

CORPORATE SOCIAL RESPONSIBILITY

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CORPORATE SOCIAL RESPONSIBILITY

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INVESTOR IN PEOPLE



William C. Frederick, 1925–2018

We dedicate this volume of *Business and Society 360* to William (Bill) C. Frederick, a founding father of the academic Corporate Social Responsibility field. Bill was our dissertation chair, collaborator, and co-author, and, most importantly, mentor and friend.

We are proud that Bill's final published manuscript is the opening chapter in this volume, completed just a few weeks before his passing.

Bill's legacy lives on in his scholarship, his teaching and textbook writing, his service to the professional organizations he helped found, and in his unwavering love for his family, friends, colleagues, and former doctoral students.

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About the Editors

James Weber is a Professor of Business Ethics and Management and is currently the Executive Director of the Institute of Ethics in Business at Duquesne University. He received the Sumner Marcus Award for outstanding contribution of service to the field in 2013 from the Academy of Management's SIM Division. A prolific author with publications in major academic journals and coauthor of a market-leading textbook, Dr. Weber also served on the editorial boards of *Business Ethics: A European Review*, *Journal of Moral Psychology*, *International Journal of Ethics Education*, *Encyclopedia for Business Ethics and Society* (SAGE Publications), and *Business Ethics Quarterly*.

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Preface

Introducing the *Business and Society 360* Book Series

Where are we? How did we get here? Which way should be go now?

Sound familiar? Have you ever considered the answers to these questions related to the work you do? Existential moments are common in the maturation of any academic discipline. They are the product of a passionate, caring constituency that is cautious about making meaningful contributions that can propel future research and provide illusory discoveries that are conceptually powerful, empirically sound, and practically useful.

It is in this spirit for academic progress that we proudly present the *Business and Society 360* (BAS 360) annual book series. It is our view that there has never been a more opportune time to introduce a comprehensive book series on the most important theories, concepts, and constructs that drive our field. The volumes in this series take advantage of these moments of reflection that seem to permeate into many of our academic discussions at IABS, the Academy of Management (primarily in the Social Issues in Management Division), and our scholarship.

We envision BAS 360 as an annual book series targeting cutting-edge developments in the broad business and society field (stakeholder management, corporate social responsibility and citizenship, business ethics, corporate governance, sustainability, and others). Each volume features a comprehensive 360-degree discussion and review of the current state of the research and theoretical developments in a specific area of business and society scholarship. The goal of this series is to shape future work in the field around our many disciplines and topics of interest, to enlighten scholars in the area about the most productive roads forward. Essentially, at this crossroad, which way do we proceed?

The 360-degree view is intended to reflect on a theory's historical development, cross-discipline research, empirical explorations, cross-cultural studies, literature critiques, and meta-analysis projects. Given

our multidisciplinary identity, each volume draws from work in areas both inside and outside of business and management.

Introduction to This Volume on Corporate Social Responsibility

The concept of businesses having a responsibility to society can be traced back to medieval artisans caring for the local tribes and villagers, but formally appeared in the United States around the start of the twentieth century (Heald, 1970). In the 1920s, there was increasing governmental pressure through legislation and mounting social protests by stakeholders against big business. In response, some of the wealthiest business leaders, such as Andrew Carnegie and John Rockefeller, became great philanthropists on behalf of their corporations, giving much of their wealth to educational and charitable institutions. Corporations began to establish foundations where corporate wealth was distributed to specific social causes or nonprofit organizations. These more recent traditions are globally present today and provide the foundation for what academics and practitioners understand as the modern practice of corporate social responsibility (CSR).

When searching for the term “corporate social responsibility,” the popular search engine JSTOR generated nearly 100,000 citations. There are dozens and dozens of books focusing on the many different aspects of CSR and/or its impact, such as *The Rise and Fall of Corporate Social Responsibility* by Douglas M. Eichar (New Brunswick, NJ: Transaction Publishers, 2015) and *Corporation, Be Good! The Story of Corporate Social Responsibility* by William C. Frederick (Indianapolis, Indiana: Dog Ear Publishing, Inc., 2006). Schrempf-Stirling, Palazzo, and Phillips (2016) summarized CSR through a critical examination of where this field is moving, implicitly acknowledging the fundamental presence of CSR in the world in which we live, work, and study. Sebastian Kot (2014) noted that CSR has evolved to the point where it is a dominant concept among businesses and is now evident in the common corporate social reporting function developed by many businesses around the world. (See the Report Alerts website, reportalert.info, which regularly lists company’s reports on CSR and related topics.)

Yet, the notion of CSR is filled with controversy. Many scholars investigated the impact of CSR, both within the business organization and upon its many stakeholders, and found benefits emanating from CSR activities (Janssen, Sen, & Bhattacharya, 2015). Yet, others point to “a paradox of corporate social responsibility” and the pitfalls

embedded in its policies and practices (deColle, Henriques, & Sarasvathy, 2014). However, it is sufficient here to acknowledge that CSR is an established feature within business organizations with a variety of potentially conflicting results emerging from these activities. This conversation continues as many of the multiple aspects of CSR are discussed in detail within this book series volume.

This volume of *Business and Society 360* begins with two overview CSR chapters. Like a docent leading a group of students through a museum providing important and interesting factoids, William C. Frederick's opening chapter leads us on a journey through CSR, from its inception to the present day. His chapter educates us on the multiple, evolving phases of CSR and poses intriguing "big questions" confronting today's millennials.

The next chapter, authored by Archie B. Carroll and Jill A. Brown, complements Frederick's opening chapter by illuminating for the reader some of the current and emerging CSR issues. This chapter spans topical analysis ranging from the many terms and labels attributed to CSR to a focus on corporate activism and related instances of CSR. The authors conclude optimistically that CSR, in all its various notions and branches, continues onward in its developmental path and systematically becomes more institutionalized into organizational practices.

In the next section of this volume, the analysis turns toward exploring the presence of CSR within a region — initially Asia, and then, Europe. D. Kirk Davidson, Kanji Tanimoto, Laura Gyung Jun, Shallini Taneja, Pawan K. Taneja, and Juelin Yin provide a comprehensive review of CSR found in four Asian countries: Japan, South Korea, India, and China. Using an eight-part framework, these authors clarify how CSR came into practice across Asia and analyze the development of CSR within the context of the country's history, religion, social norms, geography, political structure, economic development, civil society institutions, plus the societal safety net for its citizens. The similarities and differences highlighted in this chapter provide a stark contrast to the more commonly known Anglo-Saxon understanding of CSR that permeates United States and European academic literature, as noted later.

The next chapter focuses on CSR practice in India. Authored by Rajat Panwar, Shweta Nawani, and Vivek Pandey, this chapter broadens the book's coverage by focusing on the "business case for CSR." Grounded in the profit motive incentives for CSR activities, the authors introduce the reader to a new form of CSR — "legislated CSR" — found primarily in India. Focusing on India's Company Act of 2013,

Panwar and his colleagues provide an in-depth explanation of the Indian government's effort to "require" Indian companies of a sufficient size to "voluntarily contribute" to CSR programs, rather than impose a burdensome tax on businesses. They review this innovative CSR effort and provide their prediction of the future for such legislative CSR agenda.

The final chapter in this section investigates a marginally analyzed area of CSR: the implementation of CSR into the public sector. Nikolay A. Dentchev, Philippe Eiselein, and Thomas Kayaert target the "Local Agenda 21" project, involving municipalities in the Brussels-Capital region of Belgium. They explore various elements found in the Local Agenda 21 project including the importance of having strong political support to ensure program success and assessing the degree of competition among municipalities to enhance our understanding CSR in the context of local governmental efforts.

The third section in this volume of *Business and Society 360* investigates CSR as practiced from various perspectives. Daina Mazutis' chapter leads off this section by empirically assessing if corporations have continuously evolved in their CSR practices as the notion of CSR has also evolved or if firms overtime have become more irresponsible, suggesting the presence of corporate social irresponsibility (CSiR). Reviewing 120 studies using the KLD database, Mazutis concludes that little has evolved regarding CSR *practices* over the past two decades, but alarmingly corporate irresponsibility has grown. She advocates for greater care by scholars when analyzing the KLD data in reference to CSR and CSiR, as well as offers cautions about theoretical implications.

Caddie Putnam Rankin introduces the readers of this volume to the relatively new sub-CSR field: the Benefit Movement and the emergence of benefit corporations. In her chapter, Rankin offers a four-quadrant figure to classify potential benefit corporations and begins the dialogue describing how this social movement might generate more traction. She illustrates the required actions needed and potential advantages emanating from a more developed benefit corporation movement.

The next chapter takes a very different view for its CSR focus. Vanessa Hill and Harry Van Buren, III look at CSR from the lens of scientific management. At its core, scientific management dehumanizes stakeholders, according to Hill and Van Buren, separating morals from theory and practice. The authors argue that scientific management promotes a mythology of equity, poor treatment of employees by superiors and reduces employees to work roles and function rather than as a

whole stakeholder entity, among other undesirable traits. Investigating CSR from a dehumanization and alienation perspective has a profound impact on how CSR is understood and practiced by businesses, if at all, and the harmful consequences to stakeholders existing under the CSR umbrella. Hill and Van Buren provide strong arguments to counter scientific management thought to extend our understanding of CSR and its implications.

The chapter authored by Kathleen Rehbein, Frank den Hond, and Frank G. A. Bakker summarizes CSR research by exploring the potential relationship between a firm's social policies, such as CSR, and its political policies, such as corporate political activity (CPA). These authors contend that there are contradictory arguments and evidence concerning whether and under what conditions firms align their CPA and CSR activities. They also consider what impacts might come about if they do align these activities. This chapter explores this potential relationship from the micro and macro levels to see if this relationship is static or dynamic. They offer a general model to integrate the micro- and macro-level discussions to posit where future research needs to go to increase our understanding of an alignment of CPA and CSR efforts.

Concluding this section is the chapter authored by Edeltraud Guenther, Timo Busch, Jan Endrikat, Thomas Guenther, and Marc Orlitzky. This team of scholars examines the causal relationship between corporate ecological sustainability and corporate financial performance based on previous empirical explorations through a meta-analysis. They claim that these empirical associations seem to be contingent on the firm's strategic approach with regard to ecological sustainability; that is, a proactive versus reactive approach and on the operationalization of both constructs. Given the positive, yet limited, discovered association, Guenther and his colleagues provide guidance, tempered with caution, for scholars working in this sub-CSR field who are seeking to answer the complex, multifaceted question: Under what circumstances does it pay for organizations to "go ecologically green"?

The volume's final section concludes with three exciting chapters that look toward the future to imagine a new world where CSR plays an important role. Jerry M. Calton critically assesses the shortcomings of classical and more recently, progressive CSR thought such as creating shared value. He dismisses recent innovations as fundamentally inadequate in addressing the important need for a newly envisioned notion of CSR in today's complex business and society world. He argues for continued attention toward developing a socioeconomic system-centered model, rather than a firm-centered notion of CSR, drawing on works

by Garrett Hardin and Elinor Ostrom, to ensure systematic sustainability in our evolving world.

Sandra Waddock's chapter challenges scholars and practitioners to question whether our current understanding of CSR is sufficient to transform our society to deal with global issues that confront us today plus future generations tomorrow. She believes that a new socioeconomic story is required to reshape our approaches to sustainability, climate change, inequality crises, and other pressing issues. Waddock calls for creating a new CSR narrative based on such socioeconomic concepts.

The volume concludes with an Epilogue, written by Donna J. Wood, who provides a thoughtful summary of the themes found earlier in the book volume but also raises important issues for scholars to consider. As Wood points out: "CSR has come a long way from the early days" but many critical tasks remain. She challenges scholars to be mindful of many thorny problems that lie ahead when considering research topics selected, theories and methods used in our research, and the conclusions drawn from our investigations. She beseeches that business and society academics "also be known for its intellectual integrity and courage." Good words to live by and to conclude this volume on CSR.

James Weber

David M. Wasieleski

Editors

In collaboration with William C. Frederick

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