Indicators show that, mainly due to the environmental footprint of a rapidly growing number of humans, the Earth’s ability to act as a source of resources and a sink (reservoir) of pollution is rapidly declining. The earth’s capacity to support a diversity and richness of human and non-human life at current levels is diminishing at an unprecedented speed. This will create environmental changes and have social impacts on a scale and at a speed that has probably never been witnessed by mankind. The current fascination with CSR is in part a response to such a crisis.

What is Corporate (Social) Responsibility?

CSR has been used as a synonym for business ethics and also for corporate philanthropy. CSR has also been used to describe CSP (corporate social performance) and corporate citizenship (which usually emphasises the contribution a company makes to society through core business activities, social investment and/or engagement in good causes) and good corporate governance (which usually reflects the way companies address legal responsibilities). CSR and corporate sustainability are overlapping movements, though not identical.

Defining CSR is therefore subjective, in part due to the central concept of Responsibility, a notion which may rest on one’s personal perspective. One problem is that definitions of CSR (just as with business norms and standards and regulatory frameworks) vary across and between nations, regions, businesses and stakeholders. Some selected definitions of CSR from the literature are:

• ‘a theoretical synthesis of economics and ethics’ (Windsor, 93–114),
• ‘regardless of specific labelling, any concept concerning how managers should handle public policy and social issues’,
involvement are common to many definitions of CSR. Beyond regulatory compliance and wider stakeholder requirements (voluntary activities such as social programmes and/or charitable donations) (Figure 1).

Two kinds of CSR?

While the formal definition of sustainability should be interpreted in the broader context of environment, economy and society, as framed in the scientifically-informed Brundtland Report, there is a clear risk and some evidence that reframing (narrowing) of the concept of ‘sustainability’ within business is occurring. For example, the word sustainability is more and more often found paired with profit, as in ‘sustainable profits’. To some, the word ‘sustainable’ is closely associated with ‘competitive advantage’ and indeed the word ‘sustainability’ has come to be utilised as an important indicator of sound strategy-making (e.g. in references to “the sustainable, long-term success of the company”). It is useful to consider the following distinctions between the broader definition of CSR, and the more directly business-related definition:

Figure 1

![Carroll's CSR Pyramid](image)

Other definitions include ideas of businesses incorporating the “Triple-P bottom line” (Profit – through sales, production, employment and sources of income), People (intra and extra-company social dimension) and Planet (responsible management of environmental resources), and the well-known WBCSD definition of creating sustained economic value while contributing to the quality of life of shareholders. Notions of ‘going beyond regulatory compliance’ and wider stakeholder involvement are common to many definitions of CSR. Framing of the concept of CSR is critical. It may be useful to consider the following two definitions, the first of which takes a wider frame of reference.

Definition 1: CSR as a subset of the sustainability movement aimed at addressing challenges of longer-term environmental stewardship, conservation and equity (related to the kind of data provided in box 1 above), as part of a new world order based on a global partnership for sustainable development;

Definition 2: CSR as a primarily business management approach that is aimed at maximising long-term shareholder value, and additionally providing value for other stakeholders.

It can be seen that there are significant differences between the two terms, although they are not theoretically irreconcilable. Noticeable is a reframing and narrowing of the definition to exclude explicit mention of 2 pillars of sustainability (environment, society) in Definition 2 and a focus of the term around the word ‘value’; another subjective word. Should this be a cause for concern?

CSR as a strategic – business management – approach

Vogel (2005) presents examples in a recent book to indicate there is a clear business case for CSR. He writes that the emergence of ‘companies with a conscience’ is due to a reconciliation of social values and business systems. He adds that CSR is not “a precondition for business success but a dimension of corporate strategy”. Regardless of company motives for integrating CSR into strategy-making processes, there is a strong argument that CSR should be considered a strategically important concept for organisations (at the level of the business and in individual organisations). These arguments for the strategic integration of CSR into business models go beyond simple attempts to link financial performance to proxy measures of CSR using various indicators (e.g. Kanter, 1999). Many such studies, in any case, have been inconclusive – finding negative, positive and curvilinear relationships between financial performance and CSR (Mc-William – Siegel, 2001 – for a thorough review of this field, see Griffin).

Further complicating the issue is when the notion of ‘beyond compliance’ comes into play – how do companies deal with CSR if it is suggested that, in the interests of sustainability, they should spend capital to achieve other non – or indirectly – profit-oriented goals? If CSR activities are indeed being employed at companies, it would be useful to understand to what extent they are indeed driven by strategic motives, and what those strategic motives are. Further, are such CSR efforts more in line with definition 1 or definition 2 of CSR?

A recent survey of 111 Dutch companies attempted to measure managers’ attitudes toward motivation for implementing CSR activities by asking for level of agreement with the following statements:

‘Our firms’ own effort with respect to CSR will have a positive influence on our financial results in the long term’ (to capture the strategic view of CSR, and...).

‘To behave in a responsible way is a moral duty of businesses towards society’ (to capture the moral view of CSR).

Results from this survey were cross-checked against actual company efforts to implement CSR practices. Results showed that a majority of respondents had a positive view of CSR in both dimensions. Interestingly, only a weak correlation was found between the strategic view and actual CSR efforts (the strategic view generated active CSR policies only with respect to consumer relations and employee relations). In relations with suppliers, competitors and society, and the use of instruments to integrate CSR in the organisation, a positive strategic view made only a very small difference with respect to actual CSR efforts. However, a positive moral view of CSR was more “strongly correlated with actual efforts” (related to CSR policies affecting relationships with employees, customers and the use of instruments to integrate CSR in the organisation). For other stakeholders the research found a small but insignificant correlation between the moral view on CSR and CSR performance. The authors conclude:

“The result that CSR implementation is more related to moral commitments than profit maximisation implies that one should be careful when emphasising the financial advantages of CSR” (Graaffland – Bert van de ven, 2006).

This finding is echoed in work by Gratling (Stratling, 2007) whose empirically (company survey) based paper concludes:

“A surprisingly limited number of the companies in the sample take a very explicit strategic approach to CSR by stressing long-term shareholder value maximisation. The CSR policies therefore appear not to focus solely on a strategic viewpoint, but to integrate CSR into the organisation in a strategic way.”

A 2005 KPMG Survey of corporate responsibility report also highlighted diverse motivation for corporate responsibility (a weighting of 74% economic and 53% ethical was discovered – although it should be remembered that ‘stated preferences’ are known to be problematic). These are interesting findings: if efforts are being directed, in the form of CSR-type activities, to non- or only indirectly strategic company goals, this has implications which are worth investigating further (under which circumstances are company agents behaving in contradiction to the theory of the firm and why is this so?). These findings appear to highlight some tension inherent in the understanding and actualisation of the 2 definitions of CSR provided earlier. Theories such as ‘legitimacy theory’ may assist in understanding further – more on which below.
companies such as the original ‘Cadbury’ company which was founded in the UK in Victorian times. In 1879, Bourneville village was founded for the benefit of Cadbury’s workforce. The village included housing for workers who benefitted from works committees, medical facilities, sports facilities, pension funds and education and training – well beyond compliance with Victorian labour laws. The company was lead by the founder, John Cadbury, who was significantly motivated by a belief in Quaker (essentially humanist) ethics. While Cadbury’s is now one of the most successful confectioners in the world, their current CSR practices differ substantially from the former practices. Other historical examples of what might now be called CSR as business strategy include actions by Kodak founder George Eastman (who gave over one-third of his own company to his employees and established for them a retirement fund, life insurance and disability/health coverage), and to some extent Kellogs and Carnegie and those others whose focus was as much on what is now termed the ‘internal stakeholders’ (employees) as on profit-making: these figures are sometimes known as the ‘be-nevolent paternalists’.

John Cadbury (1801–1889)

Historical examples of corporate social responsibility as a strategic objective can be found in the business practices of successful employee and stakeholder-centric

CSR as Strategy

CSR is potentially a strategic matter in so far as it has the potential to change the entire frame of reference (organisational purpose or mission) of the company. This is true whether CSR definition 1 or definition 2 is concerned. Multinational companies now typically integrate (or wish to appear to be integrating) some aspects of CSR into their definition of value-creation activity and it is safe to state that ‘CSR issues’ are for many multinational companies at least a consideration at a strategic level.

Recent Accountability study across 8 countries of central-eastern Europe concluded that 63.2% of 288 large companies surveyed are either ‘on the way’ or discontinued incorporating social responsibility into their business strategy. Following on from point 1, another strategic approach to involving CSR in strategy can be to treat stakeholders such as NGO’s as strategic service providers (effectively making them strategic partners) in the delivery of the company’s corporate social responsibility goals and objectives – a notion which goes far beyond simple ideas of philanthropy. In this case the company could recoup costs based on the full activity based cost of integrated corporate social responsibility accounting. Increasing performance (point 2) may also be a strategic objective and compound indicators for CSR (such as the newly minted ISO26000 CSR management standard*) may also play a role. Potential strategic goals may include the utilization of codes of conduct, charters, the use of ISO 14001 or other health and safety and socially responsible investment indices – for example, voluntary compliance with the 100+ components of the ISO26000 standard – which covers all aspects of company operation from environment to investment and resources management. Other ways in which CSR may be integrated into business management as a performance objective during wider strategy setting include the use of the balanced scorecard approach (“tying values and measures to a Balanced Scorecard could be the way to make good intentions more profitable”) (Crawford – Scalleta, 2005). Further ways in which CSR may be integrated into strategic management is during risk management and assessment procedures, marketing strategies (social innovation and ‘green’ marketing) and eco-efficiency.

CSR and Strategic Management – potential theoretical consequences

A question for strategic management theory is seeing if a theory of CSR decision-making can be founded that does not contradict the basic premises of the classical theory of the firm (essentially, can CSR practices fit within the profit-making nature of the firm?) Should CSR be considered as a form of strategic investment? If CSR is not directly tied to a product or production process then CSR is a form of reputation building or maintenance be a strategic investment? Most important, what implications does regarding CSR as a strategic issue have? Is there a threat that by trying to shoehorn CSR into a narrower business-management definition (in the service of the firm’s reputation) will we lose the original value of CSR as part of a broader sustainability initiative? To identify how CSR is being considered as a strategic issue, a key question is: To what extent are CSR decisions considered similar to other decisions that company literature seeks to address these questions (e.g. Porter – Kramer, 2002).

Milton Friedman was one of the first people to publicly voice concern over CSR and suggested that the existence of CSR was a sign of an intra-company agency problem (agency theory could imply that CSR is a mis-use of corporate resources that would be better spent on valued-added internal projects or returned to shareholders) while Freeman’s (1984), ‘inducement/contribution’ framework, presented a more positive view of CSR in the company. Research by Husted, Allen and Rivera (2008) attempts to provide a CSR framework based on corporate governance. Governance concerns how companies deal with legal responsibilities and can stand as a foundation on which CSR and corporate sustainability practices may be built. The authors note that a firm may either “buy” CSR (primarily outsourcing to NGO’s or philanthropy) or “make” CSR internally (in-house projects), or collaborate with other organizations in the development of CSR projects. Management objectives are to determine which response benefits the firm in form of return on investment and stakeholder satisfaction. If the two objectives cannot be reconciled, the firm is unable to meet obligations. The extent to which CSR will be used to pursue strategic opportunities, in their opinion, is a management – and governance – decision. Legitimacy theory (i.e. appeals founded on a ‘justification’ basis) are substituted for strategic concerns if such concerns are not strong enough. If the firm accords CSR a strategic role then CSR becomes a key variable – (usually) a closeness of fit between the firm’s CSR activity and its mission and objectives occurs when the firm’s CSR activity is closely related to core business activity. When this so-called ‘centrality’ is high, the principal-agent problem is weak (the company can monitor social activities related to its core competencies). But when centrality is low, agency costs increase and the tendency to outsource CSR is higher. Legitimacy theory (from Stratton, 2007), defines four major strategies that firms can employ to generate legitimacy: 1) the firm can inform its public about changes in its performance and activities, 2) the firm can try to change the public’s perception of the firm’s behaviour without actually changing the behaviour, 3) the firm can try to deflect attention away from contentious issues by raising the profile of related activities; (a common approach), 4) the firm can try to change public’s expectations about its performance.

If core competencies and dynamic capabilities (from resources based organization) addressing how companies can perform activities within the value chain more efficiently by utilizing firm-specific resources which are valuable, rare, imperfectly imitable and non-substitutable involve firm-specific assets or resources that allow it to engage in activities that are related to its fundamental business, CSR activity is more likely to be highly central (the firm possesses the competences needed to undertake that activity) and the activity is less likely to be outsourced. When centrality is low, information asymmetry may be high so a third party (or philanthropic donation) is more likely to be deemed suitable to fill the perceived CSR needs of the company. If we define resources widely as being anything tangible or intangible that would be both useful and available to add value in carrying out its value-creating activities including products, processes, pat-
ents, reputation, customer relations, human capital, etc." (Katsoulakos, 2006), then it is clear how aspects of CSR may be considered resources (for example, environmental social responsibility may constitute such a resource or capability that can lead to sustained competitive advantage). Other responsibility related competencies and capabilities may include such things as an accurate estimation of the social and environmental impact of company operations and potential for their development. While many companies may focus currently on the PR aspects of CSR (i.e. advertising) and (possibly) developing environmentally-friendly products, to gain a ‘responsibility advantage’ will mean developing the responsibility resource (developing superior responsibility performance to competitors) to maintain their competitive lead in this area. With responsibility widely perceived as a key resource (presumably as a component of brand value) mainstreaming of the CSR mainstreaming of the CSR is based on the theory that there must be moral drivers of CSR and strategic management integration focus on sustainable development (and inevitably the long term survival of the corporation). Typical drivers for managers to ‘do the right thing’, without regard to how such decisions affect firm performance.

One subset of business networks deals with strategic alliances and refers to formal long-term, formal collaboration between organisations that offers actual or potential strategic advantages to the partners involved. The tendency for firms to engage in such (albeit usually temporary) alliances with non-governmental organisations (e.g. McDonalds and the American Environmental Defence Fund, or the World Wildlife Fund) are occurring for reasons of knowledge exchange and legitimacy. If business networks can be said to represent company social capital, a networking approach has the potential to assist in the establishment of competence and governance-focused network relations. The knowledge view of the organisation focuses on knowledge resources as the key source of competitive advantage. Such knowledge at the firm level may be seen in the form of corporate resources (e.g. training programs (sometimes as a part of a knowledge management strategy) but often as a distinct activity aimed at developing core competencies and benefitting the internal (and sometimes external – wider community) stakeholders of the company through professional development. The corporate responsibility perspective, meanwhile, covers many areas such as corporate governance; CSR (directly) and ideas of ‘corporate sustainability and the ‘triple bottom line’ (although CSR may be more associated with ethical issues). Corporate Sustainability is a specific term usually associated with company involvement in and support for the principle of sustainable development (and inevitably the long term survival of the corporation). Typical drivers for CSR and corporate sustainability usually include (modified from Katsoulakos).

CSR strategies, when supported by political strategies, can be used to create sustainable competitive advantage. Activists and NGOs can play an important role in reducing information asymmetry with respect to CSR on the part of consumers. The use of CSR to attract socially responsible consumers is referred to as strategic CSR, in the sense that firms provide a public good in conjunction with their marketing/business strategy. CSR, in the sense of firms providing a public good in conjunction with their marketing/business strategy.

CSR is indicative of self-serving behaviour on the part of managers, and thus, reduces shareholder wealth. Managers should tailor their policies to satisfy numerous constituents, not just shareholders. These stakeholders include workers, customers, suppliers, and community organizations.
We cannot forget that the firm, as a legal entity, owes it
current form and function to its socially-agreed role as a
producer of wealth.” (Sundaram – Inkpen, 2004).
Regardless of the success of the academic or prac-
tice integration of CSR into the field of strategy making
(the partial success of which seems inevitable) funda-
mental concerns about corporate (and thus environ-
mental and social) sustainability remain. The
problems centres on the clear and present dan-
ger that CSR, as framed from the business perspec-
tive (i.e. according to definition 2 provided earlier), is
not in accord with the broader principles of sustain-
ability given in definition 1, and is thus not in accord
with fundamental findings and principles of natural
science (see, e.g. Korhounen, 2006). Even a cursory
comparison between economic and natural systems
shows that the principles on which modern industry
operates – towards (basically) unlimited growth (rath-
er than bounded growth), specialization (rather than
diversification), mass production (rather than limited
self regulation (codes of conduct, improvements in
occupational health and safety), environmental
protection and social and environmental report-
ing),
alignment with national sustainability strategies,
Socially Responsible Investment (SRI) and cor-
porate sustainability indexes, Virginia
risk management,
satisfying consumer preference,
complying with goals and principles for respon-
sible corporate behaviour (e.g. Global Compact),
icorporation of stakeholder concerns,
increasing eco-efficiency (decreasing costs),
improvement in supply chain processes,
developing human capital (by means of talent at-
traction and retention, motivation and participa-
tion of employees),
opening market opportunities (social innovation
and green products and services) (Table 2).

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Limitations of the business management approach to CSR

“Critically, no theory of CSR decision-making will en-
dure if it contradicts the most fundamental principle of
the business firm – the creation of wealth – however ben-
eficial the results of CSR for certain stakeholder groups. We
cannot forget that the firm, as a legal entity, owes it
currently concern only a small number of (multinational,
western-centred, well-financed) companies that have
made corporate sustainability a defensive business
philosophy typically in response to criticism or crisis.
Even these successes are limited; criticism of the role
and value of CSR in Multinational companies is rife,
for example, Frynas Additionally, formal CSR
practices may be perceived as being of limited use
(or worse) in the majority of businesses – the SME
sector. Current times of financial hardship, or a drop
off in customer demand for the CSR resource add to
concern.

According to the UNDG, “We will have time to reach
the Millennium Development Goals – worldwide and
in most, or even all, individual countries – but only
if we break with business as usual” This type of change
would involve fundamentally changing the role of the
company, “reconstitute[ing] the firm, instituting new
form of governance, in effect creating a new kind of
organization” (Husted – Allen – Riveria).

What would such a company look like? According to
Paul Hawken (1993), this means rethinking the func-
tional purpose of business and economy in order to
“create[e] a very different kind of economy, one that
can restore ecosystems and protect the environment while
brings forth innovation, prosperity, meaningful work
and true security”. This requires re-appropriating the
true value of CSR as part of the sustainability move-
ment and re-founding economies based on limits of the
natural world, while ensuring price signals reflect ‘val-
ues’ in all its broader meaning. This is no small task
but working towards such reformulation must become
the true strategic challenge for managers, theorists and
practitioners of business.

Footnote
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