Chapter 1

Corporate social responsibility: in a global context

IN THIS CHAPTER WE WILL:

- Examine the rise to prominence of corporate social responsibility
- Analyze different definitions of corporate social responsibility
- Outline six core characteristics of corporate social responsibility
- Explore corporate social responsibility in different organizational contexts
- Explore corporate social responsibility in different national contexts
- Explain the approach to corporate social responsibility adopted in the rest of the book

Introduction: the recent rise of CSR

The role of corporations in society is clearly high on the agenda. Hardly a day goes by without media reports on corporate misbehaviour and scandals or, more positively, on contributions from business to wider society. A quick stroll to the local cinema and films such as *Inside Job*, *Margin Call*, and *Wall Street 2*, reflect a growing interest among the public in the impact of corporations on contemporary life.

Corporations are clearly taking up this challenge. This began with 'the usual suspects' such as companies in the oil, chemical, and tobacco industries. As a result of media pressure, major disasters, and sometimes governmental regulation, these companies realized that propping up oppressive regimes, being implicated in human rights violations, polluting the environment, or misinforming and deliberately harming their customers, just to give a few examples, were practices that had to be reconsidered if they wanted to survive and prosper. Today, however, there is virtually no industry, market, or business type that has not experienced increasing demands to

legitimate its practices to society at large. For instance, banking, retailing, tourism, food and beverages, entertainment, and healthcare industries – for long considered to be fairly 'clean' and uncontroversial – now all face increasing expectations that they institute more responsible practices.

In the context of the global economic crisis, which began in 2008 and reverberated for a number of years thereafter, questions regarding the responsibilities of business have moved still further to the fore of the media, political and public interest. The focus here has been on financial institutions primarily, whose imprudent practices are largely held to blame for igniting a wave of economic recession. As governments bailed out failing businesses and popular protests such as 'Occupy Wall Street' spread globally, companies in the financial sector faced a new era of scrutiny of their values, goals, and purpose.

Companies have responded to this agenda by advocating what is now a common term in business: corporate social responsibility. More often known simply as CSR, the concept of corporate social responsibility is a management idea that has risen to unprecedented popularity throughout the global business community during the last decades. Most large companies, and even some smaller ones, now feature CSR reports, managers, departments, or at least CSR projects, and the subject is increasingly promoted as a core area of management, next to marketing, accounting, or finance.

If we take a closer look at the recent rise of CSR, some might well argue that this 'new' management idea is little more than a recycled fashion, or as the old saying goes, 'old wine in new bottles'. And, in fact, one could certainly suggest that some of the practices that fall under the label of CSR have indeed been relevant business issues at least since the Industrial Revolution. Ensuring humane working conditions, providing decent housing or healthcare, and donating to charity are activities that many of the early industrialists in Europe and the US were involved in – without necessarily shouting out about them in annual reports, let alone calling them CSR. The involvement of business in social issues is not the prerogative of the West. In India, for example, companies such as Tata can pride themselves on more than 100 years of responsible business practices, including far-reaching philanthropic activities and community involvement (Elankumaran et al, 2005). What we discover then in the area of CSR is that while many of the individual policies, practices, and programmes are not new as such, corporations today are addressing their role in society far more coherently, comprehensively, and professionally – an approach that is contemporarily summarized by CSR.

As well as the rise to prominence of CSR in particular companies, we have also witnessed the emergence of something like a CSR 'movement'. There has been a mushrooming of dedicated CSR consultancies, all of which see a business opportunity in the growing popularity of the concept. At the same time, we are witnessing a burgeoning number of CSR standards, watchdogs, auditors, and certifiers aiming at institutionalizing and harmonizing CSR practices globally. More and more industry associations and interest groups have been set up in order to coordinate and create synergies among individual business approaches to CSR. Meanwhile, a growing number of dedicated magazines, newsletters, social media and websites not only

contribute to providing an identity to CSR as a management concept, but also help to build a worldwide network of CSR practitioners, academics, and activists.

Defining CSR: navigating through the jungle of definitions

In the context of such an inexorable rise to prominence of CSR, the literature on the subject, both academic and practitioner, is understandably large and expanding. There are now thousands of articles and reports on CSR from academics, corporations, consultancies, the media, NGOs, and government departments; there are innumerable conferences, books, journals, and magazines on the subject; and last, but not least, there are literally millions of web-based formal and social media contributions dealing with the topic from every conceivable interest group with a stake in the debate.

How then to best make sense of this vast literature so as to construct a coherent account of what CSR actually is? After all, few subjects in management arouse as much controversy and contestation as CSR. For this reason, definitions of CSR abound, and there are as many definitions of CSR as there are disagreements over the appropriate role of the corporation in society. Hence there remains a lack of consensus on a definition for CSR (Lindgreen & Swaen, 2010). The CSR page on Wikipedia, the online encyclopaedia, has been in more or less permanent dispute since 2007 (Ethical Performance, 2007) and continues to be challenged for its neutrality.

Table 1.1 provides just a few examples of the many different ways that CSR is described and defined by different organizations across the globe. As this clearly shows, there are some similarities in the way that different actors understand CSR, as well as considerable differences. Moreover, although we often look to academic research to provide clarity among so much ambiguity, this diversity is also reflected in scholarly definitions of CSR. For example, one early writer on CSR, Keith Davis described CSR as 'the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm' (Davis, 1973), while a few years later Archie Carroll (1979) defined it much more broadly to include exactly those elements that Davis excluded: 'the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time.'

This heterogeneity in CSR definitions has continued unabated. While the Carroll definition given above is arguably the most commonly cited one, it remains contested, as we will see later in Chapter 3. Therefore, others have taken a different route and rather than specify particular responsibilities, have offered more general definitions that seek to include the different opinions on CSR that are evident across the literature, and across practice. For instance, Brown and Dacin (1997) define CSR as a company's 'status and activities with respect to its perceived societal or, at least, stakeholder obligations', while Matten and Moon (2008) suggest that CSR 'empirically consists of clearly articulated and communicated policies and practices of corporations that reflect business responsibility for some of the wider societal

Table 1.1: CSR definitions

Name of the organization	Type of organization	Definition	Source
International Labour Organization	Non-governmental organization (international)	CSR as a way in which enterprises give consideration to the impact of their operations on society and affirm their principles and values both in their own internal methods and processes and in their interaction with other actors.	www.ilo.org/ wcmsp5/groups/ public/---ed_ emp/---emp_ ent/---multi/ documents/ publication/wcms _116336.pdf
Corporate Responsibility Coalition (CORE)	NGO coalition (UK)	Corporate Social Responsibility (CSR) has been promoted by business as a way of realising its 'social responsibilities' beyond making a profit for its shareholders. In contrast to this view, NGOs and trade unions tend to dismiss CSR as a public relations tool at best, and at worst a means for corporations to avoid the creation of regulatory and legal mechanisms as a means of ensuring that they adhere to acceptable standards of conduct.	CORE (2011)
Grameen Bank	Social enterprise (Bangladesh)	Businesses are identifying themselves with the movement for Corporate Social Responsibility (CSR), and are trying to do good to the people while conducting their business. But profit-making still remains their main goal, by definition. Though they like to talk about triple bottom lines of financial, social, and environmental benefits, ultimately only one bottom line calls the shot: financial profit.	Yunus & Weber (2009)
General Electric	Business organization (US)	GE businesses depend on the infrastructure, skills and institutions of stable, prosperous societies and healthy environments. To succeed as a global business, we need to be a part of building these societies where we operate. We do this through the products and services we create, the way we work with employees, customers, suppliers and investors, the public policies we advocate and the philanthropic partnerships we support.	www.ge citizenship.com/ about-citizenship/

Table 1.1: Continued

Name of the organization	Type of organization	Definition	Source
Tata	Business organization (India)	Jamsetji Tata and those who followed in his immediate wake set the CSR mandate for Tata companies: to look beyond the generation of products and profits to serving the communities in which they functioned.	www.tata.com/ pdf/COH_2009/ coh_foreword.pdf
Foreign Affairs and International Trade	Governmental organization (Canada)	Corporate Social Responsibility (CSR) is defined as the way companies integrate social, environmental, and economic concerns into their values and operations in a transparent and accountable manner. It is integral to long-term business growth and success, and it also plays an important role in promoting Canadian values internationally and contributing to the sustainable development of communities	www. international.gc. ca/trade- agreements- accords- commerciaux/ds/ csr.aspx?view=d
Chinese Ministry of Commerce	Governmental organization (China)	A concrete action taken by Chinese companies to implement the political aspiration of the new Communist Party collective leadership – putting people first to create a harmonious society	www.ethicalcorp. com
Department for Business, Innovation and Skills	Governmental organization (UK)	The voluntary actions that business can take, over and above compliance with minimum legal requirements, to address both its own competitive interests and the interests of wider society.	BERR (2009)
MVO Nederland (CSR Netherlands)	NGO (Netherlands)	The Corporate Social Responsibility approach means that the company takes responsibility for the effects of the business' activities on people and the environment. The company makes conscious choices in order to find a balance between People, Planet and Profit. Businesses can even go a step further and focus on new market opportunities, growth and innovation with a view to profiting people, society and the environment. Voluntary commitment to society.	www. mvonederland.nl/ content/pagina/ wat-mvo

Table 1.1: Continued

Name of the organization	Type of organization	Definition	Source
Nike	Business organization (US)	It's not just about getting better at what we do – addressing impacts throughout our supply chain – it's about striving for the best, creating value for the business and innovating for a better world.	http://nikeinc.com/pages/responsibility
World Economic Forum	Business association (International)	We believe that corporate global citizenship is fundamentally in the enlightened self-interest of global corporations since their growth, prosperity and sustainability is dependent on the state of the global political, economic, environmental and social landscape.	www.weforum.org/issues/corporate-global-citizenship
European Commission	Governmental organization (EU)	The responsibility of enterprises for their impacts on society. Corporate social responsibility concerns actions by companies over and above their legal obligations towards society and the environment. Certain regulatory measures create an environment more conducive to enterprises voluntarily meeting their social responsibilities.	Commission of the European Communities (2011)
World Bank	International organization (international)	Corporate Social Responsibility (CSR) is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve quality of life, in ways that are both good for business and good for development	http://info.worldbank.org/etools/docs/library/57434/public policy_econference.pdf
Business for Social Responsibility	Not-for-profit business association (US)	Business decision making linked to ethical values, compliance with legal requirements, and respect for people, communities, and the environment around the world.	www.forensicsolutions.info/page20.html
CSR Asia	Social enterprise (Asia)	We believe CSR is a company's commitment to operating in an economically, socially and environmentally sustainable manner whilst balancing the interests of diverse stakeholders.	www.csr-asia.com

good. Yet the precise manifestation and direction of the responsibility lie at the discretion of the corporation.'

In this book, we will not seek to simply follow one of these definitions, nor will we provide a new improved one that will simply add to the complex jungle of CSR definitions. In the contested world of CSR, it is virtually impossible to provide a definitive answer to the question of what CSR 'really' is. Therefore, our intention is to identify some core characteristics of the CSR concept, which we hope will help to delineate its essential qualities, and will provide a focus for the definitional debates that continue to surround the subject.

Core characteristics of CSR

The core characteristics of CSR are the essential features of the concept that tend to get reproduced in some way in academic or practitioner definitions of CSR. Few, if any, existing descriptions will include all of them, but these are the main aspects around which the definitional debates tend to centre. Six core characteristics are evident (see Figure 1.1):

Figure 1.1: Core characteristics of CSR

Voluntary

Many characterizations of CSR typically see it as being about voluntary activities that go beyond those prescribed by the law. The Dutch group MVO Nederland (CSR Netherlands) and the UK government follow this line. Although the Business for Social Responsibility definition emphasizes CSR as legal compliance, many companies are by now well-used to considering responsibilities beyond the legal minimum, and in fact the development of self-regulatory CSR initiatives from industry is often seen as a way of forestalling additional regulation as the NGO coalition CORE argues. The case of companies such as McDonald's, KFC, Pret A Manger, and Pizza Hut agreeing in 2011 to introduce calorie labelling in the UK on out-of-home food and beverage items (as part of a Department of Health voluntary programme) is a good example of such a CSR initiative that has arguably been introduced to head off potential regulatory action – such as New York's mandatory calorie labelling on menus introduced in 2008 (Triggle, 2011).

Critics of CSR, therefore, tend to see the element of voluntarism as CSR's major flaw, arguing that legally mandated accountability is where attention should really be focused, as the CORE definition demonstrates.[1] There are some indications, however, of a shifting tide in this respect. The EU, for example, has revised its definition of CSR from 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis' (Commission of the European Communities, 2002) to acknowledging the role that the legislative environment can make in enabling CSR (Commission of the European Communities, 2011).

Internalizing or managing externalities

Externalities are the positive and negative side-effects of economic behaviour that are borne by others, but are not taken into account in a firm's decision-making process, and are not included in the market price for goods and services. Pollution is typically regarded as a classic example of an externality since local communities bear the costs of manufacturers' actions. Regulation can force firms to internalize the cost of the externalities, such as pollution fines, but CSR would represent a more voluntary approach to managing externalities, for example by a firm investing in clean technologies that prevent pollution in the first place. Much CSR activity deals with such externalities (Husted & Allen, 2006), including the management of human rights violations in the workforce, minimizing carbon emissions, calculating the social and economic impacts of downsizing, or reducing the health impacts of 'toxic' or otherwise dangerous products, etc. For example, a study commissioned by the Egg Corporation of Australia in 2011 maps out the carbon footprint of cage eggs compared with free-range eggs, and other protein sources such as pork and beef.[2]

Multiple stakeholder orientation

CSR involves considering a range of interests and impacts among a variety of different stakeholders other than just shareholders. The assumption that firms have responsibilities to shareholders is usually not contested, but the point is that because corporations rely on various other constituencies such as consumers, employees, suppliers, and local communities in order to survive and prosper, they do not *only* have responsibilities to shareholders. While many disagree on how much emphasis should be given to shareholders in the CSR debate, and on the extent to which other stakeholders should be taken into account, it is the expanding of corporate responsibility to these other groups that characterizes much of the essential nature of CSR, as illustrated by the CSR Asia definition in Table 1.1. We will discuss stakeholder management in much more depth in Chapter 4

Alignment of social and economic responsibilities

This balancing of different stakeholder interests leads to a fourth facet. While CSR may be about going beyond a narrow focus on shareholders and profitability, many also believe that it should not, however, *conflict* with profitability. Although this is much debated, many definitions of CSR from business and government stress that it is about enlightened self-interest where social and economic responsibilities are aligned. See, for example, the definitions of the Canadian Foreign Affairs and International Trade, and General Electric. This feature has prompted much attention to the business case for CSR – namely, how firms can benefit economically from being socially responsible.

Practices and values

CSR is clearly about a particular set of business practices and strategies that deal with social issues, but for many people it is also about something more than that – namely a philosophy or set of values that underpins these practices. This perspective is evident in both the BSR and Chinese Government definitions of CSR given in Table 1.1. The values dimension of CSR is part of the reason why the subject raises so much disagreement – if it were just about what companies *did* in the social arena, it would not cause so much controversy as the debate about *why* they do it.

Beyond philanthropy

In some regions of the world, CSR is mainly about philanthropy – i.e. corporate largesse towards the less fortunate. But the current debate on CSR has tended to emphatically claim that 'real' CSR is about more than just philanthropy and community giving, but about how the entire operations of the firm – i.e. its core business

functions – impact upon society. Core business functions include production, marketing, procurement, human resource management, logistics, finance, etc. This debate rests on the assumption that CSR needs to be integrated into normal business practice rather than being left simply to discretionary activity. The attempt to consider how CSR might be 'built in' to the core business of firms as opposed to 'bolted on' as an added extra has become a major theme in the CSR practitioner world (Grayson & Hodges, 2004). According to Wayne Visser (2010), for example, CSR needs to become the 'new DNA' of business.

These six core characteristics, we would suggest, capture the main thrust of CSR. However, as we will now discuss, the meaning and relevance of CSR will vary according to organizational and national context.

CSR in different organizational contexts

The variety of definitions and perspectives on CSR discussed in the previous section is partly credited to the fact that CSR is practised in a broad range of different organizational contexts. In the following we will explore these contexts by analysing the role and relevance of CSR in all three main sectors of modern economies, i.e. the private sector, the public sector, and the civil society or third sector (including non-governmental organizations, social enterprises, charities). It should be noted that there is an issue of terminology here, since the 'corporate' aspect of CSR does not in a literal sense apply to small businesses, public sector organizations, NGOs and the like, but the acronym is nevertheless commonly used in a generic sense and we continue to do so here.[3]

CSR and the private sector

The main arena of CSR, as indicated by the 'corporate' in CSR, is the business world. Within that arena, however, we have a plethora of different types, industries and organizational forms. In the following section, we will have a look at one of the main distinctions, namely between large corporations and small- and medium-sized enterprises (SMEs) – see Table 1.2.

Table 1.2: Differences in CSR among large and small firms

	Large firms	*Small firms*
Formalization of CSR	Formal, bureaucratized	Informal
Main actors in CSR	Shareholders, external stakeholders	Owner-manager, employees
Aims of CSR	Build corporate brand and manage public legitimacy	Build trust, networks and personal relations

Arguably, the language of *corporate* social responsibility indicates that CSR is predominantly a concept that applies to large corporations, typically owned by shareholders and run by employed managers. Certainly the seminal contributions on CSR, as discussed in Chapters 2 and 3 of this book, conceive CSR against the backdrop of these large corporations. Therefore, as entities in which ownership and control are separated (Berle & Means, 1932), one of the prominent issues for thinking about CSR in the context of large corporations is the question of whose interest the company should be run on behalf of by managers: just the interests of the owners or also the interests of society at large, represented by different groups such as customers, employees or local communities?

One could also argue that large corporations are far more visible and thus far more vulnerable to criticism from the public than smaller firms (Spence, 2007). A large company that wants to behave socially responsibly therefore may well have formal policies on its responsibilities and how these are managed. On the whole, then, CSR in large corporations typically results in a fairly structured and formalized approach. CSR policies will be translated into codes of conduct for employees or suppliers; there will normally be committees and managers responsible for CSR; and many large companies involved in CSR will document their engagement in a dedicated annual report. In such a report, the corporation discharges accountability for how exactly they have dealt with different interests and expectations of society.

If we turn to SMEs, however, we will find a rather different picture, with evidence suggesting that they tend not to communicate externally about their CSR activities (Nielsen & Thomsen, 2009). There are a number of reasons that account for these differences (see Spence, 1999). First, SMEs are informal in nature, lacking the need for bureaucratic systems and structures due to the advantages of small size and the proximity of business partners and stakeholders. All business systems, including CSR, are rather informal and ad hoc in nature as opposed to the structured, formalized and codified approach of large corporations.

Second, unlike large corporations – who, due to size and branding, are often quite visible and vulnerable to criticism – SMEs are generally rather invisible and fall under the radar of wider society. Their key relationships with society are the personal relations developed between the owner/manager and, for instance, his or her employees, suppliers, customers, or neighbours. These personal relations, however, are of crucial importance to the SME and therefore much of what we could identify as CSR in this context is targeted at building good personal relations, networks, and trust (Spence & Schmidpeter, 2002).

Third, the common owner-managed nature of the small firm means that there is no separation of ownership and control, unlike in publicly traded large firms. Accordingly, managers are not obliged to serve shareholders or seek to maximize their return on investment. Owner-managers typically enjoy the autonomy of running their own firm and are not seeking to maximize profit as their reward (Spence & Rutherfoord, 2001). This frees them to invest time and resources according to their, and importantly their employees' (seen as key stakeholders) interests. As noted above, however, the CSR activities embedded in the firm are not reflected in external reporting. Nielsen & Thomsen (2009) capture this paradox poetically, 'SMEs have

no interest in turning their local and authentic practice into a forced marketing and branding exercise.'

Overall, it is probably fair to say that given the importance of SMEs, which in much of the world account for the majority of private sector employment and GDP in their countries, the CSR literature has so far paid disproportionate attention to larger organizations (Morsing & Perrini, 2009). This gap in research is highlighted further where family businesses – also a majority form in the private sector and relevant to both large and small firms – are taken into account. A range of issues related to the mixing of public and private objectives and the influence of succession issues and family legacy have important impacts on CSR which are yet to be fully understood (Mitchell et al, 2011).

CSR and the public sector

At first sight, one would not necessarily expect CSR to be an issue for public sector organizations, such as government ministries, agencies or local administrative bodies. After all, it is 'corporate' social responsibility. However, in most industrialized countries, governments still supply a large amount of all goods and services, some-where between 40–50 per cent of the GDP in many countries. Consequently, the same demands made upon corporations to conduct their operations in a socially responsible fashion are increasingly applied to public sector organizations as well. For example, public sector organizations face the similar environmental demands, similar claims for equal opportunities for employees, and similar expectations for responsible sourcing as do private companies. Consequently, we increasingly find public sector organizations adopting CSR policies, practices and tools very similar to those found in the private sector.

In some ways, these demands for social responsibility in the public sector could be considered more pronounced due in part to the public service ethos (Van der Wal et al, 2008). Public organizations, such as schools, hospitals, or universities, by definition have social aims and are mostly run on a not-for-profit basis. This establishes the social dimension of their responsibility at the core of their operations. Furthermore, given the size of many public bodies and agencies, as well as their quasi-monopolistic position in many areas of services, they are likely to have an impact on society that is often far beyond the impact of a single large corporation. Consequently, the claim for responsible behaviour on the part of public bodies has grown, as has the demand for greater accountability to society in the public sector. Just as private sector companies are exhorted to become more accountable in their reporting and communication to the public, so we now witness a steady rise in the use of typical CSR instruments, such as social auditing and reporting, by public bodies (Ball, 2004). The United States Postal Service, for example, has been publishing social responsibility and sustainability reports since 2008.[4]

Apart from incorporating CSR into their own operations, many government organizations also take an active role in promoting CSR within their sphere of influence, including going beyond their borders. For example, the Sino-German CSR

project is the first bilateral project of its kind to focus exclusively on CSR in China. One of the major objectives of the project is to strengthen key government institutions in their efforts to improve framework conditions for CSR in China.[5]

A similarly pronounced role in promoting CSR has been adopted by the European Union. In a part of the world where CSR is still largely considered a novel, Anglo-Saxon idea, the European Commission has invested considerable effort in defining and promoting CSR in Europe, convening a multi-stakeholder dialogue which resulted in a widely discussed White Paper in 2002 (Commission of the European Communities, 2002) and a new CSR strategy in 2011 (Commission of the European Communities, 2011). We will discuss in more depth the broader role of government in CSR in Chapter 11.

CWS 1.2

Visit the companion website for more examples of CSR initiatives by governments in different countries

COMPANION @ WEBSITE

CSR and civil society organizations

Intractably linked to the rise of CSR is the role of civil society organizations (CSOs). These non-governmental organizations (NGOs) have primarily social goals and may include social enterprises, charities, and community organizations. The sector is also sometimes called the third sector (alongside the private and the public) or the not-for-profit sector. Many of the initial demands for more responsible business behaviour – such as the protection of the environment, improvements in working conditions in sweatshops in the developing world, or prevention of human rights violations in countries with oppressive regimes – have been brought to the attention of the wider public by CSOs such as Greenpeace, Save the Children, or Amnesty International. Traditionally then, the role of NGOs in the CSR arena has been more that of a police officer or watchdog, a constant critic exposing corporate misbehaviour and mobilizing pressure against allegedly irresponsible practices. This role continues to be an important function of those CSOs whose skills in raising awareness and publicly exposing corporations can be such a major reputational risk for 'responsible' companies.

Increasingly, however, companies have responded to these challenges and have tried to take on board the criticisms of CSOs. In a considerable number of cases, this has resulted in a changing relation between business and CSOs: rather than just being critic and opponent, CSOs have also built partnerships with business in order to contribute to more socially responsible behaviour on the part of corporations. Although such relationships are not without their challenges (Jamali & Keshishian, 2009), within these partnerships, corporations can bring their considerable financial resources to the table while CSOs can offer their expertise and public legitimacy, among other things (Elkington & Fennell, 2000). Moreover, a number of broader industry- or countrywide standards for responsible corporate behaviour have emerged from business-CSO partnerships. A prominent example here is the Marine Stewardship Council,[6] a set of rules and practices for sustainable fisheries, which was initially set up by the NGO Worldwide Fund for Nature (WWF) and the company Unilever (Clay, 2005). Indeed, many of the voluntary approaches to self-regulation seen today come into existence with some degree of NGO involvement (Doh & Teegen, 2003).

Another civil society organizational form which has prospered in recent years is the social enterprise (see Chapter 12 for more details). Social enterprises and social entrepreneurs vary in type and form with as many definitions as CSR, but have a clear primary goal of social or environmental benefit, although they may operate in the private sector (Zahra et al, 2009). One of the most readily recognized social enterprises globally is the Grameen Bank,[7] which is a community development bank and gives very small loans (microcredit) to those at the very bottom of the economic scale – usually women – initially in Bangladesh but now further afield. While not uncontroversial, the work and ideas behind the Grameen Bank (Yunus & Weber 2009) have had such an impact globally that its founder, Mohammad Yunus was awarded the Nobel Peace Prize in 2006. Challenging the developed-developing country divide, Grameen Bank also operates in developed countries with, for example, Grameen Scotland opening in 2012.

With the continued growth of NGOs such as Oxfam, Greenpeace, or Amnesty International – many of which are global organizations with multimillion budgets and thousands of members and employees – CSR has also becomes a topic for these organizations to apply to themselves. Since they claim to campaign 'in the public interest', there is a growing demand to improve their public accountability (Unerman & O'Dwyer, 2006). The relationship of social enterprises to CSR is similarly a complex one, with research still emerging, not least because of the assumption that social enterprises are inherently 'doing good' (Nicholls, 2009). In addition, social enterprises are as varied in size as private sector organizations, with vast multi-nationals such as Ashoka and Grameen grouped together with many and varied micro community-based organizations.

CSOs as well as corporations need to be transparent about their causes, their funding, and their tactics, and to provide their supporters and the general public with some degree of say in how they represent these causes. This becomes more pronounced as business itself has increasingly moved towards setting up CSOs that represent specific business interests, such as the World Business Council for Sustainable Development (WBCSD), the Global Business Coalition on HIV/AIDS (GBC) or the Global Climate Coalition (GCC). While on the outside, these organizations often look like CSOs, they are in fact far different from normal grassroots CSOs, and have therefore been dubbed by some as 'astroturf NGOs' (Gray et al, 2006). Arguably, the challenge of putting policies and practices in place for enhanced public accountability and transparency – in other words, implementing CSR – is one of the key future tests for CSOs.

CSR in different regions of the globe

The meaning of CSR not only differs from sector to sector (as we have discussed in the previous section), but it also differs quite substantially from country to country (Freeman & Hasnaoui, 2011). To put CSR 'in a global context' (as our subtitle suggests) it is essential to understand the specific regional and national contexts in which companies practise CSR. In the following section, we will therefore discuss

some basic characteristics of CSR in different regions of the globe. It should be noted that the categories developed/developing/transitional/emerging – are not definitive. In particular, the rise in economic power of the 'BRIC' economies – Brazil, Russia, India and China – where economic growth is far greater than in the US and Western Europe at the beginning of the 2010s, leaves a global economy in flux and transition.

CSR in developed countries

In its most well-known guise, CSR is essentially an American idea. It was in the US that the language and practice of CSR first emerged. Also, most of the academic literature on the topic, and most of the key ideas discussed in the first section of this book, originate from there, although they have been built on and developed by contributors from around the world. The main reason for this lies in the specific characteristics of the US business system (Matten & Moon, 2008). That is, American society is characterized by fairly unregulated markets for labour and capital, low levels of welfare state provision, and a high appreciation of individual freedom and responsibility. Consequently, many social issues, such as education, healthcare, or community investment have traditionally been at the core of CSR. Philanthropy is high on the agenda with, for instance, corporate community contributions by US companies being about ten times higher than those of their British counterparts (Brammer & Pavelin, 2005).

In other parts of the world, most notably Europe, the Far East, and Australasia, there has always been a stronger tendency to address social issues through governmental policies and collective action. Many issues that US companies would typically boast about as CSR on their websites, such as the provision of healthcare or fighting climate change, have not appeared until recently on the screens of continental European companies. The reason for this is that these issues have traditionally been considered a task for governments. In other words, the corporate responsibility for social issues has been the object of codified and mandatory regulation. CSR for European companies, therefore, has predominantly come on the agenda through their overseas operations (where regulatory frameworks are different from Europe), and it is fair to say that even until the present day, multinational corporations (MNCs) rather than domestic companies can be considered to be the leading actors in European CSR. The US-Europe differences in CSR are likely to persist and the way corporations address CSR issues, such as global warming, the provision of affordable medicine to the developing world, or the use of genetically modified organisms in food production, remains markedly different on both sides of the Atlantic (Doh & Guay, 2006).

Countries such as Japan, and to a lesser degree South Korea and Taiwan, are considered fairly similar to continental Europe in terms of the institutional context for CSR. They are characterized by high bank and public ownership, patriarchal and long-term employment, and coordination and control systems based on long-term relations and partnerships rather than on markets. The Japanese 'Keiretsu', the

Korean 'Chaebol', or the (mostly state-owned) Taiwanese conglomerates have a legacy of CSR similar to European companies – including life-long employment, benefits, social services, and healthcare – not so much as a result of voluntary corporate policies, but more as a response to the regulatory and institutional environment of business.

The reasons for the rise of CSR in Europe and in these developed economies in the Far East in recent years are several. To begin with, MNCs with their home base in such countries are challenged to implement more CSR in their operations located in countries with poor governance and low levels of state provision of public services, human rights protection, or environmental protection. Furthermore, some of these developed economies have undergone substantial overhauls of their welfare systems and regulatory frameworks, resulting in lesser degrees of state attention to social issues and more discretion for private actors. The United Kingdom is probably the best example here, where radical reforms that liberalized labour and capital markets, together with the privatization of public services and publicly owned companies, contributed to a significant surge in CSR (Moon, 2004). Increasingly, corporations in the UK have assumed responsibility for regenerating local communities, addressing unemployment, sponsoring schools and education, as well as improving public transparency and accountability. This shift was formalized in the flagship commitment for the 'Big Society' – i.e. local community empowerment – by Prime Minister David Cameron in the early 2010s.[8]

In addition to these domestic political changes, globalization also represents a powerful booster of CSR. The rise of global investors linking their investment decisions to 'socially responsible investment' criteria, the growth in global NGO activism scrutinizing corporate behaviour, and intensified exposure of business by the media have all boosted growing attention to CSR in Europe and elsewhere (Matten & Moon, 2008). It can also be observed that in most developed countries we have specific domestic CSR issues that shape the debate in the respective context. For instance, many European countries see CSR specifically with regard to the protection of the natural environment, while the CSR debate in the Far East prominently features issues of corporate governance and transparency in large conglomerates (Webb, 2006). Often the CSR debate in a country reflects longstanding and ongoing deliberations in society at large: for instance in Australia and South Africa, considerable expectations have been directed towards companies to address and uphold rights of aboriginal and black people respectively, or to contribute to their economic empowerment more generally.

CSR in developing countries

The activities of Western MNCs in developing countries have also been a major driver behind the recent surge in CSR over the last two decades. Many companies use developing countries as a source of cheap raw materials and, in particular, cheap labour. Against this backdrop, campaigns against Shell's role in Nigeria and Nike's poor labour practices in its Asian supply chains in the 1990s triggered significant

changes toward more responsible practices in many MNCs. Problems still persist, however, with Apple facing substantial criticism for the low pay in one of its major suppliers Foxconn in China resulting in a spate of suicides in 2010, and front-page headlines in the *New York Times* in 2012.

Developing countries are broadly characterized by various features that can offer considerable scope for the exercise of CSR. These include low standards for working conditions and environmental protection, high corruption, oppressive regimes with low regard for human rights, poor provision of healthcare and education, as well as low levels of per capita income and foreign direct investment. Although this is not a fair representation of all developing country contexts at all times, the main challenge for MNCs from the developed world when they are faced with such circumstances lies in conducting their business in a way that would be considered socially responsible in their respective home countries

It is important to recognize though that a growing number of *domestic* companies in developing countries have also developed an interest in CSR. The main CSR issues these companies are concerned with include contributions to enhance the infrastructure of health, education, and transport, and to serve as examples of good governance. The development of microfinance has been an important contribution in this respect, encouraging small scale enterprise and the empowerment of marginalized groups. Such initiatives have moved beyond the realm of CSOs and are now engaged with by mainstream commercial banks such as HSBC (see Integrative case 2).

The debate in the Global South has begun to shift from understanding CSR as aid, towards thinking of responsible behaviour more in terms of development. Arguably, one of the main reasons why these countries are poor is the absence of economic activity and growth – and it is here where one of the main responsibilities of business can be seen. Implementing CSR in this sense would therefore require MNCs to conduct business and bring foreign direct investment to developing countries in the first place, and then ensure that the wealth created is locked into development. So, for instance, the World Business Council for Sustainable Development issued an in-depth report on how business supports the implementation of the United Nations' Millennium Development Goals[9] (WBCSD, 2005). Many of the points raised in the report do not refer to business 'sharing' its wealth with these countries but business being present in these countries and contributing to economic growth and prosperity.

This role of MNCs, however, is not uncontested. Many critics argue that profit-maximizing corporations have only very limited interest in these more political goals, and that evidence of MNCs contributing positively in the developing world is at best sketchy (Frynas, 2005). Ultimately, according to the sceptics, responsible corporate behaviour in the developing world is an issue that cannot be left to the voluntary discretion of business people but needs to be addressed by more stringent regulation in their home countries in the global North (Aaronson, 2005).

CSR in emerging/transitional economies

Between those two major categories of developed and developing countries there is a third category that deserves attention from a CSR perspective. Most countries of the former communist bloc have changed from a planned and government run economy to a capitalist market system. While the social responsibility of state-operated business in the former model was far-reaching, including broad provision of education, healthcare, housing and a plethora of other services, the transition to a market economy has seen many of these former conglomerates dismantled and transformed into shareholder-owned companies. While there is a range of different approaches to CSR in these countries, one might argue that in some respects, Russia and China represent the more extreme cases. In the Russian context, the societal acceptance of the market remains an issue with large corporations often tainted by an image of fraud and corruption, and where mutual suspicion between business, the state and the people is rife. Perhaps unsurprisingly in this context, research has found that Russian managers do not see CSR as a relevant topic for business or for other stakeholders. Challenging the Western understanding of CSR, Russian managers are more likely to perceive CSR in terms of responsibilities that are taken for granted elsewhere, such as abiding by the law, paying taxes and providing employment (Kuznetsov et al, 2009).

In China, the CSR movement has emerged since the new millennium, in a context of a legal framework for companies to abide by ethical and socially responsible codes, and the beginning of a wave of CSR reports by State Owned Enterprises starting in 2006 when the Shenzhen Stock Exchange also published its 'Socially Responsible Guidelines for Listed Companies'. Po (2009) attributes all these developments and the rise of CSR to supply chain demands and China's increasingly important role in the world and the desire to match this role with an appropriate national image in terms of social responsibility. There is also the argument that the cultural legacy of Confucianism is in keeping with many elements of CSR. Against this positive backdrop, however, it should not be forgotten that there remain serious and seemingly intractable problems relating especially to the environment, labour and human rights and product safety in China (Po, 2009).

The 'Arab Spring', which started at the end of 2010, saw a wave of protest and a string of dictators overthrown, leading to the emergence of several new governments across North Africa and the Middle East. The economic, business and socio-political outcomes of these transitions have yet to fully take shape, but it is notable that companies, especially technology firms, played a significant role both in supporting and constraining pro-democracy movements at this time. The Egyptian revolution, for example, was lauded as a 'Facebook revolution' and one of its more prominent leaders was a Google executive (Smith, 2012). Internet service providers and mobile phone providers (including Vodafone, see Integrative case 1), however, across the region were at various times forced by the authorities to close down service in order to restrict protestors' ability to organize. Social responsibility (or the lack of it) might therefore go further than just adapting to the existing institutional context, but also include playing a role in the transformation of political systems in transitional economies.

Conclusion

In this chapter we have discussed the development of CSR, and its rise to prominence. We have also examined the maze of definitions that have been used to delineate CSR in order to develop some core characteristics of the concept. Finally, we explored the meaning and relevance of CSR in different national and organizational contexts.

What should certainly be clear by now is that the term 'corporate social responsibility' is very difficult to pin down precisely – it can have many meanings, applications, and implications, and these are rarely agreed upon by those who take an interest in the debate. This may not make our lives any easier when studying CSR, but it certainly makes it more interesting!

In this book, we have adopted a deliberately broad perspective on CSR in order to provide a well-rounded introduction to the subject. Included in the following chapters are those that espouse a view of CSR thoroughly embedded in a pro-corporate 'business case for CSR' as well as those that argue for a more political view of CSR that attends to the need to make corporations more accountable to the societies in which they operate. The point of this text is not so much to suggest that any of these perspectives is necessarily 'better' or more 'correct' than another. Rather it is to provide an insight into the richness and diversity of the CSR literature. Editing a collection of readings on CSR allows us to present some of this heterogeneity whilst simultaneously providing some guidance as to how to 'read' and contextualize the different contributions. After all, it is clear that many of the authors writing about CSR in this book are engaging in a discussion about CSR for different ends, and bring with them very diverse assumptions about the nature and purpose of the corporation. The introductions to the readings will offer some useful insight on these purposes and assumptions, at least as far as we see them.

The book is organized into three sections, dealing with respectively:

- Understanding CSR
- Applying CSR
- Managing CSR

In designing this structure, it is evident that our main focus is around the actual performance of CSR by organizations, although the book also offers considerable theoretical insight on CSR by bringing out key conceptual issues as they pertain to particular CSR practices and principles. The applied approach that we take is also demonstrated by the three integrative case studies that appear at the end of each section. These are intended to bring together some of the main issues that arise in the different chapters in each section, and offer some fascinating insights into the challenges of CSR in a global context.

Ultimately, the theory and practice of CSR as presented in this book represents a work in progress. The subject has risen to prominence only relatively recently, and has been disseminated across the globe with remarkable speed. The way in which CSR is understood, practised, and institutionalized in the global context is

ever-changing and open to substantially different interpretations. This book offers a multifaceted, and relatively comprehensive account of CSR as it stands today, but this account is by no means the only or the final one.

Challenges for practice

Take a close look at a company you work for or with which you are familiar.

1. Is CSR part of the stated company mission?
   a) If not, where if anywhere does CSR make an appearance in the business? Does this match your experience?
   b) If CSR is a part of the mission, what relative importance is assigned to it? Does this match your experience?
2. Who is assigned responsibility for CSR and how do you think this affects CSR in practice?
   a) Is the system hierarchical or a more matrix-based approach?
   b) To whom do those responsible for CSR report and at what level are they in the organization?
   c) How much resource is assigned to CSR compared to, say, marketing?
3. Would you say that CSR is integrated into the business?
   a) Do performance appraisal and reward mechanisms include CSR measures?
   b) Are the financial and CSR reports integrated?
   c) Are sanctions applied if codes are not complied with?
   d) Is there regular training and discussion on CSR issues?

Study questions

1. What is CSR and why has it risen to prominence in the past decade?
2. What are the six main characteristics of CSR? How do definitions of CSR vary around the core characteristics?
3. Select four corporations and four NGOs and research their perspectives on CSR on the web. To what extent is there overlap and divergence in their view of CSR? What can account for these similarities or differences?
4. 'CSR is only relevant for large private sector companies.' Critically discuss, providing examples from SMEs, the public and civil sectors.
5. Can or should CSR be transferred to developing and emerging economies? What are the benefits and drawbacks of this for the countries concerned?

Further reading

Carroll, A. B. (1999) 'Corporate social responsibility – evolution of a definitional construct', *Business & Society*, 38(3): 268–295.
This paper gives a thorough and wide ranging overview of the first 50 years of CSR research.

Porter, M. & Kramer, M. (2011) 'Creating shared value', *Harvard Business Review*, January–February: 62–77.
This article has gained substantial attention from the business world and is potentially a game-changing contribution to the CSR debate in terms of the language and rhetoric of 'shared value'. As an approach it has its critics, but is certainly an important article in the contemporary CSR field.

Endnotes

1   The Corporate Responsibility (CORE) Coalition is a collection of UK NGOs including WWF (UK), Amnesty International, Action Aid, and Friends of the Earth, that 'work to make changes in UK company law to minimize companies' negative impacts on people and the environment and to maximize companies' contribution to sustainable societies' (www.corporate-responsibility.org).
2   www.abc.net.au/rural/content/2011/s3395026.htm (Accessed 30 August, 2012).
3   This limited applicability of the 'corporate' label might contribute to the preferred use of terminology such as 'sustainability' in many organizations, which has many common features with CSR and is often used interchangeably. For details on the various terms for CSR see Chapter 3.
4   http://about.usps.com/what-we-are-doing/green/report/2010/welcome.htm (Accessed 30 August, 2012).
5   www.chinacsrproject.org/ (Accessed 30 August, 2012).
6   www.msc.org (Accessed 30 August, 2012).
7   www.grameen-info.org (Accessed 30 August, 2012).
8   www.cabinetoffice.gov.uk/big-society (Accessed 30 August, 2012).
9   www.un.org/millenniumgoals (Accessed 30 August, 2012).

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