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Corporate Social Responsibility: International Perspectives

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ABSTRACT

In this introduction to the special issue, we provide a brief review of the CSR literature with attention to some of the difficulties in globalizing the existing CSR concepts. Following this we provide a brief summary of each of the four papers that comprise the special issue, with emphasis on the unique contribution of each.

Keywords: Corporate Social Responsibility (CSR), Resource-Based View (RBV), Hedonic Analysis

JEL Classification: L15, L21, M14

INTRODUCTION

As scandals spread throughout the corporate sector and into significant global organizations, such as the United Nations (Oil for Food Program), management researchers have begun to examine ethics and social responsibility from a more global perspective. Doing so has been hampered by the lack of research that has a global perspective. Much of the extant literature on CSR, which is still in an emergent stage, has a national (U.S.) or regional (Europe) focus. This is not surprising given the different cultures, laws and institutions that provide the context for social responsibility.

In spring, 2005 the International Centre for Corporate Social Responsibility of the Nottingham University Business School and the College of Business Administration of the University of Illinois at Chicago co-hosted a workshop on corporate social responsibility (CSR). Researchers in attendance came from across the United States, Mexico, and Europe. Many of the papers presented at this workshop offered a more global perspective of CSR. Some of these papers were, after review and revision, accepted for publication in this special issue of the Journal of Business Strategies. The papers in this special issue were chosen because they provide an international perspective of corporate social responsibility and promise to make a significant contribution to this broader, more global literature.

The remainder of this introductory paper is organized as follows. The next section outlines important areas of CSR research that have helped frame the important issues and offers some discussion of the difficulties of globalizing the extant perspectives. The final section offers a brief description of the papers in this special issue and how they contribute to the development of an international perspective on CSR.

CSR: FRAMING THE ISSUES

Consistent with McWilliams and Siegel (2001), we define CSR as situations where the firm goes beyond compliance and engages in "actions that appear to further some social good, beyond the interests of the firm and that which is required by law." This is only one interpretation of CSR, but confining the discussion to this definition allows researchers to move beyond simply defining and identifying CSR activities to serious examinations of the role of CSR in organizations.

Critical insights on the antecedents and consequences of CSR have emerged from a variety of social science disciplines including economics, political science and sociology and numerous fields in management, including strategic management, organizational behavior, environmental management, economics, psychology, marketing, political science, and finance. One of the earliest and most cited perspectives on CSR was Friedman's 1970 New York Times Magazine piece in which he argued that the responsibility of managers is to maximize the return to shareholders and that any actions that further some social good, beyond the interest of the stockholders, can be viewed as deriving from an agency problem (Friedman, 1970). That is, managers who use corporate resources to further some social good are doing so only to advance a personal agenda such as promoting their self image.

An early challenge to Friedman's agency theory of corporate social responsibility was offered by Carroll who outlined a corporate social performance (CSP) framework (Carroll, 1979). This framework includes the philosophy of social responsiveness, the social issues involved and the social responsibility categories. This framework allowed researchers to test the relationship between social responsibility and firm financial performance (c.g., Aupperle, Carroll, & Hatfield, 1985; Waddock & Graves, 1997).

Several researchers, including Posnikoff (1997), Teoh, Welch & Wazzan (1999) and Wright and Ferris (1997) applied this framework to examine a global CSR issue, apartheid. In each case the researchers estimated the financial impact to firms of withdrawing operations from South Africa. McWilliams and Siegel (1999) critiqued these studies and noted that firms have multiple stakeholders and, therefore, testing for the impact on only financial stakeholders is inappropriate. They suggested that the affects on other stakeholders, such as employees, customers, suppliers, other South African firms, and local communities should also be measured. Additionally, although this was a global issue, the empirical tests examined only the impact on US firms. This highlights the narrow focus that characterizes the CSR literature.

An alternative, but similar theory, to Carroll's was developed by Freeman who argued that corporate social responsibility is a valid role of management (Freeman, 1984). His argument was based on the idea that firms have numerous relevant constituents whose interests should be considered, because the firm cannot continue to thrive and survive without the support of these stakeholders which include employees, customers, suppliers and community groups. This view was expanded by Donaldson who introduced stewardship theory (Donaldson, 1990). According to this theory, there is a moral imperative for managers to "do the right thing," without regard to how such decisions affect the firm's financial performance. This dictum becomes difficult to adhere to internationally, because there may be no consensus on what "the right thing" is.

Narrowing the focus somewhat, institutional theory was applied to CSR by Jones (1995) who concluded that companies involved in repeated transactions with stakeholders on the basis of trust and cooperation are motivated to be honest, trustworthy and ethical because the returns to such behavior are high. Expanding this argument to CSR activities, Fombrun and Shanley (1990) demonstrate that the returns to socially responsible behavior are captured through the reputation of the firm. An implication of this is that firms should consider CSR as an element of corporate strategy.

Attention to CSR as an element in corporate strategy led to examining CSR activities through the lens of the resource-based-view (RBV) of the firm. The RBV, as introduced by Wernerfelt (1984) and refined by Barney (1991), presumes that firms are bundles of heterogeneous resources and capabilities that are imperfectly mobile across firms. Accordingly, the imperfect mobility of heterogeneous resources can result in competitive advantages for firms that have superior resources or capabilities. McWilliams and Siegel (2001) used a model based on RBV to address optimal investment in CSR. In their model, CSR activities and attributes may be used in a differentiation strategy. They conclude that managers can determine the appropriate level of investment in CSR by conducting cost benefit analysis in the same way that they analyze other investments.

Applying the RBV to CSR naturally leads to the question of whether firms can use CSR to achieve a sustainable competitive advantage. Reinhardt (1998) addressed this issue and found that a firm engaging in a CSR-based strategy could only sustain an abnormal return if it could prevent competitors from imitating its strategy. This is consistent with Barney's (1990) VRIS formulation of the RBV, which posits that sustainable competitive advantage requires that resources be valuable (V), rare (R), inimitable (I) and non-substitutable (S). In competitive markets it is unlikely that a firm can prevent competitors from imitating a CSR-based strategy, so competitive advantage based on CSR activities/attributes will be short lived. However, this also means that competing firms may be forced to imitate CSR activities to gain competitive parity. This raises the question of whether such competition-meeting activities should be considered "responsible" rather than simply strategic.

This question was formalized by Barron (2001) who noted that "it is the motivation for the action that identifies socially, as opposed to privately responsible action." If the motivation is to serve society, at the cost of profits, the action is socially responsible. However, if the motivation is to serve the bottom line, then the action is privately responsible, as Friedman (1970) suggested it should always be. This does not change the fact that some activities that are motivated by the bottom line may have social benefits. For example, a firm might provide day care to increase employee morale and decrease absenteeism. The provision of this day care may provide social benefits by lowering juvenile crime and increasing school retention. It is difficult to distinguish between privately and socially responsible activities, because managers may have an incentive to report both under the label of "social responsibility." Many large firms and nongovernmental organizations (NGO) now include statements about social responsibility in published documents and this creates pressure to expand and embellish reporting on CSR activities. It is not clear how reporting of CSR activities varies across nations, regions, and cultures or how differences in institutional environments will affect the expectations of stakeholders in regard to CSR activity and reporting.

In a recent study, Doh and Guay (2006) assessed how differences in the institutional environments of Europe and the US affected expectations about firms' socially responsibilities.

Employing case studies, they assessed the roles that US and European NGO have played in influencing CSR policies and found institutional differences in these two regions in influencing government policy, corporate strategy and NGO activism related to CSR. An implication of this study is that cross-country comparisons of the propensity of firms to engage in CSR should take into account institutional differences.

PAPERS IN THE SPECIAL ISSUE:

The first paper, by Anupama Mohan, examines the management of CSR activities by large multinational corporations (MNC). Using an embedded multiple case study design, Mohan examines the management of CSR activities in eight subsidiaries of two MNC. Although all the subsidiaries operate in India and the two firms are UK-based, the subsidiaries are from diverse industries, having diverse stakeholders. Mohan gathers and analyzes data for multiple activities across four dimensions of CSR - employee, customer, environment, and community. The data allow for comparisons across companies, across sectors, across levels, and across dimensions.

Mohan concludes that MNC manage some activities globally, with standards determined at headquarters and allow some activities to be managed locally, with managers responding to local concerns. Interestingly, she finds that there are differences across the four dimensions as well as across levels and industries. The richness of the data and the rigor of the analysis in this study guarantee that it will make a significant contribution to the emerging literature on global CSR.

The second paper, by Natasha Munshi, is a case study of collective stakeholder action. The extant literature has examined how one group of stakeholders affects or is affected by the activities of firms. In the Munshi study, industry stakeholders act collectively to affect a firm activity that they perceive threatens them all. Industry stakeholders are defined as "those individuals and groups who perceive themselves and are perceived by other members as having a membership stake in the industry." In this study, the industry is Scotch Whiskey. The industry stakeholders acted collectively to discourage one firm, Diageo, from introducing a new product, Cardhu pure malt whiskey, that would increase the firm's profits in the short run, but might damage the entire industry in the long run through destruction of the reputation of single malt whiskey. The firm responded to the collective stakeholder pressure by withdrawing the new product, even though it acknowledged the short run costs of doing so.

This paper expands stakeholder theory to encompass collective behavior. It also enhances our understanding of industry and might lead to our considering collective stakeholder action as a 6^{th} force in industry analysis. In this respect, this study contributes to the Strategic Management literature as well as the CSR literature.

The third paper, by Eva Boxenbaum presents a case study that illuminates the process of managers developing a new CSR construct in response to stakeholder demand. The two firms included in the study are in the Danish service industry. The managers are from the firms' human resource departments. The backdrop of the study is the failure of a CSR construct developed by the Social Democratic government of Denmark in 1994. This construct (called the Inclusive Labour Force) encouraged firms to integrate and retain workers in the active labor force, targeting such groups as immigrants, refugees and those with physical challenges. The impetus for this program was to protect the Danish welfare state whose future was threatened by shifting demographics, such as the aging of the workforce. The success of the government CSR construct was challenged when a new government, the Liberal Party replaced the Social Democratic party in late 2001.

A project group was assembled and funding was obtained to create a non-government CSR construct based on North American practices of diversity management. Boxenbaum recorded the proceeding process as it developed and she provides a rich description of the process and outcomes. This study illustrates how CSR practices developed within one institutional system can be modified and applied in a very different institutional setting. This has very important implications for the globalization of CSR.

The fourth paper, by Francesco Perrini, Stefano Pogutz, and Antonio Tencati, examines the state of the art of CSR in Italy. The authors conducted a survey and analyzed the results to develop a description of the attitudes towards CSR in Italy. There primary conclusion from the survey data was that Italian firms, in general, have a positive attitude toward CSR. They then gathered data on the firms that had responded to the survey and analyzed the relationships between firm attributes and attitudes towards CSR. One of their significant findings is that firms are more likely to support CSR activities that have a direct affect on the welfare of the local community. They draw the conclusion that the firms recognize the value of these activities to the firm's reputation and the link between reputation and the bottom line. They found no universal relationship between many CSR constructs (such as environmental performance) and firm attributes (such as location and size). The contribution of this paper lies in the empirical analysis and results that illuminate, for the first time, the attitudes of Italian firms towards CSR.

Taken together this set of papers offers insights across several countries (Denmark, India, Italy and the UK) and many industries. Analysis is based on economic, institutional and stakeholder theories and is implemented with surveys, regression analysis, and case studies. All contribute to a broader understanding of CSR in a global context.

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