005). Likewise, in the mid-1980s, three out of four US Fortune 500 companies had a code of ethics (Ciulla, 1991). Evidence from the early 1990s also indicates that executives perceived environmental issues as important issues (Judge & Douglas, 1998). CSR is very much a fad that will not fade away. Moreover, depending on perspective, the origins of CSR and business ethics can be traced way back to the Greek philosophers, the Bible, and the Middle Ages (Cannon, 1994; Blowfield & Frynas, 2005; Ciulla, 1991).

In the wake of the Industrial Revolution, however, the issue of CSR was brought into the realm of economy (cf. Cannon, 1994). The Industrial Revolution and the increasing size, power and wealth of private corporations soon challenged the traditional (feudal, tribe, clan, family based) systems of authority and responsibility (ibid.). Before and during the early phases of industrialisation, the boundaries between *individual* and *corporate* social responsibility was blurred because the companies were often founded, owned, and managed by the same person. When one man (as it usually was) personified the company instead of representing it, the *noblesse oblige* – the obligation of the privileged to be generous – of the individual was inseparable from that of the company.

Early examples of responsibility had the character of philanthropy (Waddock, 2008, p. 88). For instance, Andrew Carnegie funded more than 2,500 libraries as a way to create public benefits from corporate wealth (Buchholtz & Carroll, 2012). Another farsighted capitalist was Sir Titus Salt who built the industrial community, Saltaire, UK complete with school, church, hospital, water reservoir etc. (Smith, 2003). Other examples of farsighted industrialists were George Cadbury, Robert Owen, and William Lever (Smith, 2003; Cannon, 1994). Wealthy philanthropists, not least in the US, also played an important role in the development of several well-esteemed business schools and universities (Cannon, 1994). Admittedly, however, not all capitalists were motivated solely by altruistic motives. For instance, it has been argued that philanthropy by nineteenth-century tycoons was a response to anti-business movements (Buchholtz & Carroll, 2012). Moreover, some philanthropists only got interested in charity *after* they had become obscenely rich in less than responsible ways (Cannon, 1994).

The structure and management of companies also changed gradually. In the twentieth century, a new cadre of professional managers emerged, which resulted in a separation of ownership and control. Today, companies are often not dominated by individual tycoons. Instead, the management of companies is delegated to a new group of professional leaders whereas the ownership is divided between a diverse group of more or less passive and anonymous stockholders (cf. Cannon, 1994; Post et al., 2002). The new business structure implies that societal expectations of the private sector have been redirected to the more abstract and artificial category 'the company'. Combined with the growing political, economic and social importance of large companies during the twentieth century, it is understandable that CSR has evolved and

crept slowly up the public agenda (Carroll, 1999; Frederick et al., 1992; Kolk et al., 1999; Mintzberg, 1984). Despite its historical precedents, the concept of CSR is often seen as a post-World War II phenomenon with Howard R. Bowen's (1953) book *Social Responsibilities of the Businessman* as one of the contributions that marked the beginning of the contemporary CSR discussions (Carroll & Shabana, 2010). Since then, various scholars have seen CSR as a central current of their time.

Current global drivers of CSR

CSR does not exist in a vacuum. On the contrary, the CSR debate is shaped by trends and fashions as well as more fundamental changes of the political, social, and economic spheres of life. The *raison d'être* of contemporary CSR is therefore very much a product of the general developments in society. However, it is worth noticing that changes in society are not a unidirectional affair. Talks of trends and the society in which they are found are generalisations that downplay variation, complexity and contradictory evidence. They are abstractions that offer the value of a panorama at the expense of detail. Recognising the shortcomings of generalisations, this book will highlight three interrelated phenomena that have propelled the interest in CSR: the globalisation of the economy and the growing societal expectations/pressures from stakeholders.

Globalisation of the economy

Globalisation can in general be said to represent the processes and consequences from the stretching of human activities across regions and continents.¹ In a globalised world, the distant becomes close and time and space are no longer constraints for social interaction. People from Denmark can have video conferences with American colleagues. Buy clothes from Italian designers online. Listen to Asian Internet radio. And if they experience problems with any of the abovementioned activities, they can always contact a helpdesk in India. Powered by a physical (e.g. electronic communication), normative (e.g. trade liberalisation), and symbolic (e.g. the English language) infrastructure, globalisation increases the interconnectedness between people, economies and cultures (Held & McGrew, 2002). This interconnectedness also implies that local events can have global consequences (and vice versa); a phenomenon which is perhaps best captured in the popular term 'global village' (Giddens, 2002a). Globalisation is both technological, cultural, social and environmental (Held & McGrew, 2002, p. 6; Giddens, 2002b). However, the CSR literature is primarily concerned with the consequences of economic globalisation.

Globalisation is a two-edged sword. On the one hand, globalisation can stimulate economic, social, and environmental growth through industry development, job

creation, technology transfer etc. Moreover, globalisation makes the world a more transparent and connected place where companies will find it more difficult to hide questionable business activities in the backyards of the world. However, globalisation can make it difficult for governmental institutions to effectively exert regulatory influence, because multinational corporations (MNCs) are able to exploit national differences in social and environmental legislation (cf. Jenkins, 2001; McEwan, 2001; Christmann & Taylor, 2001; Neergaard & Pedersen, 2003). The apparent governance gap has led to calls for companies to self-regulate themselves (e.g. by formulating codes of conduct and adopting social and environmental management systems, labelling schemes and reporting standards) (Smith 2003; Matten & Crane, 2005; Hillman & Keim, 2001; O'Rourke, 2003; Blowfield & Frynas, 2005).²

The question is of course whether it is reasonable to expect companies to fill the gap left by the declining nation-states. It is unlikely that CSR alone can be the solution to problems caused by lack of CSR. At the more fundamental level, it may be argued that CSR is in itself the product of, as well as a response to, the negative impacts from globalisation. According to the Swedish historian, Peter Englund, it is paradoxical that it was only when humans were able to control nature that they began to question the control (Englund, 1993). In the wake of industrialisation, we have learned to see nature as something original, romantic, pure and moral. Unfortunately, the love of nature, a product of industrialisation, is now threatened by industrialisation because the exploitation of natural resources destroys the unspoiled 'nature of nature'. Likewise, today's discussions of the drawbacks of globalisation are in itself a manifestation of globalisation. Globalisation makes us care about child labour in Asia, human rights abuses in Africa, deforestation in South America, and pollution in Eastern Europe. Moreover, globalisation brings these issues within the realm of control. However, today's global challenges may be rooted in the very same phenomenon that raised our consciousness of them: globalisation.

Growing societal pressures/expectations

Much CSR literature is based on the assumption that companies' adoption of CSR is inspired by increasing societal pressure of various stakeholder groups (Quazi, 2003; Joyner & Payne, 2002; Smith, 2003).³ In consequence, companies have to adopt CSR in order to be responsive to new social and environmental demands that are communicated through a hyperactive media (Harrison & Freeman, 1999; Welford, 2000; Ciulla, 1991). Otherwise they will be faced with governmental interventions, investor flight, consumer sanctions, negative media and grassroots activism – all of which can have a negative impact on image, reputation and profit. However, CSR may also offer opportunities for companies that are successful in meeting stakeholder expectations and claims, e.g. enhanced reputation, reduced costs, prevention of government regulation etc.⁴

Societal pressures have most likely been fuelled by corporate scandals in the last decades. Examples include for instance BP (Deepwater Horizon oil spill), Exxon (Exxon Valdez oil spill), Mattel (toys including lead), McDonald's (obesity), Monsanto (genetically modified crops), Enron (poor corporate governance), and Union Carbide (Bhopal pollution). However, stories in the 1990s of sweatshops in Asia (Nike) and the Brent Spar (Shell) are probably the two incidents that have had the most important impact on the contemporary CSR literature. The two cases have almost reached a mythological status and are frequently used to illustrate the power of public opinion (Pedersen, 2006). Whether the scandals concern pollution, fraud, corruption, or violation of labour rights, the negative stories of irresponsible business behaviour has undoubtedly contributed to the perceived societal pressure and need for business ethics and CSR (AMA, 2006).

CASE STUDY 1.1

Just how does Nike do it?

Say 'Just do it' and people automatically think Nike. As one of the biggest and most important brands in the world, and a market leader when it comes to athletic shoes and apparel, everyone knows and has an opinion about Nike. But being among the big and the famous brings with it responsibility as well as exposure to criticism. To Nike this suddenly became very obvious in 1996 when *Life* magazine published a story on child labour in Pakistan. The article showed a picture of a young boy stitching leather pieces on the floor, surrounded by scraps of fabric and a couple of footballs with the Nike swoosh. In the article it said that the children received as little as 60 US cents to make one ball which would take most of one full day.

Immediately Nike was on the hook, with the article and the photo becoming the topic of the nation, leading to protests outside the factory to stop the child labour practices. Nike had previously been accused of bad working conditions in its overseas subcontractor factories, for example with a case about sub-subsistence wages and slave-like conditions in Indonesian factories in the early 1990s,⁵ but this was the first time Nike had felt a public relations impact of that size, and with it the reputational pressures to change and deal with its global responsibility.⁶ In 1997, for example, it was revealed that workers in one of the contract factories in

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Vietnam were being exposed to toxic fumes 177 times the Vietnamese legal limit.⁷ For years, criticism from civil society organisations and other parties continued to put Nike on the spot in the debate about child labour and sweatshop production, for example through boycotts of Nike products, sit-ins and demonstrations in front of Nike-town stores, distribution of flyers, campaigns etc.⁸

Nike's first response to the exposure was an attitude of denial. The company had started to produce sports equipment, including soccer balls, in the mid-1990s, and there were few places where hand stitching of balls was done in the world. Sialkot in Pakistan is one of the most important industrial clusters for this kind of production, and so Nike had begun to source footballs from contractors in the city in 1995. They thought they had tied up with responsible companies, but soon learned that part of the work was subcontracted further out into the local villages where the balls would be stitched by home workers, including children. Nike claimed they did not know about this and to show some action, they decided to only work with one supplier, Saga Sports, from then on. This company could allegedly guarantee certain basic conditions for its workers, and most importantly they would not hire anyone under the age of 18. In late 2006, however, Nike stopped working with this supplier as it had become clear that the work was still outsourced to home workers, meaning bad – or at least no control of – working conditions and potentially child labour. They engaged with a new supplier which showed commitment to ensuring proper conditions, through the use of full-time employees only and prohibiting the use of piecework rates per ball.⁹

Later on, Nike acknowledged that their initial response to the accusations both in the Sialkot situation and to other supplier-related cases like the one in Vietnam denying the claims was not optimal.¹⁰ In an interview that same year, Nike director Tom McKean stated that their initial attitude had been that the company did not own the factories and therefore had no control of what went on.¹¹ Today however, Nike has developed an elaborate programme to deal with their supplier factories across the world. Being big and famous, Nike has learned the hard way that they need to deal with labour issues rather than just operating with a crisis mentality.¹² On Nike's website it is possible to download the Code of Conduct which the company follows in auditing contracted factories on labour

issues. The code states the company's position in relation to human rights, such as the protection from forced labour (including child labour), abuse and discrimination, freedom to free association etc.¹³ Apart from having only their own auditors, they also allow for inspections from independent inspector organisations, for example the Fair Labor Association (FLA).¹⁴

Follow-up questions

- Do you think Nike has a bigger responsibility than other companies because of its size and position as market leader?
- How far down the supply chain does Nike's responsibility go?
- What do you think of the different responses and actions Nike has shown to meet the challenges of production in developing countries over the years?
- How can Nike and similar companies best avoid these kinds of cases?
- What does Nike do today (what change did it provoke in the company)?
- Do you think a company like Nike will be able to change or impact the conditions in the communities and countries where they produce?

Links and sources

- Nike: www.nike.com or www.nikebiz.com/responsibility (where you can download their Code of Conduct, some of the tools they use for auditing compliance in supplier factories, and even a list of the factories where they produce).
- Clean clothes campaign: www.cleanclothes.org
- Oxfam Australia's focus on Nike and workers' rights: www.oxfam.org.au/explore/workers-rights/nike

Case study by Hanne Stald Poulsen

The sources of societal pressures are manifold and depend on a wide range of firm-, industry- and country-specific factors. It is not necessarily so that an agricultural SME in Guatemala is experiencing the same societal pressures as an American fast-food multinational corporation (MNC). However, below is listed a number of generic stakeholder groups which are increasingly said to set CSR requirements for companies.

One source of societal pressure is business partners. According to an IBM study, around half (52 per cent) of the surveyed business leaders indicate that they are required by business partners to adopt waste management standards (IBM, 2008). Likewise, another survey concluded that 60 per cent of Danish SMEs are met with CSR requirements from buyers (Baden et al., 2009). By formulating CSR standards in the supply chain (and subsequently enforcing them), especially large, powerful MNCs can promote positive social and environmental changes in an industry.

Pressures may also be exerted by consumers. Over the years, there has been a lot of talk about the 'ethical', 'green', or 'political' consumer, who cares about the social and environmental conditions under which products and services are produced (Zadek et al., 2001). A number of surveys indicate that people express a high level of social and environmental awareness and/or are willing to pay a price premium for ethical products and services (Pedersen & Neergaard, 2006; Adams & Zutshi, 2004; Judge & Douglas, 1998). For instance, in Europe, 96 per cent of the population believes that protecting the environment is important.¹⁵ Admittedly, however, even though it is reported that up to 70 per cent of consumers would not do business with an irresponsible company – regardless of the price – it is nonetheless difficult to find empirical evidence of such market reactions (cf. Joyner & Payne, 2002). In general the market share of products that make ethical claims are much smaller than the percentage of consumers that claim to be ethical consumers (Smith, 2003; Vogel, 2005b).¹⁶

Another group pressuring companies to address CSR is non-governmental organisations (NGOs) (Zadek et al., 2001). For instance, Adams & Zutshi (2004, p. 32) argue that: 'Consumers boycotts and action by NGOs such as Amnesty International and Greenpeace have played an important role in changing the corporate agenda'. NGOs have on several occasions been successful in changing corporate practices. For instance, the Free Burma Coalition was able to force a number of companies to close down their Burmese operations (Spar & La Mure, 2003). More recently, pressure from Greenpeace has forced a number of leading fashion brands to commit to reducing the use of toxic chemicals in the manufacturing process (www.greenpeace.org). NGOs may play an important role in fighting the governance gaps created by growing globalisation.

National governments have also been active in promoting CSR – both as campaigners, endorsers, partners, regulators, facilitators etc. (Albareda et al., 2007; Steurer, 2010; Lozano et al., 2008; Fox et al., 2002; Peters & Röß, 2010). A study by the American Management Association concluded that laws and regulations are the most important external driver for business ethics (AMA, 2006). For instance, government pension funds are setting CSR requirements. Moreover, governments have formulated national strategies for CSR that are intended to foster social and environmental performance among businesses. Likewise, governments engage in public-private partnerships that bring about social and environmental improvements. In addition, the public sector also

launch a number of CSR awareness-raising campaigns and introduce tools, and guidelines that are expected to help not least SMEs in addressing CSR. Finally, governments also set mandatory requirements for CSR, e.g. when it comes to reporting.

Business schools and universities educating tomorrow's managers can also be considered as a source of societal pressure – as well as a source of the problem when it comes to corporate irresponsibility. Management education has long been criticised for essentially failing to provide managers with the necessary skills to create long-term value for both business and society (Pedersen et al., 2011). Current calls for revisions of the management education systems are stimulated by the financial and economic crises, and previous corporate scandals (Enron and Worldcom) have also influenced the debate (Podolny, 2009; Frederick, 2008). An attempt to promote integration of CSR into the curriculum at business schools and universities is shown in the Principles for Responsible Management Education (PRME) initiative (www.unprme.org).

Current company drivers for CSR

Why do companies adopt CSR? One thing is the global trends and fashions that shape the CSR debate. Another thing is the concrete motivation of companies that consider investments in social and environmental activities. Evidence indicates that there are multiple drivers for CSR in companies. Some companies adopt CSR to improve their relationship with stakeholders (customers, regulatory authorities, local communities, NGOs etc.), others think of it as a mean to improve operational efficiency and reduce costs, and still others are motivated by the market potentials from having a socially responsible image (Pedersen, 2007). Concern for corporate values, image, reputation, and brand is often reported as a key reason for adopting CSR (*ibid.*). However, more idealistic motives driven by personal views and beliefs are also common (Hemingway & Maclagan, 2004; EBST, 2002; Bansal & Roth, 2000; Judge & Douglas, 1998; Baden et al., 2009).¹⁷

In general, it is relevant to distinguish between three groups of motives for CSR: instrumental, institutional, and emotional (Neergaard, 2006) (see Figure 1.1). Instrumental motives mean that CSR is driven by business-related objectives (reduced risk, cost-savings etc.). Institutional drivers means that companies are adopting CSR either because they are pressured to do so, because they want to imitate other successful organisations, or because it is just considered as normal business practice (see e.g. DiMaggio & Powell, 1983). Finally, emotional motives imply that companies become involved in CSR activities because it is seen as the morally right thing to do. In the following section, special attention is given to the instrumental motives which have become increasingly prominent in CSR thinking in the last decades.

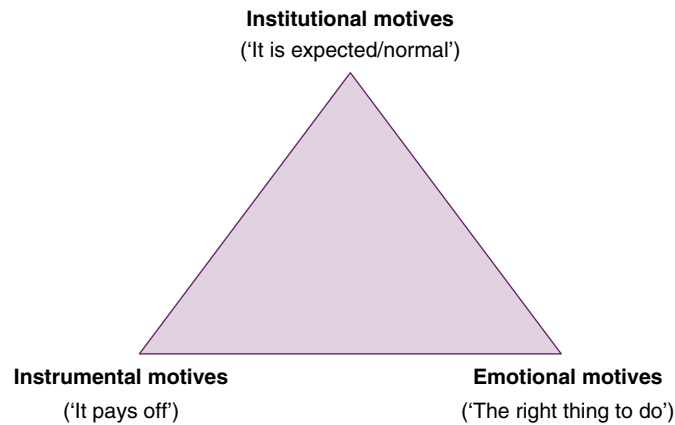


Figure 1.1 Company motives for CSR

Source: Based on Neergaard (2006, p. 25).

The definitional bankruptcy of CSR

CSR is a slippery phrase and the concept has often been accused of vagueness, ambiguity, and lack of clarity. The impossibility of reaching a common understanding of CSR is further cemented by the multitude of more or less overlapping concepts that deal with the business and society relationship, including corporate citizenship, corporate sustainability, triple bottom line, business ethics, corporate philanthropy, corporate accountability, social issues management, corporate social responsiveness, corporate social integration, corporate social opportunity, shared value, socially responsible investment, and company stakeholder responsibility (Garriga & Melé, 2004; EBST, 2002; Blowfield & Frynas, 2005; Våland & Heide, 2005; Lozano et al., 2008; Porter & Kramer, 2006, 2011; Grayson & Hodges, 2004; Freeman & Velamuri, 2006).

The book will not delve into the polemics that have been going on for decades regarding a proper definition of CSR. Instead, the book will take the point of departure in Marcel van Marrewijk (2003) who broadly defines CSR as: 'company activities – voluntary by definition – demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders'. It is outside the scope of this book to discuss whether or how this definition is in accordance with, or in opposition to, other authors' use of CSR and related terms. The important thing is that a contemporary definition of CSR acknowledges that: (1) CSR is *multidimensional*. CSR is not only about social welfare (cf. Andriof & McIntosh, 2001). Even though the meaning and content changes continuously, most researchers today consider CSR as a concept that covers both social and environmental issues; (2) CSR is *voluntary*

(Marrewijk & Werre 2003; Neergaard & Pedersen, 2003; Blowfield & Frynas, 2005). CSR may very well be a response to societal pressures,¹⁸ but they are still voluntary in the sense that they are not limited to compliance with laws and regulations. Admittedly, in recent years the principle of voluntariness has been challenged; for instance the new EU definition of CSR does not mention this issue (EC, 2011); (3) CSR is about *stakeholders*. CSR addresses the interrelationship between business and society – an interrelationship that requires researchers and practitioners to look at the groups and individuals who have a ‘stake’ in the company. In the following section, a brief introduction to stakeholder theory is provided.

The stakeholder approach to CSR

The theoretical foundation of CSR is as diverse as the concept itself. CSR has always been characterised by a great deal of eclecticism and attracted scholars from a wide range of academic disciplines. Alvar O. Elbing noted already in 1970 that social responsibility has been approached philosophically, theologically, psychologically, sociologically, economically, and aesthetically (Elbing, 1970). Nothing much has changed since then. On the contrary, the resurgence of CSR in the early 1990s has probably contributed to the theoretical diversity of the field (see e.g. Garriga & Melé, 2004). CSR has been analysed using the theoretical lenses of new institutionalism, resource-based view, sensemaking theory, discourse analysis etc. However, even though CSR is characterised by a great deal of theoretical eclecticism, some theoretical models are more popular than others. A substantial amount of the contemporary CSR literature explicitly or implicitly adopts a stakeholder approach which has become one of the dominant theoretical perspectives of CSR (Avram & Kühne, 2008; Branco & Rodrigues, 2007; Carroll, 1991).

What is stakeholder theory about? Ultimately, the theory considers business to be about the relationships between the groups and individuals that have a ‘stake’ in the business activities (Parmar et al., 2010). Stakeholder theory acknowledges that companies have relationships with a wide range of stakeholders. Employees, suppliers, customers, media, local communities, NGOs etc. all affect and in turn are affected by the company’s operations. CSR and stakeholder advocates also argue that the companies’ responsibilities to society stretch beyond shareholders (cf. Rowley & Berman, 2000; Ohmae, 1991). From a stakeholder perspective, business is about adding value to all stakeholders and creating a good deal for everyone (Freeman & Velamuri, 2006; Freeman & Gilbert, 1992). Moreover, stakeholder theory means listening to and engaging with stakeholders. Stakeholder management and CSR is a relational affair, and these relations are not only limited to the ‘happy smiling faces’, i.e. stakeholders whose views are *in sync* with those of management. Stakeholder theory also means engaging with critical stakeholders who may be the source of new ideas and opportunities (Freeman, 2009).

Stakeholder theory is often defined in opposition to the shareholder view in general and Milton Friedman in particular (cf. Margolis & Walsh, 2003). However, stakeholder theory does not ignore shareholders. On the contrary, it is assumed that the shareholders will also be well off by adopting a stakeholder approach: In the long run, at least. Much stakeholder and CSR literature is based on the same assumption that company concerns for stakeholders' economic, social, and environmental demands are the best way to generate long-term value for both business and society (Avram & Kühne, 2008). It is short-term shareholder-orientation that is often the focus of criticism from advocates of CSR and stakeholder thinking.¹⁹ Moreover, the stakeholder perspective is against a myopic focus on the interests of a single stakeholder group. Stakeholder management is not only about maximising value for shareholders (Phillips et al., 2003).

One of the central tenets of much stakeholder theory is the critique of the so-called separation thesis, that is, the idea that it is possible to separate the economic from the social, business from ethics, and the company from its stakeholders (Freeman & Velamuri, 2006; Wicks et al., 1994; Freeman, 1994; Freeman et al., 2004). This is seen as a significant shortcoming of the shareholder view which is said to separate economic and social issues. Interestingly, however, the CSR literature is also the target of the stakeholder critique of the separation thesis. Although stakeholder thinking is widely adopted in the CSR literature, stakeholder thinkers are not always enthusiastic about the idea of CSR, partly because CSR is said to reproduce the separation thinking (Parmar et al., 2010).

Popular CSR activities today

The social and environmental issues included in the CSR concept have changed gradually over time (Carroll, 1979). In the 1950s, discussions on CSR focused mainly on basic labour rights, whereas environmental issues gradually became an increasingly important issue as the negative impacts of the production became harder and harder to ignore (Pedersen & Neergaard, 2004). In the last decades, CSR and related concepts have been extended even further to include issues like human rights, social inclusion, gender issues etc. (Andriof & Mcintosh, 2001). Therefore, what was considered responsible 50 years ago is not necessarily responsible today (and vice versa) (Campbell, 2007).

Compared with early phases of the phenomenon, CSR today is about much more than philanthropy. Not to say that philanthropy is dead. Philanthropy quadrupled from the 1950s to 2000 (Margolis & Walsh, 2003), and we still see remarkable examples of 'Philanthrocapitalism' (Bishop & Green, 2008). However, what we are seeing today is that the scope of CSR has broadened. CSR activities now cover a broad range of issues, e.g. environmental management, responsible supply chain management, diversity management, social and environmental disclosure, community investments, and traditional

philanthropic giving. Of course, some CSR activities are more popular than others. A few examples of studies on CSR practices are provided below:

- A study of HR professionals in seven countries concluded that 'traditional' donations and collection of money for local charities and disasters were typically the most common CSR practices (SHRM, 2007).
- A study among Danish SMEs indicated that companies often address employee and environmental issues, whereas less dealt with CSR issues in relation to customers and suppliers (TNS Gallup, 2005).
- The American Management Association (AMA) concluded that employee health and safety, accountability for ethics, and community engagement were among the most common CSR activities (AMA, 2007).

In general, it may be fair to say that companies often start off by fixing internal/local CSR issues and then move to broader/global CSR issues later on. For instance, the findings from an SME study indicate that companies tend to engage in supply chain CSR only when they have addressed the internal aspects of CSR (e.g. employee issues and environmental impacts) (Pedersen, 2009). However, it is not possible to give general prescriptions about the best adoption and sequence of CSR activities. The use of CSR depends on a number of firm-specific, industry-specific, and country-specific factors which make it difficult to conclude that one type of CSR activity should take precedence over others.

CSR: some critiques

Over the years, the concept of CSR has been met with a great deal of scepticism. CSR was for a long time seen as something suspicious that you did not expect profit-oriented managers to be interested in let alone do anything about. Some even argued that CSR could undermine the capitalist system, democracy, and the free society (Litz, 1996; Mintzberg, 1983; Moir, 2001; Levitt, 1958). For instance, in a famous article from the *New York Times Magazine*, Milton Friedman considers companies' attempts to fight, for instance, discrimination and pollution, as nothing but socialism (Friedman, 1970). This type of criticism can be found even today, where e.g. Bergkamp (2002) makes parallels between CSR and communism.

Whereas some critics argue that CSR is 'too much' in the sense that CSR may eventually destroy society as we know it, there are also critics who are of the opinion that CSR may be 'too little', meaning that CSR fails to address the global social and environmental problems that the concept is intended to solve (Blowfield & Frynas, 2005). As an example, Visser (2010) argues that the current incremental approach to CSR is an insufficient answer to today's sustainability crises. There is instead a need for a new and radical CSR