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Rethinking Business Responsibility in a Global Context

Challenges to Corporate Social Responsibility, Sustainability and Ethics

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Editors

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Bodo serves on business school advisory boards in Europe and Asia. He taught in over 30 countries on six continents, and his research interests span from international marketing strategy to CSR. He published in leading academic journals, such as the *Strategic Management Journal, Journal of International Business Studies*, *and Journal of the Academy of Marketing Science*. Bodo was Editor-in-Chief of the *Journal of International Marketing* and served on the editorial boards of the *Journal of Marketing,* the *International Journal of Research in Marketing*, and many others.

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The Social Responsibility of Multinationals: From an Afterthought to Center Stage

Lorraine Eden

Abstract How has the social responsibility of multinationals (MNEs) changed over the past 50 years? This chapter provides a brief historical tour of MNEs and social issues from the late 1960s to the present. I argue that from the late 1960s forward, scholars in economics and international business (IB) focused on the economic impacts of foreign direct investment (FDI) with some concern for political impacts; whereas international political economy (IPE) scholars paid more attention to political and social issues. It has only been in the past 15 years that the social responsibility of MNEs moved from an afterthought to a mainstream subject of inquiry for most MNE scholars. My arguments are documented through a review of key books and writings together with a personal history of my own research. I then review Schlegelmilch and Szőcs (2020) and argue that the book moves the social responsibility of MNEs literature forward in several ways.

1 Introduction

When I accepted the invitation from Bodo Schlegelmilch and Ilona Szőcs to write a Foreword to *Rethinking Business Responsibility in a Global Context: Challenges to Corporate Social Responsibility, Sustainability and Ethics*, I accepted partly from curiosity. Would the book offer "rethinking" for the informed reader? In particular, would the book lead me to rethink my own conceptualization of the social responsibility of multinational enterprises (MNEs)?

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The short answer to both questions is yes. Let me start with a brief historical tour, drawn from my understanding and experiences, of the subject matter and then explain my answers.[1]

2 The Social Responsibility of Multinationals: A Canadian Lens

For most of my academic career, I have been interested in the political economy of business or what is typically called "business-government" relations. My focus has been relations between MNEs and the nation state, primarily MNEs and host countries.

The reason for this research interest is probably where I grew up—my home was on the Canadian side of the US–Canada border. During the 1960s, I witnessed an inward flood of US foreign direct investment (FDI), together with the growing resentment of Canadians against what was widely perceived as the "takeover" of the Canadian economy by our neighbors to the south. The year I graduated from Mount Allison University with an honors degree in economics (1970) was the same year that the Canadian government established the Task Force on Foreign Ownership to study the impact of foreign (read "US") control over the Canadian economy. My master's degree in economics from McGill was completed in 1973, the same year that the Canadian government established the Foreign Investment Review Agency (FIRA). FIRA was set up to screen both foreign (again, read "US") acquisitions of Canadian businesses and the establishment of new businesses by foreigners, with the goal of ensuring that Canada received the maximum possible net benefits from inward FDI. FIRA's assessment criteria were almost wholly economic in nature: the expected impacts of inward FDI on jobs, GDP, productivity, R&D, product variety, competition, Canadian managerial positions, and compatibility with other national policies (Safarian, 1983, 1985).

Securing greater economic benefits from inward FDI, however, was not Canada's only concern at the time. The Canadian government (and public) were also sensitive to the sociocultural impacts of inward FDI from the USA, particularly in culturally sensitive industries (e.g., radio, TV, movies, and book publishing) that were overwhelming dominated by US firms (Eden & Molot, 1993a; McFadyen, Hoskins, & Finn, 2000; Stanbury & Vertinsky, 2004). Especially in Quebec, the need to preserve the French language was also an important cultural concern. The fear of "coca-colonization," the global dominance of US culture, was a common phrase heard in Canada.

[1] I limit my brief history tour of "global social responsibility of business" to the "social responsibility of multinationals." I do not discuss the cross-border/regional/global social responsibility of domestic businesses, which would be an interesting issue for another paper.

Political concerns were also evident. For example, the film industry was one industry where culture and politics have been intertwined for many years (Acheson & Maule, 1991). Extraterritoriality, where the US government asserted its legal jurisdiction not only over firms within the USA but also over foreign affiliates of US multinationals and required them to abide by US laws, was a second highly visible political issue in Canada. A specific example was the US Trading with the Enemy Act where US subsidiaries in Canada were not permitted to trade with Cuba. US extraterritoriality generated a political and often nationalistic backlash in Canada (Eden, 1993; Rugman, 1980, Chap. 9; Vernon, 1971).

The combination of economic, political, and sociocultural concerns with the overwhelming dominance of US inward FDI created a strong public sentiment in Canada favoring government protection of key sectors such as media and banking. The government, with strong public support, implemented a variety of restrictions on inward FDI, both broad-based (FIRA) and sectoral (e.g., petroleum), despite the economic costs of protectionism (Rugman, 1980; Safarian, 1983) and the lack of a national security justification for closing sectors to inward FDI (Kudrle, 1993). Elsewhere (Eden & Molot, 1993a), I have called the 1970s and 1980s in Canada a time period of compensatory liberalism with strong overtones of nationalism.

3 The Social Responsibility of Multinationals: An Economics Lens

Raised and educated during these years in a small open economy sharing a border with the world's largest hegemonic power, it was perhaps not surprising that I became interested in the impacts of FDI on host countries, not only their economic impacts but also their political and sociocultural impacts.

My early years as an academic were spent reading and teaching from works on MNE-state relations by scholars such as John Dunning, Stephen Kobrin, Ted Moran, Alan Rugman, Edward Safarian, and Raymond Vernon. These publications, written almost wholly by economists, focused on the economic aspects of FDI and MNEs.

I taught my first undergraduate economics course on MNEs in 1984–1985 at Brock University, using Hood and Young (1979) as the textbook. In 1988, I began teaching a graduate course on MNEs after moving to the Paterson School of International Affairs at Carleton University in Ottawa, adding Caves (1982) as the textbook. In spring 1993, I spent a semester team-teaching a (fabulous) graduate seminar on *MNEs and Public Policy* with Ray Vernon at the Kennedy School. After returning to the Paterson School and then later at Texas A&M University, I added Dunning's (1993b) magnum opus.

How did these books—and I—teach about the social responsibility of MNEs in this time period? The blunt answer is, basically as an afterthought. The core concept in my reading and my teaching during this period was a focus on FDI (the activity) rather than the MNE (the entity). FDI was "a package of capital, technology and management skills," where the package had a variety of economic impacts on both the host and home countries. The available texts (e.g., Bergsten, Horst, & Moran, 1980; Caves, 1982; Dunning, 1993b; Hood & Young, 1979) focused their analysis on the economic effects of FDI (e.g., impacts on GDP, trade, balance of payments, wages, technology, and taxes) with some attention to the political impacts. Typically, there was a separate chapter on FDI in developing countries and another on FDI regulatory policies. Political issues were discussed in terms of extraterritoriality (primarily US based) and political risk (mostly in the context of expropriation of foreign investments in Latin America). However, the texts only briefly discussed sociocultural issues (even less on the environment) and mostly under the rubric of "possible other impacts" of inward FDI on host countries.

A few scholars (e.g., Boddewyn, Kobrin, Moran, Strange, and Vernon) were also keenly interested in MNE-state relations. Most work in this area was framed in terms of Vernon's *Sovereignty at Bay* and his model of the obsolescing bargain between MNEs and host country governments (Vernon, 1971). The MNE and the Nation State were viewed as the two key actors in the world economy. They had different goals: the MNE's goal was singular and narrow (global after-tax profit maximization); the Nation State's goals were multiple and broad (economic, political, and sociocultural development and sovereignty). They brought different resources to the table: ownership advantages for the MNE, locational advantages for the State. They also faced different constraints: the MNE had a global reach while the State was confined to its own jurisdiction (except where the home government resources and constraints of the two actors brought them into regular conflict, as conceptualized through the lens of the obsolescing bargain model (Eden, 1991; Vernon, 1971), which I later updated in the multiparty, multiple-round political bargaining model (Eden, Lenway, & Schuler, 2005)).

Only national governments—not MNEs—cared about the sociocultural impacts of FDI in these early models of MNE-state relations. There was no "social responsibility of MNEs," only a singular focus on maximizing global profits. The business of business was profit maximization, very much as Milton Friedman argued. Differences across countries, both in resources and in government regulations, were simply opportunities for cross-border arbitrage. Government policies (e.g., taxes, tariffs, but also sociocultural regulations such as local content rules) were modeled as "exogenous non-market imperfections" that offered arbitrage opportunities for the MNE. Such regulatory arbitrage could create a competitive advantage for the MNE over domestic firms and was therefore seen as one of the core advantages of multinationality. MNEs were viewed as efficient actors because they could arbitrage both exogenous market and nonmarket differences across countries. It is hard to believe now, looking back to the 1980s, that economists, including me (Rugman & Eden, 1985) viewed cross-border regulatory arbitrage by MNEs as potentially "efficient" and "welfare maximizing." In fact, most of my early publications on transfer pricing were microeconomic models of MNEs manipulating transfer prices so as to avoid corporate income taxes, tariffs, and other government regulations; Eden (2019) provides a recent review.

4 The Social Responsibility of Multinationals: An International Political Economy Lens

My economic efficiency view of the MNE began to change at the end of the 1980s. When I moved to the Paterson School at Carleton University, in January 1988 I began team-teaching the core seminar in International Political Economy (IPE) with a political scientist, in Spring 1988 with Michael Dolan and then for several years with Maureen Molot. We used Gilpin (1987) as the textbook supplemented with a huge reading list drawn mostly from IPE scholars. I also joined the International Studies Association (ISA), the professional association to which most IPE scholars belonged and where they presented their research. I realized that my IPE colleagues had very different—and typically much more critical—views of MNEs and FDI than did my colleagues in economics.

Critical/radical perspectives on MNEs and FDI—including Marxist, neo-Marxist, post-colonialist, and deconstructionist lenses—were written primarily by political scientists and sociologists, mostly from the perspective of developing countries, e.g., Steven Cox, Gary Gereffi, Robert Gilpin, Dieter Ernst, Stephen Hymer, Raphael Kaplinsky, Alain Lipietz, Lynn Mytelka, and Raul Prebisch. The core topics in this IPE literature on MNEs and FDI were uneven development (a.k.a. dependent development or dependencia) and third-world industrialism (a.k.a. global Fordism or the new international division of labor). IPE scholars were studying global value chains in the toys, garment, and electronics industries, symbolized by the "nimble fingers" of children and women working for MNEs in export processing zones. Their critiques focused on the developmental, cultural, social (including gender and human rights), and political impacts of FDI. Many authors were Canadian. Stephen Hymer, for example, whose 1960 MIT dissertation is now viewed as a founding cornerstone of MNE theory, was a Canadian neo-Marxist who wrote frequently (and negatively) on uneven development and the sociocultural aspects of FDI (Cohen, Felton, Nkosi, & van Liere, 1979; Dunning & Rugman, 1985; Pitelis, 2002). Team-teaching the IPE seminar at Carleton with a political scientist and attending ISA conferences spilled over first my teaching, and then into my writing, on MNEs and FDI.

In 1991, at the repeated urgings of John Dunning and Alan Rugman, I joined the Academy of International Business (AIB). I learned that many AIB members were economists who had left economics departments to join departments of international business or management where they were engaged in "unpacking the black box" of the MNE. Here the MNE (the actor), not FDI (the action) or the nation state, was the unit of analysis.

Also unlike economists, international business (IB) scholars were working on sociocultural issues related to MNEs. A core research question was the impact of cultural distance on MNE strategies and structures, building on Kogut and Singh (1988) and Hofstede (1980). Many IB scholars (e.g., Nancy Adler, John Child, and Rosalie Tung) were also engaged in building the new field of cross-cultural management (Adler, Doktor, & Gordon Redding, 1986).

As of 1991, I was now listening to and participating in three different conversations: the first among IPE scholars (at ISA meetings), the second among economists (American and Canadian Economics Association meetings), and third among IB scholars (AIB meetings). I realized that the core unit of analysis differed for the three groups: for IPE scholars, it was the government/nation state; for economists, the economic impacts of FDI; and for IB scholars, the MNE.

Eden (1991) was my first attempt to bridge the divide among the three conversations. I brought together IPE and IB scholars for an ISA panel honoring Raymond Vernon; the papers later became a 1991 special issue of *Millennium*. Looking back at these papers, I now recognize that Casson (1991) was an early, prescient exploration of how sociocultural differences need and could be brought into the theory of the MNE. My own paper in the special issue discussed the various "faces" of the MNE in the international political economy (IPE) and IB literatures. I argued that IPE scholars needed to "bring the firm back in" by "opening the black box" of the MNE and explored various ways to bridge the conversations (Eden, 1991: 218).

I followed up with a coedited book (Eden & Potter, 1993) bringing together IPE and IB scholars to discuss where MNE-state relations were headed in a world that was rapidly globalizing. My introductory chapter (Eden, 1993), starts out referencing an IBM advertisement showing a world map dotted with blue pins for IBM offices, entitled "Thinking globally?" While the book's focus was clearly on economics and politics, sociocultural issues were also highlighted. John Dunning's chapter, for example, acknowledged the noneconomic costs of cross-border production by MNEs, including "the export of unacceptable health, safety, and environmental standards, and the erosion of country-specific social norms and cultures" (Dunning, 1993a: 72). Alan Rugman's chapter was particularly prescient:

> Multinational enterprises are in business; they are not social agencies. Yet over the next decade there will be more criticism of the performance and social responsibility of multinational enterprises, including their linkage to the environment. The single goal of efficient economic performance through a simplistic globalization strategy will be compromised by the need for the multinational enterprises to be more responsive to social needs and national interests. (Rugman, 1993: 87).

I also began to bring sociocultural issues into my own research on MNEs, much of it coauthored with Maureen Molot on Canada–US Free Trade, NAFTA, and the auto industry. An early piece was Eden and Molot (1993b) where in one section we discussed how Japanese auto assemblers (e.g., Honda) had started to engage in corporate philanthropy and community outreach in the USA—and then advertise about these activities in US newspapers! We argued that corporate social activities were a way foreign MNEs could demonstrate they were good "corporate citizens" and "insiders" in a host country. I believe this may be one of the first papers to argue (in today's language) that CSR could be a coping mechanism for liability of foreignness.

A related set of insights came from the NAFTA negotiations where labor and environmental issues were critical issues in the debates in all three countries. *Multinationals in North America* (Eden, 1994a, 1994b) explored how North American insider and outsider MNEs were likely to respond to NAFTA, the first regional integration arrangement involving both rich and poor economies. The book chapters examined not only the likely economic and political impacts but also social and environmental impacts. For example, Mayer (1994) compares and contrasts the labor and environmental negotiations, documenting the important role played by "interest groups" (what we now call "civil society" or "non-governmental organizations (NGOs)").

5 The Social Responsibility of Multinationals: An International Business Lens

In 1995, I moved as a tenured associate professor to the Management Department at Texas A&M University where my new colleagues were experts in the various subfields of management, most of which were new to me. I began to read the international strategy literature, focusing on transaction cost, institutional, and resource-based perspectives. I started teaching undergraduate IB and continued teaching my MNEs course with Dunning (1993b) as the core text, switching later to Dunning and Lundan (2008), which introduced CSR into the "Political, Cultural and Social Issues" chapter for the first time. By the end of the 1990s, I was finally covering international CSR in my graduate seminar on MNEs!

My own work related to the social responsibility of MNEs expanded has broadened into at least three directions since the end of the 1990s. I discuss each in turn below: (1) MNE-state relations and globalization, (2) culture, corruption, and liability of foreignness, and (3) global governance.

6 MNE-State Relations and Globalization

Raymond Vernon's death in August 1999 led Stefanie Lenway and I to put together a panel honoring him at the Academy of International Business meetings in November 1999. Revised versions of these papers were published in a *Journal of International Management* Special Issue in 2000.

My paper (Eden, 2000) focused on Vernon's work on MNE-state relations over 30 years. I noted that a key shift between his earlier writings and his last book (Vernon, 1998) was that he now viewed the MNE and its *home* country as potentially antagonistic. Vernon (1998) argued that the uneven distribution of benefits from market openness (e.g., globalization, free trade agreements) within the Triad countries was likely to create a social and political backlash against MNEs because they would be seen as the primary cause (and beneficiaries) of market openness. His particular concerns were the social welfare net, aging populations, employment, and MNE tax avoidance. Vernon (1998) also continued to see MNE-*host* country relations as antagonistic, with two new catalysts on the horizon. First, privatization and liberalization in emerging and transition economies were creating the potential for a political backlash against inward FDI. Second, he argued that extraterritoriality would no longer only be a US issue because the rise of state-owned MNEs from emerging and transition economies would make them vulnerable to pressures from their own governments to engage in extraterritoriality. As I look back now at Vernon (1998), 21 years later, his concerns appear remarkably—but perhaps not surprisingly given how ahead of his time Vernon typically was—prescient.

The following year, Stefanie Lenway and I guest edited a Special Issue of the *Journal of International Business Studies (JIBS)* on "Multinationals: The Janus Face of Globalization." Our introductory paper (Eden & Lenway, 2001) argued that MNEs had three roles in the global economy: market-making firms, investment bridges, and agents of change. While academics viewed the roles of MNEs positively, the general public and NGOs did not. They saw MNEs as powerful actors sowing social, cultural, and environmental havoc around the world, that is, as the Janus Face of Globalization. We ended with the call for IB scholars to devote more time to studying the costs as well as the benefits of MNEs and globalization.

Stefanie Lenway and I continued to write together. Eden et al. (2005) updated Vernon's obsolescing bargain model to today's realities of multiple actors and multiple iterated bargains. Schuler, Lenway, and Eden (2006) analyzed uneven development theory at the turn of the millennium (that is, in a globalized world of MNEs engaged in knowledge competition, international strategic alliances, and—yes!—corporate citizenship). We discussed whether the search by MNEs for low-cost production locations would generate a "race to the bottom" in terms of labor, environment, and taxation (a concern in Vernon (1998) given what he viewed as toothless international codes of conduct). We concluded this was unlikely given the new and important role that NGOs were playing in terms of pressuring MNEs to engage in corporate citizenship.

7 Culture, Corruption, and Liability of Foreignness

I also began to work with Stewart Miller, who was writing on the concept of liability of foreignness. Eden and Miller (2004), the first of my many publications with Stewart, deconstructed the costs of doing business abroad into two groups: hard (economic) costs and liability of foreignness (LOF), the soft (sociocultural) costs. The piece explored how different types of institutional distance (regulatory, normative, and cognitive) could affect LOF and the MNE's choice of entry mode into a host country. We then modeled differences in types and levels of culture and corruption, as forms of institutional distance, and theorized about their impacts on MNE strategies. This was my first paper—published 15 years ago—where sociocultural issues were "front and center" in my analysis of MNEs.

My interest in thinking about how differences in types and levels of corruption across countries could influence MNE strategies led me to invite two assistant professors in my department, Peter Rodriguez and Klaus Uhlenbruck, to work with me writing a paper on MNEs and corruption, in response to a Call for Papers at *Academy of Management Review*. We published three papers on MNEs and corruption together out of that project (Doh, Rodriguez, Uhlenbruck, Collins, & Eden, 2003; Rodriguez, Uhlenbruck, & Eden, 2005; Uhlenbruck, Rodriguez, Doh, & Eden, 2006), and (see below) a Special Issue of the *Journal of International Business Studies (JIBS).* I later wrote a fourth paper with other coauthors (Lee, Kyeungrae, & Eden, 2010).

While sociocultural issues have not been front and center in most of my more recent work with Stewart Miller, there have been some exceptions. In particular, we have built on Eden and Molot's (1993b) early insight that corporate social activities could help foreign MNEs obtain legitimacy and insider status in host countries. Eden and Miller (2010), for example, argued that Chinese MNEs entering the US market should use CSR activities to improve their social embeddedness and be perceived more as insiders. We have also tested whether using CSR as a coping mechanism could positively affect MNE performance and whether CSR activities were related to institutional distance. Campbell, Eden, and Miller (2012) and Miller, Eden, and Li (forthcoming) examine the CSR activities of banks of different nationalities in the US market, where CSR is defined as going "above and beyond" the mandated requirements of the Community Reinvestment Act.

The mid-2000s were the time period when international CSR really began to emerge as a mainstream research area for IB scholars, as documented in Pisani, Kourula, Kolk, and Meijer's (2017) review of research published between 1985 and 2015. They found that less than 10 publications per year occurred between 1985 and 2002. The first "big jump year" was 2006 when the *JIBS* Special Issue "Three Lenses on the Multinational Enterprise: Politics, Corruption and CSR" was published (Pisani et al. 2017: 595 and Online Appendix). I wrote the proposal, invited the guest editors, and was the *JIBS* Inside Editor on that issue. Our introductory paper (Rodriguez, Siegel, Hillman, & Eden, 2006) reviewed the literature on MNEs and each "lens" and discussed potential linkages and agendas for future research. We noted (consistent with Pisani et al. 2017) that "Of the three lenses on the MNE, the literature on multinationals and CSR is the most embryonic" (Rodriguez et al., 2006: 736).

8 Global Governance and MNEs

Eden and Hampson (1997) was, for me, one of my most significant attempts to bridge the conversations in business, economics, and political science.[2] In "Clubs Are Trump" Fen Hampson and I built a theory of international governance structures, exploring which structures were likely to emerge under four types of international structural failures: efficiency, distributional, macroeconomic, and security. We

[2]The piece has had very few citations so clearly others have not agreed with me!

modeled both private and public responses to these structural failures including, for example, trade associations, MNEs, bilateral treaties, and international regimes. Some industries such as petroleum, we argued, were highly controlled by both private (MNEs) and public (OPEC) international governance institutions. Other industries (e.g., services) were low control, dominated by local firms with little to no international regulation.

Two of the four international structural failures Eden and Hampson (1997) explored fall clearly under the "global social responsibility" umbrella discussed in this book: efficiency and distribution. We argued that efficiency failures were driven by the gap between private and social costs and benefits. International governance structures could reduce "collective social bads" (e.g., environmental spillovers, tragedy of the commons) and nurture "collective social goods" (e.g., information sharing, international trade). We viewed international codes of conduct and bilateral investment treaties as possible ways to regulate MNE noncompetitive behaviors. Distributional failures, the gap in income between rich and poor individuals within and across countries, we argued mattered more to governments than to MNEs given differences in their goals. We viewed the international trade (GATT) and debt (World Bank, IMF) regimes as international regime responses to distributional failures.

We were not alone, of course, in discussing international codes of conduct as a way to reduce the unethical (deliberate and unintended) behaviors of MNEs including, for example, bribery, environmental spills, child labor, and human rights violations. Such discussions had been going on at the United Nations and OECD since the early 1970s and became particularly salient after the 1984 Union Carbide chemical plant spill in Bhopal, India. Much has been written on the efficacy of codes of conduct, both internally developed by and externally imposed on, MNEs, especially in terms of human rights, sociocultural, and environmental issues. See, for example, Langlois and Schlegelmilch (1990), Schlegelmilch and Robertson (1995), Robertson and Fadil (1998), and Monshipouri, Welch, and Kennedy (2003).[3]

I cannot close out this time period without also referring to John Dunning's book, *Making Globalization Good: The Moral Challenges of Global Capitalism* (Dunning, 2003), which brought together many leading thinkers from economics, religion, and business to discuss ethical and social issues of multinationals in the global economy. Many international business scholars including, among others, Petra Christmann, Jonathan Doh, Ans Kolk, Hildy Teegen, and Rob van Tulder were also writing during these years on social and environmental issues and NGOs. At the end of the

[3]Almost all of Raymond Vernon's works from Vernon (1971) through Vernon (1998) also discuss international codes of conduct, albeit with a jaundiced view as Vernon regarded nonbinding codes without punishments attached as basically window dressing. My own view historically was the same as Vernon's. Today, with Twitter and the iniquitousness of social media, "naming and shaming" MNEs that sign and do not comply with codes of conduct, even voluntary ones, are likely to have their reputations damaged by noncompliance. See, for example, the Cargill case documented in Yaffe-Bellany's (2019).

2010s, as we move into the decade of the 2020s, the field of global social responsibility, especially within international business scholars, is now well established.

9 The Social Responsibility of Multinationals: New Insights from Schlegelmilch and Szőcs (2020)

This ends my brief trip through the last 50 years, looking at how academics, particularly in Canada and the USA have viewed the social responsibility of business in a global context from the perspectives of economics, IPE, and international business. I argued that from the late 1960s through the early 2000s, the social responsibility of MNEs was mostly an afterthought topic for economics and international business scholars. The only real exception has been MNE-state relations. IPE scholars during these years were much more engaged in studying MNEs and social responsibility, primarily from a radical/critical perspective, where they focused on the social impacts of FDI on developing host countries, particularly in Africa and Latin America. Since the millennium, however, much more attention has been paid by economists and IB scholars to the social (broadly defined) responsibility of MNEs in a global context. Pisani et al. (2017: 595), for example, reports that there are now between 50 and 60 scholarly publications each year on international CSR.

Clearly, the social responsibility of multinationals is now a well-established domain of inquiry. Where the field is now and where it is going is the theme of the new book by Bodo Schlegelmilch and Ilona Szőcs that you have in your hands. Does this new book offer "rethinking" to the informed reader? Have I rethought my own conceptualization of the topic after reading this book? The short answers are yes and yes. Let me enumerate a few reasons why I think the book is innovative and believe you will find it to be also.

First, the definition of "social issues" has clearly broadened significantly over the years. Originally conceived as cultural and social issues, the term is now broadly and holistically defined to include such issues as environmental protection, education, health, human rights, gender, poverty relief, and workforce conditions. "Social issues" is now a broad umbrella that includes almost everything—except economics and business (market) issues. Thinking about the implications of such a broad definition of "social issues" for MNEs is going to be a critically important issue in the next decade.

Second, the terms "CSR" and "social responsibility" have also broadened and are now viewed as generators of collective value. Social responsibility now involves not only minimizing the negative aspects of business but also fighting societal challenges and taking a proactive role in international development. In my research (e.g., Campbell et al., 2012; Miller et al., forthcoming; Rodriguez et al., 2006) CSR was narrowly defined as "going above and beyond" minimum mandated levels of governmental social (including environmental) regulations. Szőcs and

Schlegelmilch, however, argue that the definition of CSR must move beyond voluntary compliance and "doing no harm" to a much higher and broader standard: a "restorative" or "net positive" approach (chapter "Embedding CSR in Corporate Strategies": p. 46). Engaging in "net positive" CSR means MNEs must proactively lead by moving the standards bar higher over time.

Third, as Szőcs and Schlegelmilch argue in their chapter "The Role of CSR in International Policy Agendas," the new role for business in society requires that MNEs become deliberate agents of change in terms of social issues. The authors argue that, historically, the United Nations (UN) played an important role in broadening both the concept and agenda for social issues, starting with the 1987 Brundtland Report and the 1992 UN Conference on the Environment and Development. The 2015–2030 UN Sustainable Development Goals (SDGs), which built on the earlier 2000–2015 UN Millennium Development Goals, imply that "sustainability demands an integration of social and environmental issues with economic issues" (chapter "The Role of CSR in International Policy Agendas": p. 24). The authors argue that this means not only governments but also business and NGOs, must serve society and address global problems. The private sector has the means (resources and capabilities) to advance sustainability and should engage in multi-stakeholder partnerships with governments and NGOs. This activist role for MNEs in terms of social responsibility also goes well beyond my own work in this area. Eden and Hampson (1997), for example, in their discussion of efficiency and distributional structural failures, were much more cautious about the private sector's role in solving these problems.

Fourth, CSR has been criticized for its ad hoc nature and lack of strategic purpose within MNEs. A key linchpin in Szőcs and Schlegelmilch's argument is that MNEs must move their intellectual frame from CSR to "corporate social strategy." CSR must be viewed strategically and dynamically linked to corporate strategy. Szőcs and Schlegelmilch in the chapter "Embedding CSR in Corporate Strategies" develop a five-step CSR strategy roadmap:

1. Corporate aspiration: What do we want to achieve?
2. Scope of CSR: Where will we play?
3. Rules of Engagement: How will we win?
4. Capabilities and Causes: What capabilities must we have?
5. Management Systems: What management systems do we need?

Step 1 involves connecting CSR initiatives to the MNE's core business purpose in terms of mission and vision statements. Step 2 defines the playing field or "reach" of the firm's CSR activities. Here the authors argue that the firm should focus on those CSR issues most closely tied to the firm's objectives. Industry context and issues are likely important contextual factors so an industry-specific approach to CSR is likely warranted. The authors argue for three forms of CSR actions: market driven, standards based, and operational based. As an example, the authors discuss the food industry where a "higher nutrition" goal as a corporate social strategy might lead the firm to redesign more healthy products, set internal healthy food standards, and redesign its global value chain to generate less waste.

Step 3, rules of engagement, involves integrating CSR into day-to-day management and execution. Support from top executives is viewed as vital as is communication with stakeholders. The authors discuss the benefits and costs of various types of communication with stakeholders, linking the choice to fit with corporate objectives and strategies. Step 4 involves matching the firm's resources and capabilities with its core business and fitting its CSR activities in ways that best fit the firm's overall strategy. Finally, step 5 is about setting up management systems that foster, support, and measure the effects of the firm's CSR strategy. The five steps are viewed by the authors as a cascading iterative and ongoing process with the long-run goal of moving CSR from an ad hoc activity into part of the firm's overall strategy portfolio.

Let me bring a real-world example to the chapter "Embedding CSR in Corporate Strategies." I have been working with Niraja Srinivasan, a vice president and chief economist for transfer pricing and international tax at Dell Technologies in Austin, Texas. Working with Niraja at the November 2018 UNCTAD World Investment Forum, and after reading chapter "Embedding CSR in Corporate Strategies" in this book, I now believe that Dell is a good example of a US multinational that is following the five-step mapping outlined in chapter "Embedding CSR in Corporate Strategies," of building CSR into its corporate and business level strategies. In 2013, Dell set up a "Legacy of Good" plan with three specific minimum CSR goals for 2020: recovering two billion pounds of used electronics; using at least 100 million pounds of recycled plastic and other sustainable materials; and volunteering five million community service hours (Dell Technologies, 2019a: 5). The MNE has now established its own 2030 sustainable development goals (Dell Technologies, 2019c) that focus on sustainability (the circular economy, where sustainability is carried out throughout the value chain), inclusion (equal opportunities for all), technology (digital access for all), and ethics (internal codes of conduct for ethics and privacy).

Fifth, another contribution of the book is its emphasis on CSR impact measurement and reporting. The authors argue that the European Commission has played a leading role by redefining CSR as business being responsible for its societal impacts. The Commission has now mandated disclosure by firms of their social and environmental policies. Many national governments are also moving to mandate CSR reporting. The authors also discuss the Global Reporting Initiative (GRI), which since 1997, has provided a common sustainability reporting framework for firms. All of these actions the authors argue now mean that annual CSR reporting is a fact of life for large and medium-sized firms, many of which now tie this reporting to the UN SDGs. Here Dell Technologies is another good example of how MNEs can lead to social responsibility. Dell is reporting annually on its social responsibility goals as part of the GRI (Dell Technologies, 2019b). The firm has been on the Ethicsphere Institute's 2019 list of the "world's most ethical companies" and has been for six consecutive years (Dell Technologies, 2019c: 18).

A sixth contribution of the book is its exploring the difference between global business values and local realities. Chapters "The Role of CSR in International Policy Agendas," "Business Success Revisited: What Constitutes Business Success?" and "Embedding CSR in Corporate Strategies" focused on social responsibility from a global perspective. The chapter "CSR Initiatives" asks whether MNE subsidiaries should implement top-down centralized CSR standards or more bottom-up locally responsive CSR strategies. This is, of course, a version of the Integration-Responsiveness (I-R) framework that IB scholars use to explore four types of international business strategy. While the authors do not reference the I-R matrix, their arguments for paying attention to the pressures for globalization versus local responsiveness also apply to international CSR strategies. Putting together the lessons from chapters "Embedding CSR in Corporate Strategies" and "CSR Initiatives," a key takeaway is that MNEs should tailor their CSR strategies not only by industry but also by location—one size does not fit all.

My concern with this chapter is that local responsiveness could be used to justify a "lower common denominator" approach to global CSR by the MNE on the grounds that it is "simply too difficult to implement" a high CSR policy across different political and institutional environments. My own interpretation here is different. My thinking is that the MNE should be proactive—by leading and moving the bar upwards—on global social responsibility by implementing its best worldwide practices across all of its subsidiaries. That is, a US MNE should not simply implement its US practices around the world but rather determine where its best practices lie within its affiliates (perhaps in Norway, Finland, or Brazil) and implement those practices throughout the MNE group (including within the US parent). That is a much higher standard, one that I view as shifting the MNE's goal for global social responsibility to moving to the "highest common denominator" across its global footprint. This is, of course, a much higher and tougher definition of CSR than the one currently used in IB research.

Seventh, an interesting application of CSR strategy appears in the chapter on buffering and backfiring impacts of CSR during a crisis, written by Barbarossa and Murphy. The authors assume that firms are already engaging in CSR activities when a crisis erupts that is viewed as socially irresponsible (e.g., corporate misconduct, product recalls, and so on). The questions are whether CSR positively (buffers) or negatively (backfires) moderates the impact of the negative crisis on firm performance. The authors extensively review the literature on this topic concluding that the jury is still out and point usefully to directions where more research is needed.

Let me add another real-world example here. A recent example of how failure to meet CSR commitments can be found in Yaffe-Bellany's (2019) article in the *New York Times* about Cargill being labeled by the environmental advocacy group Mighty Earth as "the worst company in the world." Cargill received this designation for its refusal to agree to a moratorium on buying soybeans grown in environmentally sensitive lands in Cerrado, Brazil, and its failure to meet its own published commitments on anti-deforestation. The article notes that as more MNEs start making public CSR commitments, there will be more that fail to meet these commitments and such failures are likely to be punished by stakeholders. This suggests that having measurable—and doable—CSR targets will be important for MNEs if they wish to avoid them backfiring later on.

Lastly, the book then moves into individual country- and industry-level chapters written by other authors. Several chapters explore CSR practices and regulations in specific countries, for example, the USA, Egypt, Germany, Poland, India, Thailand, and Colombia. CSR projects in three industries—bee keeping, brewing, and early childhood education—are included. These chapters usefully explore the points made in Part I on "Rethinking Global CSR."

10 Conclusion

This chapter started as a brief foreword to Schlegelmilch and Szőcs (2020) but has morphed over the course of writing this chapter into a much longer piece on the history of the social responsibility of MNEs. The subject matter kept growing, reflecting the broadened umbrella of subtopics that the book's authors argue must be included in global social responsibility. I hope that reader will find the historical journey of interest and possibly a springboard for their own research.

My thanks to those scholars who have made the journey with me, as coauthors, colleagues, friends, mentors, students, and teachers since the early 1970s. My apologies if I omitted something you thought should have been included. Every personal history has a point of view and a story to tell and each person's intellectual journey is different. All errors and omissions are my own.

My overall takeaway is that global social responsibility as a field of inquiry moved significantly from a minor topic in 1970 to an issue in 2010, exploded in the last 10 years, and is poised to do so again. Fifty years later, corporate social responsibility is no longer an afterthought but is now front and center as a core concern for managers of multinational enterprises. Scholars in economics and international business need to catch up and do the same. The chapters in this book are a great start in that direction.

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Part I
Rethinking Global CSR

The Role of CSR in International Policy Agendas

Ilona Szőcs and Bodo B. Schlegelmilch

Abstract This chapter provides a short introduction into CSR and offers an overview of the United Nations' Sustainable Development Goals. These are subsequently linked to the private sector and its responsibilities. This chapter ends with some thoughts on the general nature of CSR as voluntary versus obligatory.

1 Introduction

The responsibility of business is widely discussed in academia and practice alike. Companies are no longer merely economic entities producing goods and services for customers. Their activities now expand into environmental and social issues as part of their strategies (e.g., Jamali, 2006). In fact, the societal expectation of companies to make profit and simultaneously act in environmentally and socially responsible ways is gaining importance (Carroll & Shabana, 2010; Kudłak, Szőcs, Krumay, & Martinuzzi, 2018). Consequently, businesses are becoming increasingly involved in meeting not only their business objectives, but also social and environmental issues raised by their stakeholders and the wider society. Beliefs about what exactly businesses are responsible for range from an exclusive focus on economic success (Friedman, 1970) through responsibility toward stakeholders (Freeman, 1984), to ethically motivated behavior (Goodpaster, 1998). While the win–win potential of business and societal interests may seem evident (e.g., Elkington, 1994, 1997; Porter & Kramer, 2006, 2011), the inherent conflict and trade-offs between different interest groups (e.g., Crane, Palazzo, Spence, & Matten, 2014; Sridhar & Jones, 2013) continue to shape the debate on the nature of corporate responsibility.

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Corporate social responsibility (CSR)—initially only a form of charitable giving—is a constantly evolving concept. Over the years, its scope has expanded from narrow and ad hoc corporate philanthropic activities into areas comprising environmental protection, education, health care, human rights, workforce conditions, and poverty alleviation (e.g., Husted, 2015; Jenkins, 2005; Monshipouri, Welch, & Kennedy, 2003; Yu, 2008). CSR—and related concepts, such as corporate sustainability—are increasingly recognized as a key generator of collective value (Donaldson & Walsh, 2015). The new understanding of CSR follows a rather systemic and holistic thinking, which stresses the commitment by business to contribute to economic development while improving the quality of life of the society at large (World Business Council for Sustainable Development, 1999). A number of international organizations have adopted an impact-oriented approach to CSR, meaning responsibility for the impacts of corporate decisions and activities on society and the environment (e.g., European Commission, 2011; Global Reporting Initiative, 2013; International Organization for Standardization, 2010: clause 2.18; United Nations Global Compact, 2013; World Business Council for Sustainable Development, 2013). Not only the concept and its scope have evolved through the years, the range of actors shaping CSR has expanded as well. These actors include next to the main protagonist, the firm (particularly shareholders and employees), also governments, consumers, trade unions, investors, and nongovernmental organizations, to name but a few. However, various actors hold different and often contradicting views of CSR. For instance, while many governments are fostering CSR and sustainable development via nonbinding policy instruments (such as declarations, resolutions, and programs of action), trade unions regard the gaining importance of CSR with reservations. One may argue that such opposing views are the result of the new role of corporations in our society. Due to globalization and internationalization, facilitated by the liberalization of trade, global corporations have gained more power (Brecher, Costello, & Smith, 2000). Their engagement in a broad range of social, civil, and political activities is thus contributing to a new institutional and societal order (Scherer & Palazzo, 2007). In this regard, CSR is as a feature of both the new global corporation, and of the new societal governance (Moon, 2007).

2 The United Nation's Sustainable Development Goals

On the global level, one of the most prominent agendas for sustainable development is the United Nation's 2030 Agenda for Sustainable Development. Effective as of 2016, the Agenda sets forth an ambitious plan of action until 2030, addressing dimensions of economic development, social inclusion, and environmental sustainability. The overall vision aims at ensuring human well-being on a global level by granting access to a dignified and sustainable living standard for present and future generations (United Nations, 2015). Consisting of 17 Sustainable Development Goals (SDGs) and 169 targets, the Agenda comprises the elimination or reduction

Table 1 Sustainable development goals (United Nations, n.d.)

No.	Description
1.	End poverty in all its forms everywhere.
2.	End hunger, achieve food security and improved nutrition and promote sustainable agriculture.
3.	Ensure healthy lives and promote well-being for all at all ages.
4.	Ensure inclusive and quality education for all and promote lifelong learning.
5.	Achieve gender equality and empower all women and girls.
6.	Ensure access to water and sanitation for all.
7.	Ensure access to affordable, reliable, sustainable, and modern energy for all.
8.	Promote inclusive and sustainable economic growth, employment, and decent work for all.
9.	Build resilient infrastructure, promote sustainable industrialization, and foster innovation.
10.	Reduce inequality within and among countries.
11.	Make cities inclusive, safe, resilient, and sustainable.
12.	Ensure sustainable consumption and production patterns.
13.	Take urgent action to combat climate change and its impacts.
14.	Conserve and sustainably use the oceans, seas, and marine resources.
15.	Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss.
16.	Promote just, peaceful, and inclusive societies.
17.	Revitalize the global partnership for sustainable development.

of environmental problems, poverty, hunger, human rights limitations, and gender inequalities (see Table 1).

The SDGs build upon the Millennium Development Goals (MDGs), which were effective during 2000–2015. While the MDGs primarily focused on human development outcomes, such as poverty alleviation, the SDGs take a broader and a more holistic approach. The main distinctive feature of the latter is the emphasis on environmental sustainability, economic development, proposed universal application to all countries, and an increasing concern with nonmaterial aspects of development (Scheyvens, Banks, & Hughes, 2016).

3 Business and Sustainable Development

The role of business in sustainable development has been discussed since the 1987 Brundtland Report (Keeble, 1988) and the subsequent UN Conference on Environment and Development at Rio de Janeiro in 1992 (Kolk, 2005). Moreover, the UN's Johannesburg Declaration on Sustainable Development specified that "the private sector, including both large and small companies, has a duty to contribute to the evolution of equitable and sustainable communities and societies" (United Nations, 2002: Paragraph 27). Such duty is also seen as an ethical obligation of the "dominant engine of growth—the principle creator of value and managerial resources" (Jamali, 2006: 810). The role of business in society has been further accentuated in the United Nations Global Compact (2014: 3) white paper, asserting "a new paradigm in development thinking is recognizing the centrality of private enterprise in pursuit of the development agenda—and vice versa."

Current global challenges (and opportunities) affect businesses more than ever before. The private sector is often a substantial and indispensable agent in taking over responsibilities for social and environmental issues. In particular, multinational corporations (MNCs) have an important role in driving change in developed as well as developing countries. Consequently, many companies recognize the need to collaborate with governments, civil society, or nongovernmental organizations (NGOs). The motives may go beyond risk management, reputation management and compliance, and toward restoring ecosystems and helping communities. In this endeavor, business and management schools also play a key role. Shaping the mindsets and skills of future leaders, they can be powerful drivers of responsible business practices. Global and transnational initiatives connected to management education, including Responsible Research for Business and Management (RRBM, 2018) and Principles for Responsible Management Education (PRME, 2018), actively seek to contribute to progress by endorsing values in business and management disciplines worldwide.

Conventionally, sustainability demands an integration of social and environmental issues with economic issues. In this context, the SDGs are calling upon developed and developing countries to play an active role in achieving a sustainable future. The question remains as to which actors will possess the power and the will to have a positive influence on advancing this initiative. Moreover, what exactly the implications for business are and what their contribution to resolving sustainability concerns on a regional or global scale should be remains unclear (Dyllick & Muff, 2016). Encouraging a more sustainable environment, lifestyle and economic activity is ideally an equally divided task among government, civil society, and private sector, in which every agent has its own purposes tailored to their individual capabilities (Scheyvens et al., 2016). Relying exclusively on one actor (in most cases the government) has been labeled as "cockpit-ism," namely, "the illusion that top-down steering by governments and intergovernmental organizations alone can address global problems" (Hajer et al., 2015: 1652). Since societal issues are of global nature, enhancing sustainable development requires an interaction of various actors, based on each actor's expertise, abilities, and possibilities. In this context, the private sector may indeed have the necessary means to advance sustainability. Such means encompass resources and capabilities, including knowledge, innovative spirit, and responsiveness (Lucci, 2012; Porter & Kramer, 2011). The collaboration between various actors has been referred to as multi-stakeholder partnerships (Warhurst, 2005), cross-sector collaborations (Bryson, Crosby, & Stone, 2015), tripartite partnerships (Stadtler, 2016), and online networks (Sachs, 2012). These initiatives aim at providing solutions to common concerns by pulling together resources, capabilities, information, and activities, thereby realizing projects that would otherwise be unattainable in meeting societal challenges. For instance, the current worldwide pressure to reduce carbon emissions and the shift to a low-carbon energy system will require different players to engage in research and development of renewable energy and make public and private investments in infrastructure. Although regulations play an important role, businesses can contribute to the rapid development of alternative energy sources and take a leading position in supporting governments' initiatives (Sachs, 2012). With its post-2015 agenda, the UN is encouraging to build, strengthen, and scale up multi-stakeholder partnerships for achieving the SDGs (United Nations, 2015). Various actors (such as state, private, and civil society) are realizing the necessity of combining their resources and capabilities in order to bring about change (Lucci, 2012). Each of them can contribute to solving complex global problems by mobilizing their resources and knowledge. Putting together the complementary forces of each actor can be an efficient way of providing better solutions. NGOs, for example, can provide the private sector with local knowledge, expertise and build legitimacy with customers, governments, as well as civil society players (Dahan, Doh, Oetzel, & Yaziji, 2010). This is particularly of value for firms operating in developing countries, where development issues, such as infrastructure, health, or natural resources, can represent threats to business (Lucci, 2012). However, whereas in developing markets businesses have good reasons to form partnerships, in general firms seem to be lacking incentives to form strategic alliances with nonprofit actors on a voluntary basis (Macdonald, 2011).

Which responsibilities emerge in light of the SDGs for the private sector? The United Nations Global Compact, the World Business Council for Sustainable Development, and the Global Reporting Initiative consider the SDGs as an appeal for business to serve society. However, the question is how businesses should derive relevant opportunities and strategic actions from these global goals. Dyllick and Muff (2016) argue that most sustainability efforts have so far focused on a limited perspective in terms of effective contributions for sustainable development. The authors develop a typology of business sustainability ranging from Business Sustainability 1.0 (Refined Shareholder Value Management) through Business Sustainability 2.0 (Managing for the Triple Bottom Line) to Business Sustainability 3.0 (True Sustainability). While the two former typologies seek to minimize the negative impacts of business and represent an "inside-out" approach, the latter typology seeks to create a positive impact for society and the planet by applying an "outside-in" approach. For instance, in the food industry, the inside-out perspective includes corporate actions aimed at improving the nutritional quality of products and providing transparent nutritional information to consumers. In contrast, the outside-in perspective includes fighting societal challenges such as obesity and food waste in developed countries or supporting smallholder farmers in developing countries. The Gapframe, introduced by Muff, Kapalka, and Dyllick (2017), is a recent attempt to provide a starting point for business aiming to embrace the "outside-in" perspective. This normative framework links the SDGs to the four sustainability dimensions (governance, economy, society, and planet), and translates the Grand Challenges into 24 relevant actions to all nations and business (see Fig. 1).

Fig. 1 The Gapframe (Gapframe, n.d.)

4 CSR and the Sustainable Development Goals

The notion that corporations have responsibilities toward society is well accepted in academic communities, business, and policymaking. However, consensus has yet to be reached regarding the nature and extent of this responsibility. The academic debate places a strong emphasis on how CSR is being defined (e.g., Dahlsrud, 2008) and on CSR's business case (e.g., Carroll & Shabana, 2010). The voluntary nature of CSR, reflecting initiatives beyond legal obligations and immediate economic self-interest, has been highlighted in numerous academic publications (e.g., Boatright, 1997; Carroll, 1979, 1991; McGuire, 1963; Van Marrewijk, 2003) and is still considered as one of the core dimensions of CSR. A recently proposed definition of CSR states: "CSR implies that firms must foremost assume their core economic responsibility and voluntarily go beyond legal minimums so that they are ethical in all of their activities and that they take into account the impact of their actions on stakeholders in society, while simultaneously contributing to global sustainability" (Sarkar & Searcy, 2016: 1433). International bodies, in contrast, have increasingly moved toward benchmarking businesses against the extent to which they accept responsibility for the environmental and social impacts they cause (e.g., European Commission, 2011; International Organization for Standardization, 2010; United Nations, 2011).

While CSR has historically been seen as a voluntary, supplementary activity to core business practice (Dahlsrud, 2008; Kolk, 2005), the fulfillment of the SDGs might rest on a move toward corporate social obligation (Scheyvens et al., 2016). As Schlegelmilch and Szőcs (2015) show in their review, CSR has not been spared from criticism throughout the years. Especially proponents of stakeholder theory have criticized that CSR falls short of integrating it into business policy. In particular, the concept and its capabilities have been claimed to "rely on the separation between business and society" (Freeman, Harrison, Wicks, Parmar, & De Colle, 2010: 241). There is a call on businesses to account for their impact on all their stakeholders (Collier & Esteban, 2007; Waddock, 2004) and to seek "society's acceptance of the legitimacy of the organization" (Maon, Lindgreen, & Swaen, 2009: 72) by moving beyond voluntary CSR approaches (Van der Byl & Slawinski, 2015). Although today CSR involves largely private self-regulation, there are efforts to change aspects of CSR into other types of regulation such as public regulation. India, for example, introduced mandatory CSR in its 2013 company law reform (Sheehy, 2015). CSR's advancement toward a new and holistic understanding, one that embraces sustainability as integral part of corporate responsibilities, may enhance the active role of CSR in contributing to the SDGs.

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Business Success Revisited: What Constitutes Business Success?

Ilona Szőcs and Bodo B. Schlegelmilch

Abstract Different perspectives on the role of the private sector in society are discussed, including the shift from a profit-driven to a value-driven company. The chapter then takes a specific look at multinational enterprises and their contribution to human well-being before analyzing the potential benefits of CSR for global business. The latter offers insights into the debate on the blurring boundaries between the public and private spheres.

1 The Role of Global Business in Creating a Good Society

In the quest for the role of business in society—or as Dyllick and Muff (2016) denote, "true business sustainability"—queries related to the reasons for its existence and the essence of its purpose may provide guidance. In the following, we outline discussions on whether and in what ways business should be redefined in order to be a leading force in creating a good society.

Undoubtedly, business plays an important role in society and is increasingly being perceived as the preferred actor to address and solve broad social and environmental challenges. Its broader role in society raises the question in which ways business can take the lead in contributing to a good society and solving the world's problems. The apparent connection between business and society has led to rethinking the nature of business, and to questioning whether it is apt to fulfill the purpose of contributing to the common good (Donaldson & Walsh, 2015; Hollensbe, Wookey, Hickey, George, & Nichols, 2014; Wookey, Alford, & Hickey, 2018). Traditionally, business success has been defined by financial performance and profit

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orientation. In the prevailing business model, characterized by short-term thinking and a focus on finances, sustainability is likely an "add-on." In this context, Scheyvens, Banks, and Hughes (2016) stress the need to rethink the business models of the private sector. Nowadays we may observe a prevalent shift from this short-term perspective. On the one hand, the public is expecting business to take on a leading role in addressing social issues, such as public health or community development. Business is widely being perceived as "agent of world benefit," which suggests that expectations toward business to participate in the creation of greater good are rising (Donaldson & Walsh, 2015). On the other hand, business may not be up to superhero role. Caution is required in assuming that corporations can succeed where governments, NGOs, and international development organizations have so often met with complex challenges and intractable difficulties (McEwan, Mawdsley, Banks, & Scheyvens, 2017). Moreover, trust in companies remains low. Public trust attained a remarkable low level in 2015 and remains one of the main challenges faced by business today (Edelman, 2018).

Attempts to (re-)define the purpose of the firm appear to concern both scholars (Donaldson & Walsh, 2015; Hollensbe et al., 2014) and corporate decision-makers (PwC, 2016) alike. The focus on greater attention to the purpose of business acknowledges the interdependence of business and society. The current fractured relationship between the two does not seem to bode well for the future of either: "a business that succeeds in a society that fails becomes self-defeating" (Hollensbe et al., 2014: 1229).

In the scholarly debate, Donaldson and Walsh (2015) propose a new theory of business, in which the purpose of business is to optimize collective value. Value in this sense is intrinsic, meaning that the value does not have a value derived from a higher order value; its worth does not depend on its ability to achieve other positive values (i.e., is nonderivative). Collective value is defined as "the agglomeration of the Business Participants' Benefits, net of any aversive Business outcomes" (Donaldson & Walsh, 2015: 191). Through optimizing and enhancing collective value as much as possible, business success may be achieved. However, this success can only be achieved by respecting the humanity of others and ourselves, through the adherence to the "dignity threshold." Pertaining to the broader business purpose and the greater focus of business to contribute to a good society, values such as respect and dignity are repeatedly mentioned (Donaldson & Walsh, 2015; Hollensbe et al., 2014; Karns, 2011; Kolk, 2016). Dignity, for instance, is one aspect in Kolk's (2016) framework analyzing multinational enterprises' (MNEs) impact on sustainable development (i.e., on Planet, People, Prosperity, Justice, and Dignity). Human dignity serves as a guideline for business activity, one that emphasizes the inherent worth of every individual. Hence, the threshold can be applied to prevent business misconduct or exploitation by recognizing the accountability to all business participants. While some question the possibility to articulate universally accepted values (e.g., Scherer & Palazzo, 2011), others articulate a set of specific values for business to achieve the larger purpose of serving society (e.g., Hollensbe et al., 2014). Such purpose-driven values are dignity, solidarity, plurality, subsidiarity, reciprocity, and sustainability. Although market-based business exchanges tend to lead to self-interested practices, the values of dignity and solidarity evoke the significance of valuing each person, without taking advantage of one's dominant position. Further, the value of plurality is essential in today's global world, where being open toward other cultures can be a source of innovation and creativity for business. Embedding reciprocal benefit, the delegation of power to employees, as well as principles of sustainability into business purpose can help organizations to build long-term relationships and restore trust of the general public (Hollensbe et al., 2014). The shift from profit-driven to value-driven organizations is often coupled with the recognition of the relational character of a firm. Relationships constitute an essential part of business and its existence typically relies on fruitful interactions. A company attains positive interactions with a range of stakeholders when its practices are based on values of respect, dignity, and fairness. Therefore, corporate decisions should consider the needs and interests of stakeholders and their worthiness (Waddock & Smith, 2000). Relatedly, Karns' (2011) stewardship approach focuses on higher order values (such as integrity, respect, and justice) for management to incorporate in its relationships. The Stewardship Model places humankind and the planet at the center of business activity and identifies managers as stewards. The ultimate purpose and role of business lies in its contribution to a flourishing humankind and in promoting the common good. Profit is viewed as a tool in achieving this purpose.

On the corporate side, articulating the firm's sense of purpose seems to be critical as well. CEOs and business executives are increasingly realizing the need to define what their business stands for. In a recent global survey 67% of corporate decision-makers expressed that their firms' purpose is centered on creating value for wider stakeholders (PwC, 2016). Higher order values seem to be put forward not only by scholars but also by executives, as expressed by Chitra Ramkrishna, Managing Director and CEO of the National Stock Exchange of India Limited: ". . . there are core values that are non-negotiable for any enterprise. These core values of trust, integrity, transparency, objectivity, fairness, these are completely non-negotiable" (PwC, 2016: 33). However, companies still struggle to create a business proposition that both drives growth and creates value for greater society: Only 52% of the respondents believe that creating value for wider stakeholders helps them to be profitable. Another recent global survey found that companies who clearly articulate their purpose enjoy higher growth rates and higher levels of success in transformation and innovation initiatives (EY, 2015). These companies' purpose includes inspiring innovation and positive change, providing employees with a sense of meaning and fulfillment, creating value for the customer, and making a positive impact on their community. This is in alignment with the widespread understanding of organizational purpose to enhance life with respect to customers, society, and the planet (Izzo & Vanderwielen, 2018). Hence, these perceptions of purpose trigger companies to rethink their relation to society. However, the understanding of purpose varies, with some perceiving it as a business goal, others emphasizing that it refers to how business is done (PwC, 2016), or as the reason why a company exists (Izzo & Vanderwielen, 2018). To reduce possible confusions, Grayson, McLaren, Exter, and Turner (2014) propose an understanding of purpose that centers on "why" a business exists, which should be constant in time and deeply rooted in the company. Both scholars and practitioners seem to agree that purpose is closely linked to corporate mission, vision, and core values (Hollensbe et al., 2014; PwC, 2016). In contrast, responsibility is viewed as a means to the end and thus as "how" a business operates. Taken collectively, strong leadership, clear organizational purpose, and its alignment to the entire business strategy are key drivers to a company's success (Hollensbe et al., 2014; Keller-Fay Group, 2014; PwC, 2016).

2 Human Well-Being and Multinational Enterprises

The belief that economic growth implicitly leads to general well-being is increasingly being questioned (European Social Survey, 2015). Yet, compared to quantitative economic indicators, such as a country's GDP, unemployment, or inflation rate, well-being proves to be difficult to measure or quantify due to its subjective character. Human well-being is closely linked to individual feelings and emotions and thus to the collective personal evaluation of life experiences (Diener & Seligman, 2004). The utility of these experiences is impossible to measure on a simple numerical continuum due to their incommensurability (Hausman, 2018). It can be assumed that most people strive for happiness and that well-being is thus for many an ultimate goal. If economic growth does not necessarily lead to general well-being, the question remains how business—and, particularly MNEs—can play a role in positively contributing to human well-being.

The renewed understanding of business points toward humanism (Donaldson & Walsh, 2015; Melé, 2009; Pirson & Lawrence, 2010). The humanistic view advocates that firms are created by humans to serve humans. If so, corporations may be seen as a mere tool for attaining the needs of society (Keller-Fay Group, 2014). In such a society "money is a means to an end, and that end is well-being" (Diener & Seligman, 2004: 2). In addition, Donaldson and Walsh (2015) stress corporations' morality by stating that a firm is a "moral entity that works in and for society" (p. 198). Consequently, business leaders' actions are coupled with responsibility on both the individual as well as the systemic level. By accepting the dependence of organizational freedom on morality, "attempts to alleviate social problems through business are an imperative" (Pirson & Lawrence, 2010: 559). However, the ongoing breakdown in trust in corporations (e.g., Edelman, 2018), impedes firms' ability to engage in risk-taking needed to innovate and contribute to social and economic development (Hollensbe et al., 2014). As a remedy, Pirson and Lawrence (2010) call for a paradigm shift in business, a shift where the economistic paradigm is replaced by a paradigm in which business actively creates positive externalities and merges successfully social, environmental, and financial value creation. Initiatives serving the Bottom of the Pyramid (see Prahalad, 2005) have already achieved this, such as the Grameen Bank's micro-loan model. In this context, Kolk (2016) calls for "broadening to the social and environmental implications as well as the role of trade and so-called pro-poor initiatives by MNEs in least-developed countries" (p. 32). However, addressing the current social inequity and environmental crises on a larger scale will likely need a profound understanding of our humaneness and its interconnection with business.

How can business contribute to human well-being? The role of business in society and its contribution to human well-being seems to be contingent on how business is defined and on whether business exists to fulfill a broader purpose—an argument that challenges the predominant definition of business and its "profit-focused raison d'être" (McEwan et al., 2017: 33). MNEs are believed to have the appropriate capabilities, scale, and influence to address broader societal issues (Lucci, 2012; Scherer & Palazzo, 2011). The role of business in the post-2015 era as a development actor is particularly emphasized by the UN Global Compact as an "opportunity for the international business community to contribute to the attainment of worldwide sustainability and development objectives" (United Nations Global Compact, 2013: 3). As an extension of the Millennium Development Goals, the 17 global goals and targets of the SDGs can be regarded as a revival of the development discourse (Scheyvens et al., 2016). The extended role of business as "development agent" (Blowfield, 2012) or "agent of world benefit" (Donaldson & Walsh, 2015) indicates the expectation that MNEs take a proactive role in international development. Such expectation is often coupled with their perceived ability of delivering innovative solutions (Kramer, 2014) and capacity to mobilize resources and deliver far-reaching solutions (Sachs, 2012). Moreover, by taking on the role of an agent, businesses simultaneously pursue their commercial interests: They naturally benefit from a world free from human rights violations, diseases, environmental catastrophes, corruption, or illiteracy (United Nations Global Compact, 2013).

Given the broad and global character of the 2030 Agenda, effective impact requires prioritizing long-term investments over short-term efficiency models, often coupled with a shift in corporate mindsets (United Nations Global Compact, 2017). Such shift in views and priorities seem to be taking place when organizations consider wider stakeholder expectations: According to a recent PwC survey, 82% of CEOs prioritize long-term over short-term profitability and believe that for successful organizations long-term perspectives will gain importance in the near future (PwC, 2016). Long-term perspectives require meaningful investments and the allocation of capital by private actors that can help to finance sustainable projects (United Nations Global Compact, 2013). Initiatives related to innovative investments, such as impact bonds, climate and crop insurance, and micro finance, are typically termed "responsible investment," "impact investing," or "socially responsible investment." Guidelines and efforts such as the UN-supported Principles for Responsible Investment seek to encourage social investment and manage the risks of this long-term sustainable form of financing.

Besides financial investments, community building and development is another type of investment. A considerable incentive for companies to engage in community development so is to reduce the risk of local opposition that can result from their negative social or environmental impact, common especially in the extractive industries (Lucci, 2012). Community development activities thus may provide a viable way in generating communities' approval and support—generally known as "license to operate" (Banks, Kuir-Ayius, Kombako, & Sagir, 2013). The challenge for corporations starts with identifying and defining a community. Delimiting a community by a specific geographical area can cause problems in terms of demarcating a possibly incoherent social group with multiple languages or divergent interests. Such limitations can create an uneven development situation across a certain region, which in turn can lead to conflicts. Clearly, the set-up of MNEs' operations in a specific area may bring about social, environmental, or economic change to adjacent communities or people related to the operations through commercial connections. For this reason, including everyone who is affected by or interested in the operations into a community seems reasonable, yet caution is needed in evaluating the affected community, as relations are prone to change (McEwan et al., 2017). A further challenge that managers are likely to deal with is choosing the appropriate management style. Ideally, managers find ways of empowering the community and enabling it to participate in shaping the projects. Although top-down approaches are prominent as companies aim to closely control development practices (Banks et al., 2013), they do not permit to truly understand and meet the real needs of the community.

Despite the fact that development projects undoubtedly bring amelioration in the areas of health, education, employment, and security, critics seem to agree that a broader structural change is required. In particular, the priority of the business case constrains the degree of commitment and outcomes, and as a result, the full potential of development projects. Along these lines, Adams and Luchsinger (2015) raise the essential question of whether transformational development is possible without a transformation of business. Critics fear that as long as business is motivated primarily by self-interest, fundamental change will always be restrained. MNEs will continue to balance costs and benefits of decisive actions and will prioritize efficiency and return on investment (Scheyvens et al., 2016). While the SDGs were not formulated to be business opportunities, win–lose scenarios do not seem to be welcomed by the private sector.

3 What Does CSR Offer for Global Business?

To answer this question, we need to touch upon the political role of business. Traditionally, the areas of business and politics represent distinct, nonoverlapping rooms for maneuver. While the state addresses matters of public good directly, corporations serve the public interests indirectly, by complying with government regulations and the legal system (Scherer, Palazzo, & Matten, 2014). However, this strict separation of public and private spheres, due to the global dimension of corporations, is loosening up. On the one hand, given the transnational character of pressing issues the world is facing and MNEs engage in, such as public health, education, climate change, or the protection of human rights, national governments have partially lost their power. In fact, there seems to be a common agreement among scholars that state and government actors are not sufficiently able to ensure the protection of the common good and their power to directly address public issues has declined (Hussain & Moriarty, 2018; Scherer et al., 2014). On the other hand, national governments are less able to regulate the behavior of private firms, especially that of MNEs. The lack of regulations and legal enforcement for MNEs creates a regulatory gap, which often represents a fundamental cause for corporate misbehavior (Macdonald, 2011). In order to fill this regulatory gap, corporations increasingly engage voluntarily in activities of public concern (Scherer & Palazzo, 2011). While there is a common agreement that globalization has strengthened the political role of business, opposing voices condemn the traditionally clear separation of the private and public sector. According to these voices, the political role of business is not new, as business and society have always been closely interconnected and corporations have always had a social and political role in shaping civil rights or producing public goods. This view seems to derive from the understanding of the society as a complex construct, where social, economic, and political matters are deeply interrelated and cannot be viewed separately (Djelic & Etchanchu, 2017). Business rarely engages in governance activities alone; rather, it enters into collaborations with governments, international institutions, and civil society groups (Rotter, Airike, & Mark-Herbert, 2014). In this sense, corporations are co-authors in designing rules they consequently comply with and have a “co-responsibility” in ensuring societal welfare and contributing to the well-being of society (Aßländer & Curbach, 2014). In a similar vein, the duty and moral obligation of business to actively participate in the political and social life is outlined by Wettstein (2012), who in the context of human rights states that corporations have the moral obligation not only to respect human rights, but also to protect them in a proactive manner. Wettstein (2012) proposes corporations to contribute to the common good according to their potential and within their capabilities. From a practical perspective, Aßländer and Curbach (2014) refer to guidelines according to which every corporation has the duty to positively shape society when they have greater competencies than the state to do so. The authors highlight this principle on an example of a Swiss pharmaceutical company, Novartis, which leveraged their core competence to cure a disease in a developing country and supplied medication to people in need, renouncing profits. This case indicates that at times, business may be in a better position than governments in addressing health-related issues and thus contributing to the well-being of society. Along with the enthusiasm about the political engagement of business, potential shortcomings of this politicized orientation arise. These include skepticism about the drive or motives of corporations. Because such types of self-regulated initiatives are based on voluntary engagement, one may argue that the economic interest of these activities represents the main incentive for business. The question of whether corporations engage in regulations of the common good for their own benefit is a concern in the political CSR debate (Hussain & Moriarty, 2018; Scherer & Palazzo, 2011). Some fear that corporations will tackle solely problems that they regard useful to improve their interests and will not go beyond. Critical views toward self-regulation or soft-laws claim that firms will choose economic benefits over social welfare (e.g., Karnani, 2011; Kobrin, 2009; Kolk & van Tulder, 2005). Based on the “compliance likelihood” framework developed by Kolk and van Tulder (2005)—which measures the likelihood that companies respect and implement codes of conduct, be it their own or by other institutions—codes promulgated by business associations scored the lowest when compared to those of international organizations, NGOs, and individual firms. Further, the effectiveness of international initiatives (such as the UN Global Compact) is put under scrutiny due to the voluntary and nonbinding nature of such initiatives (Kobrin, 2009). Along these lines, the United Nations Global Compact (2013) itself points to a strengthened rule of law that sanctions socially unacceptable practices and in turn rewards the compliance with codes, principles, and standards. In contrast to these views urging for greater control mechanisms for MNEs, Donaldson and Walsh (2015) call for monitoring business conduct from within the firm. While external governance frameworks and pressures might have an impact on businesses' behavior, the authors reject the enforcement through a global regulator, which they contend to be restraining.

The growing participation of business in administering public life has led to a further point of debate, particularly in the political CSR literature, which questions whether firms' participation is rightful, considering their basic lack of representation. This argument underlines the fundamental difference between the democratic power of the political system and private firms, which are not subject to a direct form of democratic control. Along these lines, corporations should not be able to freely choose how to engage in public life and their activities ought to be collectively controlled (Hussain & Moriarty, 2018). Discussions in political CSR point toward the deliberative democracy model to overcome this problem. Following the deliberative concept, corporate decision-making becomes part of a multi-stakeholder approach where nongovernmental institutions and civil society play a role in shaping corporate public engagement. The concept particularly emphasizes the readiness of the corporation to collaborate with government agencies, citizens, and civil society actors when it addresses the interests of broader society (Scherer & Palazzo, 2011). An example of deliberative democracy is the Forest Stewardship Council (FSC), a group of NGOs and corporations. The FSC represents an example where corporations take part in a democratic and transparent process to solve a public issue. Its members, which involve IKEA, OBI, and Home Depot along with activists, indigenous people and environmental actors, collaborate to find solutions in order for protecting forests and managing them in a sustainable way (Scherer & Palazzo, 2007). The dialog forum where all parties (including corporations) present their arguments and contribute to the formulation of principles and standards for corporations seems to be one possible solution for the democratic deficit problem. In contrast to this view of collaboration in a non-hierarchical way, others oppose corporations' participation in shaping governance (e.g., Hussain & Moriarty, 2018). Their main argument is that corporations cannot be qualified as a "PRO" (political representative organization), because their nature fails to adopt the representative character. In their view, corporations should simply comply with PROs' rule setting and "serve as technical advisors, providing information and support to the relevant members of the public" (p. 532).

Based on the above discussion, the understanding and implementation of CSR is undergoing a change (Kudłak, Szőcs, Krumay, & Martinuzzi, 2018). Macroeconomic forces (such as globalization, liberalization of international trade, but also current trade wars) are likely to continue to influence the level of corporate engagement in CSR activities in the future. CSR may thus offer several benefits through connecting financial and social value. Particularly MNCs can leverage their core capabilities and contribute to meeting development goals while, at the same time, pursuing their financial interests (Lucci, 2012). Social and environmental contributions may be an investment worth pursuing due to resulting benefits of customer loyalty and stakeholder engagement (Schüz, 2012). Similarly, the "stewardship model" addresses the dual ability of companies to simultaneously contribute to society and to generate profits, although, with the primary emphasis on service to society and people over economic interests (Karns, 2011). Since society and communities of people determine the license and freedoms of business to operate and grow, these determinations will be broader if business actively aims to enhance the broader well-being of the lives they touch.

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Embedding CSR in Corporate Strategies

Ilona Szőcs and Bodo B. Schlegelmilch

Abstract As the number of companies aiming for a positive impact on their surroundings rises, this chapter argues that CSR has to be part of corporate strategy. It offers specific steps to draft and embed CSR strategies into corporate strategy development. In conclusion, the chapter looks at measuring and reporting the impact of CSR.

1 Corporate Social Strategies Instead of CSR?

The alignment of corporate strategy with a meaningful purpose is gaining importance in meeting stakeholder expectations. Employees, customers, and increasingly investors are shifting toward a purpose-centered view, expecting firms to embed their purpose in their business practice and to be leading forces in shaping a more sustainable society. Some refer to this phenomenon as "*the purpose revolution*" (e.g., Izzo & Vanderwielen, 2018). Organizational purpose is "an aspirational reason for being which inspires and provides a call to action for an organization and its partners and stakeholders and provides benefit to local and global society" (EY, 2015: 1). While there is a general consensus among executives about the value of organizational purpose, only a few articulate a strong sense of purpose and use it to make decisions and strengthen motivation (EY, 2015). The integration of a company's purpose into its strategy requires strong leadership and constant assessment of purpose-oriented performance.

During the last years, the business world has seen an incremental number of initiatives that deal with new approaches and frameworks to provide guidance for

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companies to introduce better practices in a complex and challenging business context. The Canadian Business for Social Responsibility (CBSR, 2015) has set up a detailed and practice-based guide by identifying 19 “qualities for a transformational company,” which provides companies with a holistic framework to redefine their business models and current ways of doing business. Adopting the advocated qualities allows companies to enhance their business value by simultaneously improving their social and environmental impacts. Although the CBSR recognizes that many organizations are already investing in ways to strengthen their role in society, the proposed measures were designed to better equip organizations with effective tools, resources, and exemplary cases that can be used as role models or inspirations. The guide strongly aligns with the principle of going beyond doing no harm. In practice, this future-oriented notion translates to proactive behavior with respect to sustainable products, production processes, supply chains, and communities. From a social viewpoint, this means focusing on investments that foster the well-being of communities, employees as well as customers, rather than merely minimizing the poor treatment of these groups. Regarding the environment and the use of resources, companies are encouraged to restore the planet’s resources, shifting away from an abundant and unmindful consumption. This “restorative” or “net positive” approach is being recognized by some influential MNCs taking the lead in adopting such a conduct. Examples include companies which promote and invest in recycling with the aim of generating recycling levels that surpass their use for packaging, or which are committed to practices of reforestation as well as helping customers to adopt sustainable lifestyles by consuming less energy and producing zero carbon homes. However, in order to achieve targets, such initiatives require the active participation of customers who are stimulated to change their consumer habits by actively engaging in recycling or in do-it-yourself practices. Besides collaboration with customers, there is need to engage in partnerships with governments, communities, suppliers, and industry actors. Tackling societal issues, such as poverty, economic inequality, and unemployment may help companies to create a positive environment to thrive in. This can only be realized through support from multiple actors. Every company can be a force of good in their own individual way, depending on the relationships it has with society and the environment. It requires an evaluation of corporate impacts and identification of internal competencies and influence. The areas in which the company can contribute to society are clearly linked to its nature, the industry in which it is operating, its size, and geographical location. Ultimately, the adoption of some or all of the transformational qualities requires companies to rethink current business models and possibly modify established practices. Targets are likely to imply the restructuring across the entire organization. Such an approach is moving away from a “voluntary” CSR toward an impact-oriented CSR, one that is embedded in the corporate DNA, that is, toward an integrated corporate social strategy instead of separate CSR activities.

2 Designing CSR Strategies

Corporate strategy at large holds that, to be successful, a company must create a distinctive value proposition that meets the needs of a chosen set of customers. A good strategy gives the firm a competitive advantage, allowing it to thrive in its field of operation.

One of the frequently emphasized criticisms of CSR is its ad hoc nature, lack of strategic rational and peripheral position within the organization (Porter & Kramer, 2011). By treating CSR as an activity on the sideline, companies may overlook opportunities to meet fundamental societal needs, which ultimately can have an adverse effect on their value chains.

Placing CSR within the context of strategy is important in order to tap its full potential. The more strategic attention a given social or environmental issue gains, the closer it is likely to be to a firm's vision and mission, and eventually to its core business activities. Integrating CSR into the corporation's strategy also involves a move away from treating CSR as a necessary expense or a trade-off and toward regarding it as a driver of economic value. Porter and Kramer (2011) call such view "a more sophisticated form of capitalism" (p. 77), which assumes a connection between corporate success and social progress. CSR, as part of the strategic planning process, also involves a shift from a short-term (driven by quarterly earnings) to a long-term perspective. It incorporates a commitment to meeting the needs and demands of key stakeholder groups, broadly defined.

How to view CSR strategically? More specifically, how to create a dynamic link between CSR and strategy? Many corporations have already successfully aligned their business models with strategic CSR opportunities. In the following, based on the framework of Lafley and Martin (2013), we offer a meaningful guidance to scholars and practitioners by proposing five steps in designing CSR strategies (Fig. 1).

2.1 *Step 1: Corporate Aspiration*

CSR initiatives should connect to the core business purpose. The purpose of the enterprise or its motivating aspirations provide a context for the rest of the strategic choices, which should fit within and support the aspirations. If corporate aspirations are connected to CSR, these will drive all subsequent CSR choices. Some key questions in this context are: What is the purpose of our business? What is our vision? What do we want to achieve? An aspiration that ignores the larger role that a firm plays in society is likely to be neither noble nor sustainable (Werther & Chandler, 2011).

The abstract concept of corporate aspirations must be translated into defined statements about the ideal future. For example, an MNC sets a target to improve the working conditions of the workers of its suppliers. This may involve decisions

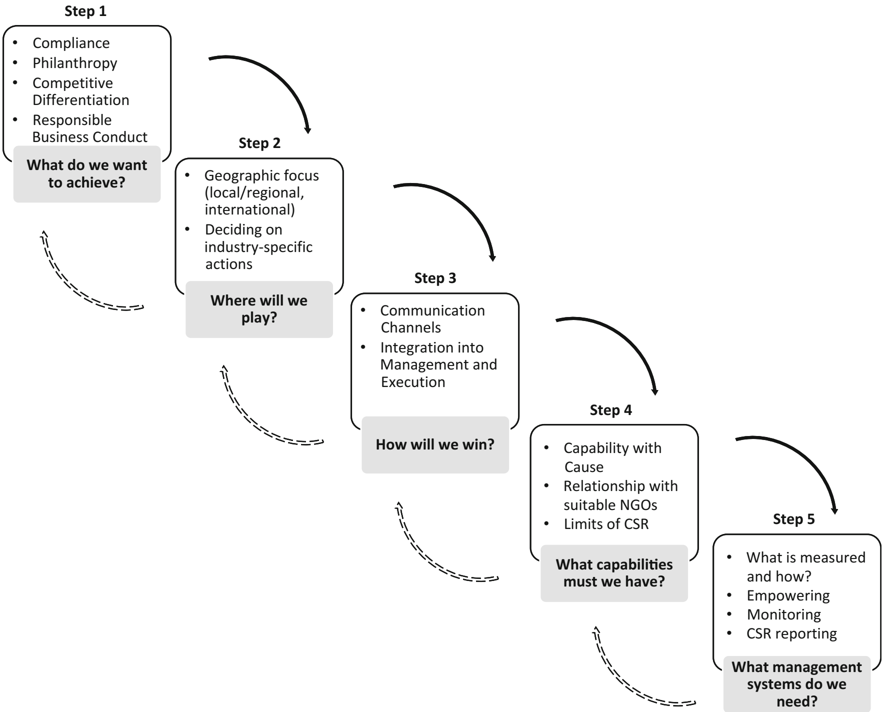

Fig. 1 Steps in developing a CSR strategy, adapted from Lafley and Martin (2013)

ranging from a mere compliance with existing standards and regulations in the home country as well as in the countries of its suppliers to going beyond what is required and taking voluntary actions proactively. Similarly, if the goal is to contribute eradicating hunger or combatting climate change, the measures taken may require decisions about integrating the SDGs into the CSR strategy.

2.2 *Step 2: Scope of CSR*

This step relates to defining the strategic playing field where the firm can achieve its aspiration. Some key questions in this context are: What is the reach of our CSR activities? What will be our geographic focus? Which SDGs are relevant for the geographic focus we choose? These questions imply narrowing the field of impact. No company can embrace all social and environmental issues around the globe. Therefore, it should focus on those issues, which can influence a firm's ability to meet its objectives.

An important context when defining the scope of CSR is the firm's industry and the issues relevant to its industry. The importance of some issues is greater than that of others in a given industry. For example, in the apparel industry, water consumption and safe working conditions are key social issues; mining firms must address air and water pollution; producers in the food industry face issues such as obesity and unsustainable palm oil sourcing; and furniture manufacturing companies face environmental issues such as deforestation. An industry-specific approach to CSR may help "to grasp its essential features and dynamics, which are easily overlooked when corporate responsibility is treated as a uniform, one-size-fits-all concept" (Beschorner, Hajduk, & Simeonov, 2013: 26). The industry context may also help to identify more clearly businesses' potential to contribute to sustainable development, since firms operating in the same industry face similar challenges, common CSR patterns, and regulations (Jackson & Apostolakou, 2010). Firms' industry-specific actions in addressing CSR strategically may take three forms (Galbreath & Benjamin, 2010), as the following paragraphs show.

Market-Driven Actions These actions include entering a new market that directly addresses a social issue, introducing new products that are oriented toward environmental/social responsibility, or redesigning existing products to offer features that address a pressing issue. For example, consumers' growing concern for more nutritious food made fast-food companies to introduce new products that meet those needs but also to approach the issue of obesity as an opportunity for developing and selling new products, including salads and other types of healthy food. Similarly, firms in the personal care industry facing issues of using petrochemicals in their products (which are toxic to humans and the environment), overharvesting rare plants and ecosystems, product testing on animals, and packaging (one of the main components of personal care products representing a massive waste footprint for the industry), are making investments in biodegradable and recyclable packaging, offering refillable products, and are addressing sustainable production issues, sustainable agriculture, and healthy product ingredients. The automobile industry that is often seen as one of the leading contributors to global warming due to carbon dioxide (CO_2) emissions is providing innovative solutions such as eco-cars using hybrid technology and zero-emissions electric cars.

Regulatory or Standards-Based Actions Governments can require firms to address issues by enacting laws and regulatory frameworks. Yet, firms can also create their own set of standards. Regulatory and standards-based actions include those that boost reputation, mitigate risk, and give some level of advantage. For example, the Organic Trade Association promotes organic and sustainable production for the beauty industry. The association is forming business partnerships with supply chain members (such as community-based farmers and indigenous communities) and is offering them long-term contracts and financial support for the transition to organic farming. Other examples are various certifications, such as the cradle-to-cradle (C2C) certification or the B Corporation certification, and specifications for sustainable sourcing (e.g., Roundtable on Sustainable Palm Oil).

Operational-Based Actions These actions relate to day-to-day actions, which aim at achieving operational effectiveness—the degree to which a firm demonstrates exemplary performance in the way it conducts business. In order to determine operational-based actions, firms' value chains need to be examined. Virtually all value chain activities can be viewed in light of issues related to social responsibility (Porter & Kramer, 2006). For example, a furniture company designs and refines every step of the manufacturing process to minimize toxic waste and maximize energy efficiency. It does so by using biodegradable substitutes and sustainably harvested and recycled timber, using reduced artificial lighting in retail outlets and more natural light, by using wind power, and by following ISO 14000 certification standards. In terms of employee health and safety, the company introduces a workplace safety program to reduce on-the-job injuries. Moreover, the firm can demonstrate commitment not only in production but also in the way it operates buildings and office spaces to produce those products (e.g., using natural light in offices, using recycled water for watering, or cooling). Finally, in supply chain operations, the manufacturer asks suppliers to address environmental or social issues in their own operations and sets conditions to working only with those suppliers willing to meet stringent requirements.

2.3 Step 3: Rules of Engagement

Once the playing field is defined, firms have to make choices about how they will address societal issues within the chosen fields. Some key questions in this context are: How will we achieve an integration of CSR into our day-to-day management and execution? What will be our CSR communication strategy?

In integrating CSR into the management and execution, an important point is that CSR strategy must be leadership driven. This implies securing the support from the top—senior leaders, including the CEO, senior legal counsel, and C-suite executives. Their integration is vital not only for moving projects from paper to reality, but also for attaining engagement at all levels. Once senior support has been received, it opens pathways for engagement from other staff. This engagement can make work more meaningful, and can help employees understand the full business process. Moreover, the engagement may extend to the customer base by creating emotional bonds via various communication channels.

Social and environmental engagement is an important way for corporations to communicate with their stakeholders; however, to communicate socially responsible activities entails risk. Companies are simultaneously encouraged to be socially active and discouraged to communicate their engagement. Morsing, Schultz, and Nielsen (2008) refer to this phenomenon as "Catch 22," meaning, consumers have, on the one hand, high regard for those companies associated with social responsibility, while on the other hand, the majority of consumers encourage companies either not to communicate about these activities or to communicate in a less conspicuous way (Gruber, Kaliauer, & Schlegelmilch, 2015). CSR communication is a delicate matter. While stakeholders' low awareness of CSR activities underlines the need for companies to communicate CSR more effectively, stakeholders' unfavorable attributions toward CSR remain critical impediments in companies' attempts to maximize business benefits from such activities and strategies (Du, Bhattacharya, & Sen, 2010). Thus, a strategic challenge of CSR communication is how to minimize stakeholder skepticism.

Key issues related to CSR communication include questions surrounding what to communicate (i.e., message content), where to communicate (i.e., message channel), as well as an understanding of the company- and stakeholder-specific factors that impact the effectiveness of CSR communication. Empirical research shows that stakeholders are increasingly willing to adopt a "win–win" perspective—acknowledging that CSR initiatives can and should be strategic, serving both the needs of society and the bottom lines of business (Ellen, Webb, & Mohr, 2006; Forehand & Grier, 2003; Sen, Bhattacharya, & Korschun, 2006). One example of such a win–win perspective is cause-related marketing—a popular communication tool, which informs consumers about CSR and involves them in the firm's CSR strategy. Cause-related marketing is characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in revenue-providing exchanges. It is therefore a concept whereby a company donates a certain amount of money (or products, services) to a charitable cause for every product or service purchased by the consumer. From a strategic point of view, cause-related marketing allows companies to enrich their products with a social aspect, which may lead to higher willingness to pay (win–win situation). Thus, it can increase sales directly while at the same time social/environmental causes get support. The point of purchase communication (e.g., through McDonald's piggy bank at the cashier to collect donations for the Ronald McDonald Foundation) or product packaging are another examples of strategically using corporate sites and marketing for CSR communication. Moreover, companies can also create a new "responsible" product alternative next to the regular product and give consumers the option to choose (e.g., Starbuck's RED coffee supporting a good cause).

In this context, by communicating both intrinsic and extrinsic CSR motives, a firm can hinder stakeholder skepticism, enhance the credibility of its CSR message, and generate goodwill (Forehand & Grier, 2003).

There are various channels of CSR communication. These are likely to vary in the extent to which they are controllable by the company. In line with a widely used digital marketing typology, one may distinguish between three types of media suitable for CSR communication: *owned, paid, and earned media* (Corcoran, 2009; Goodall, 2009). Owned media includes channels such as corporate websites, annual reports, CSR reports, corporate social media sites, product packaging, and point-of-purchase marketing. Paid media includes traditional advertising channels, such as TV and radio commercials, printed media (journals, newspapers), billboards, social media, wrap advertising, or other forms of ads. Both owned and paid media contain self-reported support of a good cause by the company (which may over accentuate the good deeds of the company and eventually lead to mistrust of the message). In contrast, earned media includes CSR communication through independent third persons or organizations that provide unbiased evaluations of corporate activities (e.g., media, customers, employees, monitoring groups, consumer forums/ blogs). This way, the company does not promote proactively its CSR actions to the public, nor has it control over such communication channels. Rather, others promote this facet of the business. Examples are editorial coverage on television or in press, documentaries, CSR ratings by independent organizations, or word-of-mouth. Such neutral sources are generally seen as more credible than corporate messages (Simmons & Becker-Olsen, 2006; Yoon, Gürhan-Canli, & Schwarz, 2006). In this context, next to organizations, employees and consumers are powerful transmitters of CSR messages. Both groups typically have a wide reach through their social ties and can turn into companies' CSR advocates by spreading the word about the company's initiatives (Dawkins, 2005; Du et al., 2010).

2.4 Step 4: Capabilities and Causes

Corporate success implies that strategy matches internal competencies with the external environment (stakeholder expectations). The company must therefore understand its core capabilities and resources and consider them when choosing its CSR strategy. Some key questions in this context are: What capabilities and resources must we have? How do these fit with the CSR areas we want to be involved in? Is there a match of our capabilities and resources with the cause? Do we need to build relationships with NGOs or other organizations? How do we identify suitable NGOs and how do we assess them? What will our cooperation look like?

In this context, proponents of strategic CSR often refer to the company–cause fit. In the marketing literature, this relates to the fit between the company's image, positioning, and target market, and the cause's image and constituency (Ellen, Mohr, & Webb, 2000; Varadarajan & Menon, 1988). A cause that is compatible with a firm's product lines, brand images, positioning, or target market influences consumer response. A close match between a company's core business and a cause is likely to transfer positive feelings of consumers about the cause to the company, while low-fit social initiatives may have a negative influence on consumers' company-related beliefs, attitudes, and purchase intent (Becker-Olsen, Cudmore, & Hill, 2006; Gupta & Pirsch, 2006; Lafferty, Goldsmith, & Hult, 2004; Simmons & Becker-Olsen, 2006). Not all CSR issues are important to a given firm. Consequently, firms need to consider which ones fit their strategy best. For example, supporting the local archery club that is under threat of closure is not likely to be a social issue for a fast-food company that is going to have a major impact on its operation. On the other hand, the growing concern of obesity and diabetes may be an issue that directly affects the fast-food firm, leading to a loss in market share as well as of customers. Some examples of company–cause fit are: pharma companies—health; computer/IT companies—education and youth projects; banks—micro-financing, social projects; engineering companies—technical assistance, disaster relief; cosmetics companies—animal rights, women's rights, empowerment; food companies—fighting food waste and hunger, obesity; fashion/apparel companies—combatting child labor, improving working conditions; healthy lifestyle.

Next to company-internal capabilities, the capabilities of company-external stakeholders are of utmost importance. Finding outside partners and building strong and sustainable partnerships can let the firm draw on the capabilities of other networks with expertise in different fields. Connecting with partners can help companies develop thoughtful CSR initiatives faster and more affordably than trying to create the opportunities on their own. Another aspect of partnerships, especially those with local organizations, is understanding the needs of those whom the firm wants to help. Successful companies often work together with key community-based partners who have better insights into the needs of local populations. Such partnerships may lead to innovative solutions (such as P&G's water purification product PūR). When forming CSR partnerships, choosing the right partner is critical. Firms should evaluate the opportunity by assessing the potential partner's willingness for collaboration and ensure that there is a clear understanding of and realistic expectations of the project (Thompson, 2012). However, many factors cannot be controlled by firms, including the regulatory and judicial systems or infrastructure that can support or undermine long-term success. What is in their capacity though is to engage key employees to design processes, establish training and mentoring (for locals, employees), set a timeline for the cooperation, and look for cultural mismatches. Once processes are established, partners can consider new initiatives and expand support in the region.

2.5 Step 5: Management Systems

Management systems are systems that foster, support, and measure strategy. Some key questions in this context are: What systems do we need to manage our CSR strategy? Do our management systems and key measures support our CSR strategy? How will we monitor and measure our CSR activities and their impact? What will be measured?

The above implies alignment with important metrics that have a bottom line impact. Firms have to consider which (financial or nonfinancial) indicators are suitable to capture the outcome of CSR and who are the stakeholders affected by the CSR strategy. The effects of CSR activities may be external (e.g., social/environmental benefits, reduction of socioeconomic inequality), but also internal (improved employee motivation, corporate image, and profit). While tools for measuring environmental impacts are already relatively well-established, the measurement of socioeconomic impacts is still lacking behind. The World Business Council for Sustainable Development with its Measuring Impact Framework (World Business Council for Sustainable Development, 2013) offers useful guidance for business on managing their socioeconomic impacts.

The CSR strategy choices and the relationships between them can be depicted in a reinforcing cascade. The choices at the top of the cascade setting the context for the choices below, and choices at the bottom influencing and refining the choices above (Fig. 1). Thus, the CSR cascade represents an iterative process where insights from one stage in the cascade may well imply the need to revisit choices elsewhere in the cascade. Moreover, depending on the firm's size, multiple parallel cascades may be necessary (e.g., CSR strategies at different levels—corporate/headquarter level, strategic group level, and individual project level). In a small organization, a single choice cascade that defines the set of choices for the entire organization may be adequate. However, in larger organizations, due to multiple levels of choices, multiple interconnected cascades may be more adequate. Ultimately, this results in a set of nested cascades that cover the full organization.

To conclude, there is no perfect CSR strategy. However, firms should aim to avoid certain flaws in the process of designing their strategies. These involve developing high-level CSR aspirations that are not translated into concrete actions; failing to make company-related choices; having no clear priorities when selecting CSR issues; attempting to capture a too wide geographic area at once; settling for generic CSR strategy choices; and setting unrealistic objectives with the existing capabilities and resources. Importantly, CSR strategies should be seen as a process, which is constantly evolving.

3 CSR Impact Measurement and Reporting

The disclosure of CSR activities has long been considered voluntary. Nowadays companies are facing rising expectations from various stakeholders (such as governments, investors, nongovernmental and intergovernmental organizations, customers, and the civil society) to report, next to their economic indicators, their social and environmental impact as well. Moreover, CSR reporting is fueled by the competitive market environment, since such reports can enhance corporate reputation (Odriozola & Baraibar-Diez, 2017), improve financial performance (Flammer, 2013; Luo & Bhattacharya, 2006), and can help companies to pursue moral legitimacy (Scherer & Palazzo, 2011).

The institutional environment plays a central role in explaining firms' CSR disclosure strategy. Firms operate in environments shaped by shared values, norms, and beliefs, which influence the strategic adoption and use of CSR reporting frameworks and eventually lead to mimetic behaviors. As a result, CSR reporting became an organizational response to institutional complexity (Luo, Wang, & Zhang, 2017) and has begun to play a larger role in the way stakeholders perceive corporate value (Reverte, 2015). In this context, governments are powerful stakeholders and key drivers of CSR reporting (Simmons, Crittenden, & Schlegelmilch, 2018). Governments are important actors in driving top-down measures for CSR reporting standards and their role in promoting these standards is expected to be of greater relevance in the future (Sierra-García, Zorio-Grima, & García-Benau, 2015; Tschopp & Nastanski, 2014). For example, CSR reporting standards are among the most prominent public CSR policy instruments in Europe (Kudłak, Szőcs, Krumay, & Martinuzzi, 2018). At the beginning of the millennium, the European Commission defined CSR as "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, 2001: 8). A decade later, the European Commission offered a renewed understanding of CSR as "the responsibility of enterprises for their impacts on society" (European Commission, 2011: 6) and further specified that "To fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders..." (European Commission, 2011: 6). Such definition is clearly moving away from the "voluntary" notion of CSR and toward a more integrative, impact-oriented definition of the concept. In 2014 the European Union has launched the Directive 2014/95/EU on the disclosure of nonfinancial information, which requires large public-interest companies with more than 500 employees to disclose the policies they implement in relation to environmental and social matters (such as environmental protection; treatment of employees; human rights; anti-corruption and bribery; and diversity on company boards) as of 2018. The Directive gives companies significant flexibility to report relevant information in the way they consider most useful and may use international, European, or national guidelines to produce their statements.

Several governmental initiatives worldwide aim at fostering CSR reporting: In Spain, the Law 2/2011 on Sustainable Economy requires businesses with over 1000 employees to produce an annual CSR report. In France, the 2010 Grenelle II Act expands corporate responsibilities with the provision of nonfinancial reporting concerning social, environmental, and governance performance. In Denmark, the amended Danish Financial Statements Act from 2009 requires public companies to report on CSR. In the USA, the 2010 Dodd–Frank Act on transparency requirements in the global supply chain imposes additional requirements on companies listed on the New York Stock Exchange (i.e., whether their products contain minerals from conflict areas). In South Africa, the 2009 King Report on Corporate Governance requires companies listed on the Johannesburg Stock Exchange to present an integrated reporting in accordance with the "comply or explain" principle.

On the supra-national level, the Global Reporting Initiative (GRI) is a leading nonprofit organization in sustainability reporting and the most widely used CSR reporting standard since its introduction in 1997. It promotes economic, environmental, and social sustainability by providing all companies and organizations with a comprehensive sustainability reporting framework. The goal of GRI is to offer a worldwide framework allowing a standard approach to transparent and consistent sustainability reporting. The increased public pressure on companies and the challenge they face with regard to disclosure and monitoring of sustainable practices along their supply chains instigated GRI to launch a program on transparency in supply chains in 2009. Its Global Action Network for Transparency in the Supply Chain Program aims at developing reporting capability within first-time reporting companies and fostering responsible management and transparency regarding economic, environmental, social, and governance impacts.

Due to governmental and nongovernmental initiatives such as described above, CSR reporting is becoming a standard practice for large- and medium-sized companies around the world. The nonfinancial aspects (i.e., intangible assets) now increasingly determine the market value of organizations and valuation methods are taking more account of these (EY, 2017). Most of the world's biggest companies integrate financial and nonfinancial data in their annual financial report and many already connect their CSR activities to the SDGs. The SDGs have resonated with businesses worldwide in the short space of time since their launch and this trend suggests that they will have a growing profile in CSR reporting in the coming years (Blasco, King, McKenzie, & Karn, 2017). For corporations, CSR reporting is an effective strategy to overcome legitimation issues as it conveys alignment with global metanorms and expectations (Marano, Tashman, & Kostova, 2017). This can be especially beneficial for MNEs operating in markets where the pervasiveness of institutional voids implies less institutional pressure on these firms in terms of CSR. Such voids may drive MNEs to engage in CSR decoupling—meaning, corporate responses to external demands will vary in the extent to which they are symbolic or substantive (Jamali, 2010; Okhmatovskiy & David, 2012). For example, companies may pretend to be responsible by communicating CSR policies and therefore gain legitimacy. However, these policies might not be implemented at all, or implemented inadequately, risking the effectiveness of CSR by not producing any concrete results and impacts. Many firms engage in CSR decoupling by exaggerating their activities in their CSR disclosures (Delmas & Burbano, 2011) or selectively disclosing only positive actions while concealing negative ones to create a misleadingly positive impression of their performance (Marquis, Toffel, & Zhou, 2016). CSR decoupling can therefore have potentially damaging consequences on firms' legitimacy (Tashman, Marano, & Kostova, 2019). Recent research suggests that policy–practice decoupling is negatively related to the quality of CSR policies and that better CSR reporting helps raising the quality of CSR implementation, which contributes to improved CSR impacts (Graafland & Smid, 2019).

A pressing issue is though how to measure CSR-related impacts. Currently there is no common agreement on how to measure business impacts. Especially the immaturity of social performance measures hinders the clarity of social reporting, makes data quantification difficult, and leaves room for companies to manipulate the narrative of their CSR reports (Wang, Hsieh, & Sarkis, 2018). Traditional CSR reporting has focused on reporting statistics, such as the tons of carbon dioxide emissions the company has reduced or the number of employees participating in training programs. While such statistics may be informative, they lack real meaning without information on context and impact. Financial stakeholders including investors, lenders, and insurers are increasingly interested in the impacts the business has on society and the environment, and how these impacts could influence the performance of the respective business in the future. In the area of responsible investment, "impact investing" is on the rise and will increase pressure on companies to disclose their impacts on society in a measurable and comparable way (Blasco et al., 2017). Impact investing refers to the idea that investors can pursue financial returns while intentionally addressing social and environmental challenges (Bugg-Levine & Emerson, 2011). It represents a successful profit-seeking investment that aims at creating a better life. Consequently, investors can more accurately assess the opportunities and risks of their future investment if they have access to nonfinancial reports of the business. They want to know how business activities are contributing to sustainable development in order to align their investment approaches accordingly. Corporate impact measurement and disclosure therefore inevitably play a key role in such investment strategies.

While more and more companies embark on the CSR bandwagon and report their policies, numerous corporate scandals fuel public skepticism of CSR and stimulate growing discussions on corporate social irresponsibility in academia (see e.g., Murphy & Schlegelmilch, 2013). In this context, it is especially important for companies to regain stakeholders' trust by formulating and communicating CSR policies in a transparent and honest way. A key challenge in designing an effective CSR communication strategy is to reduce stakeholder skepticism and to convey favorable corporate motives (Du et al., 2010), such as values-driven attributions (Skarmeas & Leonidou, 2013). Apart from governmental and business actors, pressures from customers, clients, and employees remain effective drivers for more transparency in CSR reporting and contribute to an improved quality of the reports (Fernandez-Feijoo, Romero, & Ruiz, 2014). This, in turn, reduces the information gap between managers and stakeholders and represents an important step toward greater accountability for overall business performance and its impact on society. By fostering transparency and disclosure quality, CSR reporting can stimulate companies to narrow the gap between policies and their impacts (Graafland & Smid, 2019) and thus engender confidence among all the stakeholders.

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CSR Initiatives

Ilona Szőcs and Bodo B. Schlegelmilch

Abstract This chapter opens with a discussion of the concept of shared value and then focuses on interactions and collaborations with regard to CSR across institutional boundaries. Subsequently, this chapter points to persisting differences in CSR across different regions, using Europe to illustrate the scope for equifinality in embracing corporate responsibility.

1 Aligning Global Business Values with Local Realities

Is corporate contribution to a better society and the concurrent pursuit of financial interests attainable? While several sources are pointing toward a positive answer, companies still seem to struggle to create a business proposition that drives growth and creates value for greater society (PwC, 2016).

The prominent concept of "shared value" (Porter & Kramer, 2011) argues against the narrow CSR view through which positive societal contributions will restrain firms' profitability. Instead, by combining both economic and social value, companies can achieve economic efficiency by tackling societal problems through innovative and collaborative solutions. The concept puts forward three approaches to shared value creation: (1) Developing new products and services for society's broader needs and targeting underserved customers. Within this approach companies, for example, identify and tackle issues related to healthier food or affordable financial services. Such initiatives may reach large portions of the population and thus result in considerable economic and social progress. (2) Rethinking and redesigning value chain activities to minimize negative externalities. Within this

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approach, companies can achieve enhanced resource utilization and productivity by, for example, reducing shipping distances or by implementing wellness programs for employees. (3) Building clusters with regional institutional players, such as NGOs, the private sector, trade associations, and government agencies. Within this approach, cluster collaboration creates stronger local capabilities leading to developmental goals and consequently multiplier effects in certain geographic areas and particular fields.

Shared value has gained substantial popularity among scholars, educators, and especially among corporate managers in leading companies. However, the concept has also been criticized on several grounds. Some aspects of criticism relate to its lacking novelty, its ignorance of social and economic trade-offs, and its naïve and shallow conception of corporations' role in society (Crane, Palazzo, Spence, & Matten, 2014). In particular, critics point out that the concept has not moved away from the narrow notion of CSR, since its focus remains predominantly economic (Aakhus & Bzdak, 2012; Beschorner, Hajduk, & Simeonov, 2013; Crane et al., 2014). This implies making contributions to society only if these represent attractive business opportunities. A company would therefore constantly find itself in the "zone of opportunity" where societal and economic benefits overlap (Karnani, 2011).

The recurring issue in the above context is the common understanding of the purpose of business. As already indicated earlier (see chapter "Business Success Revisited: What Constitutes Business Success?"), the (redefined) purpose of business requires deep thoughts about corporations' responsibility in society and their contribution to the common good. Thus, the question concerning the purpose of business goes beyond a strict economic view, remains widely normative, and demands moral guidance. In their struggle to address societal issues that may not create win-win situations, managers will likely need ethical frameworks, especially if regulatory frameworks are void or at odds with general norms (such as poor labor conditions in the supply chain). According to De los Reyes, Scholz, and Smith (2017), sustaining the moral legitimacy of business beyond the win-win scenarios is also part of managerial tasks and duties. The authors propose a normative managerial framework implying "norm-taking" and "norm-making." Norm-taking draws on Integrative Social Contracts Theory (ISCT, Donaldson & Dunfee, 1999). ISCT suggests that certain universal moral principles (such as the Universal Declaration of Human Rights) are valid in all business contexts. These higher level moral norms along with the interests of local communities (i.e., lower level or microsocial moral norms) should guide managerial decisions. Norm-making, in addition to norm-taking, may be relevant in situations where regulatory voids allow incomplete rules of the game in the market, capable of promoting more harm than welfare. In such situations, companies are advised to identify new norms for guidance through engagement in deliberative democracy through multi-stakeholder initiatives or though company associations. Well-known examples include the Marine Stewardship Council, the Roundtable on Sustainable Palm Oil, and the Forest Stewardship Council. These initiatives attempt to modifying industries' precompetitive framework conditions and serve as viable ways to tackle societal problems, realizing shared value, and gaining business legitimacy.

2 Collaborations Across Institutional Boundaries

Business and society are interwoven entities. This interlinked relationship and the resulting societal expectations for responsible business conduct occur at three levels: institutional, organizational, and individual (Wood, 1991). Consequently, attempts to specify principles of CSR need to be distinguished among these three levels. Ideally, CSR objectives correspond to these levels by upholding the legitimacy of business in society (institutional level), by improving the firm's adaptability and fit with its environment (organizational level), and by creating a managerial culture of moral and ethical principles (individual level). In this context, the institutional level has become increasingly important (Brammer, Jackson, & Matten, 2012), although, unlike the organizational and individual level, CSR scholarship has focused less attention on the institutional level (Sheehy, 2015).

At the institutional level, business as a social institution exists and operates in a shared environment (Preston & Post, 1975), where "society grants legitimacy and power to business" (Davis, 1973: 314). Freeman's (1984) stakeholder perspective provided a starting point for scholars to think about how society grants and takes away corporate legitimacy by answering the question "*To whom should business be responsible?*" The definition of stakeholders as "those groups who can affect or are affected by the achievement of an organization's purpose" (Freeman, 1984: 49) allowed to specify the abstract concept of *society* in more practical terms. Traditionally, owners, customers, suppliers, and employees had differing stakes in the firm. However, this traditional picture has changed to include a wider range of stakeholders, such as governments, environmentalists, consumer advocates, media, global competitors, etc. A firm is dependent on its stakeholder network not only in terms of gaining legitimacy, but also for most of the resources it requires (Parmar et al., 2010).

In recent years, MNEs have started to play an increasingly important role in public policy (Scherer, Palazzo, & Matten, 2014). As part of the institutional environment, MNEs are not isolated from political systems (Scherer, 2018) and assume political responsibilities through their CSR activities (Scherer & Palazzo, 2011). The political CSR literature has broadened the concept from the firm level to the global level (Drahos & Braithwaite, 2001; Valente & Crane, 2010) and proposes that MNEs have become important political actors at the global level of governance (Detomasi, 2007; Matten & Crane, 2005; Palazzo & Scherer, 2006; Scherer, Palazzo, & Baumann, 2006). Given the increased interest in MNEs' role as "global political actors" driving the global-level CSR agenda (Scherer, Palazzo, & Matten, 2009), it has become important to understand how MNEs act politically. For example, the SDGs require collaboration and partnerships among MNEs, governments, and multiple stakeholders and thus may provide interesting avenues for the coevolution of CSR and institutions in MNEs' host markets (Witt & Miska, forthcoming). The trend toward greater involvement of private enterprises in achieving public goals is particularly apparent in developing countries. MNEs increasingly fill the void that exists due to the absence of effective governmental infrastructure or processes and are advised to cut through the red tape by building coalitions with communities and informal groups to establish effective systems of governance (Valente & Crane, 2010). In this process, MNEs require political support from a range of actors including NGOs, competitors, industry associations, and human rights groups.

Institutional theory suggests placing CSR within a wider field of economic governance (Brammer et al., 2012), since the scope of CSR goes beyond sole managerial practices and embraces social institutions (such as private enterprises), employment relations, social welfare, and public goods. Governments around the world are investing significantly in shaping the regulatory CSR environment (Moon & Vogel, 2008; Steurer, 2010). These actions suggest that CSR is far more than merely a voluntary firm behavior initiated by management, but a form of transnational governance (Levy & Kaplan, 2008). MNEs' decision to adopt a CSR policy does not occur in a vacuum. Rather, it develops from their institutional environment (Sahlin-Andersson, 2006). CSR is often seen as an institutional response and a political contest at a global or institutional level (Avetisyan & Ferrary, 2013; Levy & Kaplan, 2008; Scherer & Palazzo, 2011) and is referred to by leading institutionalists as an emergent "global business norm" (Djelic & Sahlin-Andersson, 2006; Mühle, 2011). In this context, CSR has been defined as a particular type of business–society interaction, an "international private business self-regulation" (Sheehy, 2015: 639). This definition describes CSR as a form of regulation, which relies primarily on private resources as the driving force in the creation, adoption, administration, and adjudication of CSR-related standards. It places CSR among the various institutions that make up society: the institutional environments of the nation state, international institutions, and industry. Thereby, it aims to connect CSR to the larger institutional context.

The larger institutional context provides opportunities for firms to form collaborations with governments and NGOs. Collaborative CSR relationships between for-profit and nonprofit entities have proliferated in recent years, among others, due to the increasing appreciation of the potential benefits and powerful synergies that can result from such partnerships (Jamali & Keshishian, 2009). Moreover, these partnerships represent an effective way to implement CSR (Seitanidi & Crane, 2009; Seitanidi & Ryan, 2007). For example, public–private partnerships (PPPs) can be considered a pathway for MNE to contribute to the SDGs and promote developmental concerns by diffusing basic amenities in developing countries (Ramani, Parihar, & Sen, 2017).

The motivations for considering collaborative CSR partnerships are diverse. On the one hand, firms commonly expect benefits in terms of increased legitimacy (Inkpen, 2002), social status, and recognition (Stuart, 2000); improved reputation (Oliver, 1990); and organizational learning (Arya & Salk, 2006). Especially in host countries, where the state exerts considerable power and control over the businesses, collaborative CSR partnership can prove to be an important legitimization tool by which MNEs can gain recognition and support from local institutional actors (Beddewela & Fairbrass, 2016). Thus, instrumental orientations play an important role in business as motives for partnerships. On the other hand, NGOs are motivated by the need for funding, escalating societal needs, hostile environmental forces, and sustainability concerns (Jamali & Keshishian, 2009).

Developing and sustaining partnerships is a complex and dynamic process, especially when the parties involved come from different sectors as well as institutional and cultural environments. Not taking into account these differences may negatively affect an organization's societal legitimacy and thereby threaten its very survival (cf., DiMaggio & Powell, 1983; Scott, 1995). For example, the prevalent values in a society determine whether certain organizational practices are considered as (un)ethical. Due to the often contradicting moral and ethical standards across cultures, specifying universally binding obligations for business remains a challenge (Donaldson & Dunfee, 1999), which appears likely to persist. While countries and societies may converge on some basic cultural value dimensions, differences on other dimensions may remain or even increase (van Hoorn, 2019). Questions concerning what standards to follow in cross-cultural management has stimulated vivid academic debates on relativistic and universalistic viewpoints often depicted in comparative and intercultural research (for an overview see Szőcs & Miska, forthcoming). In this context, from the business viewpoint, collaborations across institutional boundaries may represent an excellent means of managing firm-specific uncertainty (i.e., organizational unfamiliarity with market characteristics) as well as policy uncertainty (i.e., policies induced by diverse political institutions of nations). Uncertainties can arise from external institutional pressures, influencing different aspects of CSR activities and decisions (e.g., whether to collaborate with a nongovernmental or governmental institution). The government is often seen as the most forceful source of external pressure (legal and regulatory pressures), hence firms' cooperative relationships with government institutions may minimize political risks (Beddewela & Fairbrass, 2016) or even influence government policies to their advantage (Mondejar & Zhao, 2013).

The central tenet behind public–private engagement is frequently the search for value (Mahoney, McGahan, & Pitelis, 2009), such as the accumulation of experience from working together. Collaborations between for-profit and nonprofit actors present a mutual learning platform since the collaborating partners contribute different sets of competencies and strengths. The business sector can learn from the social sector to be mission-driven (Drucker, 1989), while the social sector can learn to be more competitive, customer-driven, and results- and market-oriented from the business sector (Osborne & Gaebler, 1992). Businesses have enormous resources at their disposal coupled with managerial efficiency, technical expertise, creativity, dynamism, and access to finance (Osborne & Gaebler, 1992). NGOs have expertise and knowledge in better reaching the impoverished (Jamali, 2003). Through collaborations, MNEs enrich their understanding of stakeholder concerns and facilitate the combination of social responsibility with economic performance (Arya & Salk, 2006). Among others, the appeal for firms lies in the utilization of core assets in the production and delivery of public goods (Kivleniece & Quelin, 2012) and in overcoming challenges of foreignness (Crilly, Ni, & Jiang, 2016). The latter, according to Crilly et al., (2016), may be achieved through engagement in proactive (i.e., "do-good") social responsibility engagement by creating positive externalities (as opposed to "do-no-harm" social responsibility focused on attenuating negative externalities). Thus, through successful collaboration, the two actors can complement each other, better allocate resources for the common good, and, most importantly, tackle CSR challenges that they could not have addressed in isolation.

In order to reach objectives, the collaboration should represent an opportunity for both sides to mobilize resources and efforts to deliver innovative CSR projects and solutions. In this context, previous research highlights the importance of centrality and specificity of CSR activities for the partners (Husted, 2003). For example, contract design and governance are key in ensuring that the partners do not exploit the partnership for their own ends (Ramani et al., 2017). Moreover, if effective monitoring, reevaluation, and improved practice are missing, the interests of those that are meant to be served could be put at risk. Evidence shows that despite the prevalence of instrumental motives on both sides, vaguely formalized goals, infrequent interaction, low engagement, narrow scope of activities, and modest strategic value are some key reasons why collaborations have not evolved beyond the philanthropic stage (Jamali & Keshishian, 2009). Therefore, the centrality and specificity of CSR activities for both partners prove to be an essential precondition for CSR partnerships to evolve from symbolic toward more integrative collaborative ventures generating social value (Jamali & Keshishian, 2009).

3 Equifinality and Responsible Business Activity in Different Parts of the Globe

The era of globalization fosters homogeneity. Converging consumer tastes, standardized products, and similar business practices are driving the competitive market environment. Moreover, the imperative of sustainable development requires global collaboration across countries, industries, as well as the public and private sectors. In this regard, the United Nations' SDGs provide transcultural guiding principles and put MNCs with operations in multiple countries and societies in a particular position with respect to their responsibilities. However, firms respond differently to rising social and environmental challenges and contribute in different ways to a better world. Societal rules and norms influence economic goals of firms as well as the perception of what is considered responsible. Due to historical and economic developments (e.g., Fainshmidt, Judge, Aguilera, & Smith, 2018; Witt et al., 2018) as well as cultural facets (Miska, Szőcs, & Schiffinger, 2018), the specific sustainability targets in terms of economic, social, and environmental sustainability are likely to vary across countries.

Regions and countries may exhibit diverse forms of CSR (Visser & Tolhurst, 2010) with different public CSR policy instruments (Albareda, Lozano, & Ysa, 2007; Steurer, 2010). While for instance, in the USA CSR is primarily a business-driven agenda with rather limited government action, in Europe, national governments play a much stronger role in shaping CSR. They make use of a broad variety of public CSR policy instruments (Knopf et al., 2011; Steurer, Martinuzzi, & Margula, 2012) aimed at incentivizing CSR (e.g., sustainable public procurement;

CSR-related subsidies; tax reductions), increasing transparency (e.g., mandatory reporting), and promoting awareness and networking.

On the one hand, research tends to stereotype CSR and suggests certain patterns for world regions. For instance, Matten and Moon (2008) show fundamental differences between the USA and Europe in terms of "implicit" and "explicit" CSR. Europe's homogeneity is furthermore formed by the trend toward CSR standardization. This tendency is upheld by a stronger call for transparency and participation. In this regard, the European Commission takes on a leading role in the process of finding a common approach to CSR and CSR reporting across EU member countries. It aims for a further harmonization of reporting schemes and frameworks, by identifying a "need to consider self- and co-regulation schemes, which are an important means by which enterprises seek to meet their social responsibility" (European Commission, 2011: 5). In order to level the CSR playing field in Europe, Lock and Seele (2015) call for a common approach to CSR policy in the European Union. The authors suggest that a standardization of CSR would foster sustainable and trustful relationships between companies and their stakeholders and make CSR conduct in European companies comparable for various stakeholders.

On the other hand, Europe is complex and heterogeneous in terms of CSR (Habisch, Jonker, Wegner, & Schmidpeter, 2005). Not only forces such as the growing interdependence and integration, but also pressures for local autonomy, shape the richness of variety in different national and regional contexts. While the new policy of the European Commission aims for a unified responsible business conduct across Europe, the implementation of CSR varies strikingly among EU Member States. The political history of a country, the socioeconomic context factors, and historically grown institutional frameworks are some of the reasons cited for such nationwide discrepancies in CSR (Kang & Moon, 2012; Midttun, Gautesen, & Gjølberg, 2006; Steurer, 2010). Scholarly literature distinguishes various socioeconomic model regions in Europe according to national business systems, such as the Scandinavian, Continental, Anglo-Saxon, Mediterranean, and Transitional regions (e.g., Albareda et al., 2007; Püss, Viies, & Maldre, 2010; Steurer et al., 2012). Countries grouped within these macro regions share socioeconomic idiosyncrasies, while countries from different macro regions display different CSR features. Previous research suggests that European countries prioritize different dimensions of CSR and even within European countries, the implementation of policies and practices ranges widely. For example, the ethical dimension prevails in Anglo-Saxon countries, the environmental dimension in Scandinavia, and the social dimension in the Mediterranean region (Habisch et al., 2005; Lenssen & Vorobey, 2005). Consequently, it may not be meaningful to isolate one common denominator for European CSR.

Next to the formal institutional environment as discussed above, informal institutions, such as culture, play also an important role in shaping CSR activities around the globe. Culture may affect general perceptions of CSR (Szőcs, Schlegelmilch, Rusch, & Shamma, 2016), firms' sustainability practices (Miska et al., 2018), and may help explaining CSR variation across firms (Ioannou & Serafeim, 2012). For example, while future-oriented societies tend to support sustainability initiatives (Parboteeah, Addae, & Cullen, 2012), performance-oriented societies may negatively influence the adoption of responsible business practices (Miska et al., 2018).

MNCs frequently operate not only under multiple jurisdictions, but also under multiple cultural value systems, which may inflict contradicting moral and ethical standards. Thus, the question arises how managers can (or should) cope with different value systems? One way of coping with cross-cultural dilemmas is cultural relativism, according to which practices and customs in a different culture cannot be judged on the basis of ethical standards at home. This mindset widely accepts the variation of basic ethical beliefs across societies and refrains from judging other cultures. In contrast, cultural universalism stresses the idea that certain moral principles (e.g., human rights, human dignity) are valid and applicable universally. To reconcile these two contradicting notions, Donaldson and Dunfee (1999) introduce the previously discussed ISCT and De los Reyes et al. (2017) further build on it in their normative managerial framework. Nevertheless, there is no general understanding for firms operating across cultures to deal with broader stakeholder-oriented considerations. This leaves a "moral free space" to MNCs to manage their (responsible) activities in different parts of the globe.

As outlined above, different formal (rules, regulations) and informal (culture) institutional environments shape business conduct. Therefore, CSR activities are not alike and represent many potential ways of achieving societal and business success. This allows for equifinality in embracing corporate responsibility—a glimpse of which this book attempts to present. The remainder of this book examines a selection of topical issues in CSR from both scholarly as well as practitioner perspectives. It offers a variety of vantage points and cases from countries around the world and blends them with extant academic knowledge.

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Part II
Regional CSR Perspectives

CSR in the USA: A Historic Perspective on the Interplay Between Ideological, Political, and Economic Forces

Alexander Nill and Bianka L. Papp

Abstract This chapter provides an understanding of the contemporary role of CSR in the USA. To this end, an overview of the historic interplay between ideological, political, and economic forces related to the development of CSR is given, and the role of the four dominant ideologies, paternalism, trusteeship, new deal, and neoliberalism is discussed.

1 Introduction

Corporate social responsibility (CSR) with its myriad approaches—ranging from unilateral and fragmented corporate initiatives to collective public interest-driven national and even international regulations—has been practiced to various degrees for more than 150 years in the USA. However, there is still no common universally accepted definition or understanding of CSR and its activities (Dahlsrud, 2008; Maurel, 2011; Öberseder, Schlegelmilch, & Gruber, 2011). In general, CSR refers to a responsibility of companies that goes beyond making money for their owners. This responsibility should "embody the economic, legal, ethical, and discretionary categories of business performance" (Carroll, 1979: 499). CSR activities can be categorized into having commercial, social, environmental, and stakeholder dimensions (Devinney, 2009). Nonetheless, there is no general understanding or agreement of what this responsibility should entail in terms of policies and practices. The elusive concept of CSR, which is an umbrella term of overlapping conceptions of business–society relations (Matten & Moon, 2008), has been described as "inherently vague and ambiguous" (Schlegelmilch & Szöcs, 2015: 327), regulatory fog (Frederick, 1986), blurry and fuzzy (Godfrey & Hatch, 2007), unclear to consumers

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(Öberseder et al., 2011), malleable, fuzzy, and virtually impossible to validate or refute empirically (Devinney, 2009).

Being a clearly dynamic phenomenon, it comes as no surprise that CSR is perceived and practiced differently today than in the past (Matten & Moon, 2008). That is, the expectations of society in the USA concerning the responsibility of companies have been changing over time. On a concrete, action-based level, the true meaning of CSR in the USA cannot be revealed without a broader cultural, historical, political, and social context. The purpose of this chapter is to provide a brief contextual overview of the historic interplay between ideological, political, and economic forces and the development of CSR with the overarching goal to get a better understanding of its contemporary role in the USA. A historic conceptualization helps to show the ever-evolving nature of CSR as a reaction to economic and political events and—often as a consequence of these events—shifts in dominant ideologies. CSR has always been and still is a moving target.

2 Part I: CSR—A Socially Constructed, Value Laden, and Dynamic Phenomenon

Despite the ongoing internationalization of markets and companies, different cultures still have a different concept of what companies ought to do to benefit the society they operate in (Doucin, 2011). For example, there are noticeable differences in societal expectations about the role of CSR between the USA and other developed countries (Matten & Moon, 2008). Significantly fewer European than US firms have explicitly adopted codes of ethics. There were also striking differences in the content of these codes (Langlois & Schlegelmilch, 1990). Further, US companies contributed more than ten times as much money to their local communities than their British counterparts (Brammer & Pavelin, 2005). These differences are even more pronounced in comparison to developing economies. This is not to say that there is complete agreement on CSR in the USA but rather that there are discernible differences between the USA and other countries.

Different societies have developed a different understanding of corporations' social responsibility reflecting their specific institutions, their customary ethics, and their social relations. The political, financial, legal, and cultural system of a society, all influence the role of CSR in that society (Matten & Moon, 2008). For example, concerning the political system, the power of the state is perceived more critically in the USA than in Europe. Accordingly, the sphere of government responsibilities has traditionally been smaller, and corporations are expected to make up for it. Concerning the financial system, equity financing via the stock market is much more common in the USA, which partially might explain the stronger focus of US companies on shareholders versus other stakeholders. Concerning the legal system, labor markets are less regulated, and workers have enjoyed less legal protection in the USA. This difference in the legal system might help to explain the stronger attention of US companies in their CSR activities on employees and their well-being. In Europe, labor interests are more commonly represented on an aggregate level by unions, trade associations, or state or federal laws and regulations. Finally, concerning the cultural and value system, while Americans are known for rating high on individualism, being skeptical of big government, approving of individual wealth creations, and supportive of a free market economy, Europeans are more collectivist, more embracing of government control, suspicious of individual wealth creation, and more critical of a free market economy. These differences might partially explain the much stronger American ethic of stewardship and of "giving back" to society as well as the more pronounced reliance on explicit, individual, or corporate philanthropy (Matten & Moon, 2008). Clearly, there are also profound differences between the countries within Europe, and the examples above resemble more anecdotal evidence than an empirically verified causal relationship between the role of CSR and the political, financial, legal, and cultural systems of a society. Nonetheless, it is interesting to point out some of the striking differences between two highly developed trading partners—the USA and Europe—when it comes to their expectations concerning the social responsibility of corporations.

While the beginnings of CSR in the USA are often traced back to the 1950s and the works of Howard Bowen (1953), the debate about the social responsibility of corporations has a much longer history. The actual roots of CSR in the USA go back to at least the aftermath of the Industrial Revolution in the outgoing eighteenth century. Taking this broader historical contextualization provides for a better understanding of the current state of CSR in the USA. The interactions between business and society are ideologically framed and evolve over time together with changing values and belief systems. An appreciation of the cultural significance of historical events allows for a better understanding of these belief systems and their corresponding ideologies since "the concept of culture is a value-concept" (Weber, 1994: 19). In turn, this might help to elucidate the current ideological framework and its impact on how CSR is defined, analyzed, and practiced in the USA today. This perspective dismantles the widespread but unfounded assumption that "once upon a time economic and political spheres were stable and separate and that political responsibilities were traditionally the prerogative of states and governments" (Djelic & Etchanchu, 2017: 644). In the end, the meaning of CSR is socially constructed. A society's understanding of CSR reflects a specific ideological framework espoused by the members of society. In this sense, an ideological framework constitutes a shared mental map, a lens through which members of society make sense of the world in general and of CSR, in particular (Djelic & Etchanchu, 2017).

In the following, the interplay between ideologies, which were influential and dominant in the past, and ascribed corporate responsibilities, is being discussed. While it is possible to conceptually separate different ideologies, this should not be interpreted in a way that there was only one influential ideology at a time. Indeed, there always has been an overlap of several influential ideologies at one time. Nonetheless, as will be shown below, their relative influence significantly shifted over time. Arguably, since the second half of the twentieth century, the dominant ideological framework in the USA has been based on Neoliberal thought, calling for a strict separation between the responsibilities of private companies and the government (Harvey, 2005).

2.1 *Neoliberal Ideology: The Social Responsibility of Business Is to Increase Its Profits*

The Neoliberal ideological framework, which has significantly shaped the debate about CSR in the USA for at least the last 50 years, has been succinctly expressed and successfully popularized by Milton Friedman. He claimed that companies are not legitimized to do anything that goes beyond maximizing shareholder value. It is the responsibility of the government to cater to its citizens' needs that are not fulfilled by the profit seeking company. However, the main role of government primarily consists of protecting the market economy by defining and enforcing the rules of the game (free and fair competition). Individual economic self-interest by rational actors is the ultimate source of collective welfare (Richter, 2010). This argument has been prominently advanced by Friedman's famous article *The Social Responsibility of Business is to Increase its Profits* (Friedman, 1970). Friedman argues that

> a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both embodied in law and those embodied in ethical custom. (Friedman, 1970: 12)

If executives were to define the responsibilities of the company they manage in broader terms by encompassing goals and actions that go beyond shareholder value maximization, they would impose their own values on society. Since managers are not elected officials, they cannot legitimately deal with societal and common good issues. Only elected government officials are legitimized to act on behalf of their voters by revising laws and regulations to ensure the well-being of their citizens (Djelic & Etchanchu, 2017). Since American legislators are elected, US laws—at least theoretically—reflect the prevailing ethical beliefs and values of the American society. Thus, the values embodied in the laws are democratically legitimized and heeding those values is the only corporate responsibility beyond making "as much money as possible" (Friedman, 1970).

Some of the main assumptions of this—often labeled Neoliberal—argumentation are: (1) obeying the law equates being ethical; (2) individual economic self-interest is the source of collective welfare; (3) corporations should serve their owners; (4) the spheres of business and government are to be strictly separated; (5) the government sphere, which generally is less efficient, should have a supportive and minimal role (Djelic & Etchanchu, 2017; Nill, Aalberts, Li, & Schibrowsky, 2015). Many of these assumptions, which generally do not represent factual knowledge, have often been criticized (Nill, 2003; Richter, 2010; Scherer & Palazzo, 2011; Smith, 2001, 2003).

For example, Smith (2001) showed that “obey the law” is an often necessary but not sufficient requirement for good conduct. Marketers who are not genuinely interested in ethical conduct might look for legal loopholes and their “obedience to the law may be colored by beliefs about whether others obey the law and the possibility of being caught” (Smith, 2001: 8). Paradoxically, the sole reliance on existing laws has spawned a tendency to provoke more governmental laws and regulations restricting the free market. However, governmental control is often costly and inefficient (Nill, 2003).

Further, laws do not necessarily reflect the prevailing norms and beliefs of the society. While all citizens have one vote, not all market participants have the same political clout. Market participants that are well organized, such as big corporations, have a much higher chance of influencing the political process in their favor than do less organized participants such as consumers. Often, it is the well-organized corporations “who are aware of what they want, can articulate it to themselves and others, and have organized in order to get it” (Archer, 1995: 258). Finally, while laws are democratically legitimized in democracies (Gaski, 2001), many companies conduct business in nondemocratic countries.

In today’s globalized markets, powerful companies operating across borders make the boundaries between government and business spheres increasingly blurry (Rotter, Airike, & Mark-Herbert, 2014). The relative power of nation states—specifically in the less developed world—has been decreasing, while the influence of multinational companies (MNC) has been increasing. For example, some big MNCs whose market capitalization exceeds the gross domestic product (GDP) of small countries often engage in public health, education, social security, and protection of human rights while operating in countries with failed state agencies (Scherer & Palazzo, 2011). Thus, MNCs frequently take on a political role and, by default, assume responsibilities that have been traditionally reserved for the government (Djelic & Etchanchu, 2017; Matten & Crane, 2005; Scherer & Palazzo, 2011).

The whole argument and its premises brought forward so eloquently by Milton Friedman is not detached from values and beliefs. Rather, they are value laden and reflect a specific ideological worldview. As Max Weber (1864–1920) pointed out:

> There is no absolutely ‘objective’ scientific analysis of . . .social phenomena independent of special and ‘one-sided’ viewpoints according to which—expressly or tacitly, consciously or unconsciously—they are selected, analyzed and organized for expository purposes (Weber, 1994: 15).

Nonetheless, Friedman’s and similar lines of argumentation that have been informed by Neoliberal thought have been very influential—politically as well as academically—in the second part of the twentieth century in the USA. Indeed, some form of what is often labeled Neoliberal ideology has been ingrained in the US culture for much longer (Harvey, 2005). However, as will be discussed in the following, CSR—the quintessential question of how much should corporations be responsible for the well-being of the society they operate in—has not always been defined by this ideology. Different ideological views in the past have allowed for a different interpretation of CSR.

In the course of US history, the line between the responsibilities of government and corporations concerning the welfare of the society has been changing depending on the prevailing ideology. In the nineteenth and early twentieth century many of the responsibilities now thought of as government authority have been assumed by corporations and, simultaneously, government has been involved in spheres now thought of better performed by private corporations. It may be that the pendulum of how to separate responsibilities assigned to corporations and to government has started to swing back within the last two decades. Responding to changing societal expectations, more and more corporate decision makers no longer restrict their business goals to the maximization of profits and explicitly include social and environmental goals (Schlegelmilch & Szöcs, 2015). Arguably, while the trend toward privatization of government responsibilities came to an end during the last financial crisis a decade ago, CSR is increasingly more broadly defined—explicitly including responsibilities that go beyond shareholder value maximization—than it is in the traditional Neoliberal ideology.

2.2 Paternalism: The Benevolent Owner Knows Best

Despite the widespread adoption of the laissez-faire economic Liberalism ideology, Paternalism has a long history in the USA, dating back to even before the Industrial Revolution. Paternalism assumes a benevolent patriarch takes care of his laborers. The patriarch, like a father figure, knows what is best for his workers in all aspects of life. Early on, Paternalism has been used to justify slavery based on the idea that the slaves—and later the dependent class of poor white workers—are not capable to take care of themselves and are better off under supervision of the plantation—and later plant—owner (Sneddon, 2001). Conceptually, Paternalism has been contested on many different grounds such as its severe disregard of a person's autonomy, freedom, and liberty, and the dubious assumption that individuals do not know what is good for them. From a moral perspective, John Stuart Mill (1806–1873) refuted Paternalism in his treatise on liberty:

> The only purpose for which power can be rightfully exercised over any member of a civilized community, against his will, is to prevent harm to others. His own good, either physical or moral, is not a sufficient warrant. (Mill, 2001: 13)

In the context of CSR, the basic ideological framework behind Paternalism is based on a moral duty that comes with power. After the Industrial Revolution, ownership of production facilities became a source of uncontested power that morally obligated the owner to use this power in a way that also benefits others, specifically those who are under his influence. The company was a family enterprise, its workers were considered extended members of the family. The owner assumed the role of the benevolent patriarch and the workers assumed the role of children in need for direction and protection. The patriarch, knowing what is best, was the ultimate decision maker and was responsible for his family, his workers, and often also for his community. Thus, the company became a father figure with absolute authority. “The logic was that the authority of the owner/father implied a certain form of responsibility to the members/employees/children of the firm that went well beyond the provision of a salary” (Djelic & Etchanchu, 2017: 644). While the zenith of this movement was in Europe in the nineteenth century, it was also influential in the USA. It is still widespread in Europe and in Latin America today, where Paternalism is often based on social Catholicism, marked by the encyclical Rerum Novarum (Doucin, 2011).

The Industrial Revolution marked a major turning point in world, as well as USA history. Technological innovations were imported from Britain in the 1820s and the USA continued to rely on European technological advances for most of the nineteenth century (Stearns, 2007). This period is known for the surge in construction of locomotives and development of factory towns in the USA. Before 1830, only local railways were built, but over 3000 miles of track were laid out in the following decade in the Northeast (Stearns, 2007). This new infrastructure created the foundation for other industrial operations and increased demand for workers in the USA. The higher demand for workers created a labor shortage. Recruitment of skilled workers required creating favorable working conditions such as providing housing for employees and paying fair wages (Stearns, 2007). Thus, the need to attract more workers at a time when there was a labor shortage paved the path for what could be labeled CSR activities. It is easy to see that these nascent beginnings of CSR were based on an instrumental and utilitarian approach. That is, CSR was perceived as a means—an instrument—to a higher end, which was usually to sustain and improve profitability.

An influx of immigrants from Northern and Western Europe as well as migration to the cities eased the labor shortage and contributed to increasingly poor working conditions during the mid-nineteenth century (Gemery, 1989). With more competition for jobs, it was no longer necessary for companies to provide good or even decent conditions for workers. By 1870, there were over 30,000 accidental deaths of railroad employees. The unsafe and poor working conditions lead to labor unrests, strikes, lockouts, and often arson of factories by disgruntled employees. In an effort to improve labor relationships and avoid the most disruptive labor disturbances, the railroad industry became the first to provide benefits for sickness, accidents, and death to families of employees (Eichar, 2015). These benefits were compulsory mutual benefit societies to which both employer and employees contributed monetarily, with the idea that both benefited as well. However, participation in these “relief departments” prevented employees from seeking damages in the event of disability or death in state or federal courts (Gilman, 1899). In line with the Neoliberal framework, self-regulation was perceived as the most efficient way to deal with social problems created by industrialization. At the same time, providing benefits to employees that are unrelated to their work, such as housing and healthcare were more in sync with the ideology of Paternalism.

Some corporations assumed responsibilities that clearly went beyond instrumental CSR. However, the line between instrumental CSR and doing good in its own right is often fluid. Doing good because it is the right thing to do can also contribute to the long-term viability and profitability of the corporation. For example, countering criticism of the free market system by doing good might not have been profitable in the short run but helped to reestablish public trust and avert more drastic reformation (Carroll, 2008). One major criticism corporations facing were the cruel working conditions of child and female labor. As women had not yet gained equal rights, they were underpaid and often excluded from the benefits the white male workforce received (Eichar, 2015). Companies began early reforms to respond to this criticism and to show that capitalism could be humane and provide potential solutions to the social problems it created. For example, one of the earliest documentations of these CSR activities goes back to Merrimac Textiles Corporation, who built boarding houses for its factory girls as early as 1825 (Eichar, 2015).

The National Cash Register Company became well known when they founded the N.C.R. House, where employees and their families received training in home keeping, cooking, gardening, child caring, and responsible spending to provide a better home life (Tolman, 1900). Although a great benefit to employees, these efforts were part of a larger attempt of the National Cash Register Company to pacify its dissatisfied workforce. In the 1880s, they were losing money daily due to labor strikes, lockouts, and arson (Gilman, 1899). Due to their CSR initiatives, by the late 1890s the company was a place of collaboration. Clearly, the National Cash Register was ideologically following the mantra of Paternalism.

Early practices of social responsibility that focused on treating workers better and providing them with more benefits were also often believed to increase productivity. Realizing that men need rest and a good environment to do the best work, and to avoid labor unrests, companies focused on voluntary social responsibility. W. H. Tolman summarizes the sentiment at the time: "…a more vigorous man can do more work, a more intelligent man will do more intelligent work and a more conscientious man will do more conscientious work" (Tolman, 1900: 77). Tolman argues that whatever the motivation of the company, the employees benefited from these practices. Clearly, by morally assessing only the outcomes of these activities in terms of the greatest benefit for the greatest number of people, Tolman followed a teleological approach. A teleological framework, specifically utilitarianism, was and still is reflective of the value system engrained in the culture of the USA (Gold, Colman, & Pulford, 2015). Tolman's book *Industrial Betterment* discusses what employers were doing in the late 1800s to improve the lives of their employees. In the spirit of Paternalism, many of these activities focused on the moral duty to use the power that comes with ownership in a way that benefits workers and community. Betterments include improving working conditions by providing bath houses, lunch rooms and restaurants, boarding, vacation time, apprenticeships, recreational facilities, parks, and employee associations. For example, companies such as General Electric, the Ludlow Manufacturing Company, and the Westinghouse Air Brake Company invested in large lots and built houses, so their employees could purchase affordable housing (Tolman, 1900). Other companies established club houses, held company picnics, and formed teams and leagues to nurture feelings of loyalty, team spirit, and goodwill (Eichar, 2015).

As cities began forming during the mid-nineteenth century, America became aware of the environmental impacts of various industries. Mining was extracting materials from the earth, lumber was cutting down forests, and the butchering of livestock contaminated waterways. However, the focus was on growth rather than protecting the environment, and a majority of the public believed that nature would take care of itself (Carroll, Lipartito, Post, & Werhane, 2012). While most CSR activities at that time were aimed at employees and their families, a group of business leaders founded the Society for the Prevention of Smoke in 1892 to protect the health of the public (Husted, 2015). Poor air quality was a substantial environmental problem in urban industry centers. The way the society was organized is comparable to contemporary self-regulation approaches of the industry. The underlying assumption back then—as is today—was that private market solutions are more efficient than government regulations. Ultimately, the society failed to effectively regulate due to a lack of enforcement mechanisms (Husted, 2015). It is interesting to note that the common law system provides greater security of property rights which limits what the government can do to protect the environment (Mohr, Webb, & Harris, 2001). Even today, common law countries (England and most of its former colonies) are less proactive and more reactive—where regulations are usually implemented after damage has occurred—in protecting the environment than civil law countries (most European and Asian countries) (Kim, Park, & Ryu, 2017). Nonetheless, environmental activism eventually sparked regulation. For example, in the early 1900s, a powerful antismoke movement in Chicago forced the Pennsylvania Railroad to develop strategies for reducing public protest against the company, limiting fines, and blocking legislation forcing railroads to electrify (Stradling & Tarr, 1999).

After the civil war, Paternalism became increasingly controversial in the USA. It has been widely criticized as being against American values such as individualism and personal autonomy. Undoubtedly, Paternalism is irreconcilable with the basic civil liberties proclaimed in the Constitution of the USA. Further, its conceptual framework is very inconsistent with the laissez-faire economic liberalism that has been ingrained in the cultural fabric of the USA (Husted, 2015). While employees appreciated the benefits of working for a paternalistic corporation, they resented their freedom being restricted. At the turn of the century, Paternalism was accused of structural infantilization of workers that gave employers too much (illegitimate) power and discretion (Djelic & Etchanchu, 2017). While heavily resisted by some company owners, Paternalism eventually gave way to a new ideology commonly called Trusteeship.

Interestingly, at about the same time when the USA adopted Trusteeship, Paternalism fells also out of favor in Europe. The Ideology, which was flourishing in nineteenth century, has been criticized for the unquestioned authority of the patriarch over his community and workers who were treated like children. Paternalism, which was accused of obfuscating the true state of workers' plight and diluting the class struggle, started to lose its ideological dominance to the welfare state in Europe at the turn of the nineteenth century (Djelic & Etchanchu, 2017).

2.3 Trusteeship: Noblesse Oblige

While Paternalism was no longer accepted ideologically by an ever-larger part of the US public, the idea of stewardship or Trusteeship developed at the end of the nineteenth century. As public sentiment shifted toward the perception that unbridled capitalism was at the root of many, if not most, societal problems such as poverty, dismal living, and working conditions for most laborers, increasing divide between rich and poor, and wild economic swings, Trusteeship has been increasingly embraced as an alternative ideology to the traditional laissez-faire economic liberalism beliefs on the one hand and to Paternalism on the other hand. The underlying assumption of Trusteeship was that corporations have a moral obligation to use their wealth on behalf of the public and for the common good (Husted, 2015). The Trusteeship framework focused on the duty of corporations to use their resources to the benefit of society. Carnegie (1889: 661) claimed:

> This, then, is held to be the duty of the man of wealth: . . .to consider all surplus revenues which come to him simply as trust funds, which he is called upon to administer, and strictly bound as a matter of duty to administer in the manner which, in his judgment, is best calculated to produce the most beneficial results for the community-the man of wealth thus becoming the mere trustee and agent for his poorer brethren, bringing to their service his superior wisdom, experience, and ability to administer, doing for them better than they would or could do for themselves. . . (Carnegie, 1889: 661)

Beyond this idealistic call to do good, Trusteeship was also a product of its time in response to the changing economic, social, and political environment in the USA.

Whereas there was little power distance between craftsmen and their apprentices, the Industrial Revolution introduced great inequality between employer and worker. Poor immigrants seemingly had no choice but to consent to poor conditions, long hours, and low wages. However, many of those immigrants came from a system of guild craftsman who had formed trade societies in Europe to protect their rights. This sentiment of "workers must band together" continued to their new homeland as early formations of unions. Unlike in Europe where the class struggle was already in plain sight in the middle of the nineteenth century, access to ownership of cheap land and the influx of immigrants provided relief for American laborers and held them back to collectively oppose the capitalist system in the USA. This allowed, for many years, the majority of the American population to "retire" from being laborers and to become farmers, dealers, or entrepreneurs, while the hard work for wages was done by immigrants (Engels, 1886). However, as Friedrich Engels (1820–1895) pointed out:

> America has outgrown this early stage. The boundless backwoods have disappeared, and the still more boundless prairies are faster and faster passing from the hands of the Nation and the States into those of private owners. The great safety-valve against the formation of a permanent proletarian class has practically ceased to act. A nation of sixty million striving hard to become—and with every chance of success, too—the leading manufacturing nation of the world—such a nation cannot permanently import its own wage-working class. (Engels, 1886: Appendix ii)

Trusteeship and its underlying CSR activates were in part a reaction to the changing public sentiment toward a capitalist system. The poor working class increasingly expressed disillusionment about the free market economy. The American mechanical engineer and management consultant Henry Gantt (1919: 15) commented: "The business system must accept its social responsibility and devote itself primarily to service, or the community will ultimately make the attempt to take it over in order to operate it in its own interest." Gnatt's statement reflects the shifting ideological framework of the society in the USA at the beginning of the twentieth century. In the face of widespread meager living conditions for laborers and, at the same time, hitherto unseen riches of the industrialists, the belief that the forces of the market—Adam Smith's invisible hand—will promote the interest of the society more efficiently and effectually than government began to be questioned. Corporations were increasingly expected to look out for the well-being of the society they operate in. This implied to take on responsibilities that have been regarded as belonging to the sphere of government. Arguably, some CSR activities resembled in part running a public relationship campaign with the purpose of influencing the public, which increasingly expressed disillusionment about the free market economy.

However, in line with the Trusteeship ideology, there were also companies such as Carnegie Steel that more clearly acted out of a moral obligation to use its wealth on behalf of its workers and the general public. The Carnegie Steel Company adopted a contributory savings plan for its employees in 1889 and loaned mortgages for homes (Gilman, 1899). Andrew Carnegie who was concerned about the increasing divide between rich and poor was one of the early adopters of the Trusteeship ideology. He argued: "Great wealth should be redistributed, not by giving small sums to the poor, but by administering wealth for the common good" (Husted, 2015: 129).

In the 1870s, some companies began the practice of profit sharing, in which employees would receive compensation in addition to wages, as a percentage of company profits. In the spirit of the Trusteeship ideology, the concept of profit sharing has been embraced academically as a way to counteract the uneven distribution of wealth and, at the same time, to improve profits. As pointed out by Giddings in the first volume of *The Quarterly Journal of Economics* the concept of profit sharing is found to be morally superior to wages:

> On a prior grounds, then, I think it can be successfully maintained that profit-sharing is presumptively a better arrangement, economically and morally, than the simple wages system because ... profit-sharing effects a more equitable distribution than can be effected by the unmodified wages system. (Giddings, 1887: 367)

After 14 strikes in 1886, Proctor and Gamble Company began offering profit sharing to establish friendly relations with employees. When Proctor and Gamble Company became incorporated in 1890, it began offering a percent of dividends to employees and based a worker's dividend earning on his or her performance (Gilman, 1899). Brewster & Company of New York City offered 10% of net profits divided among their employees, contingent upon their employees refraining from labor disturbances, but ceased the practice within two years because employees did not meet the requirements (Monroe, 1896). The Bay State Shoe and Leather Company, Lister Brothers, A Mercantile Firm, and others all abandoned the practice after similar findings. Ideologically, profit sharing has been criticized as a "communist" concept that runs contrary to the US culture, which places a high value on individualism. It is interesting to note, that the increasing divide between rich and poor is currently a hot topic in the USA, but arguably profit sharing is no longer considered a potential remedy.

After their profit sharing attempts failed, US Steel attempted to win over the public and their employees with stock purchase plans and welfare plans in the form of employee safety programs in 1906 (Eichar, 2015). Other companies had begun welfare work in various forms: providing sanitary working conditions, offering company recreation, on-site restaurants, community parks and playgrounds, and company health care. No longer having to negotiate for employee rights and benefits, these activities—called welfare work—caused unions to weaken. Taking advantage of the unions' vulnerability, companies "opened shop," or started hiring nonunion workers. Unions attempted to strike against these "open shop" practices, but their efforts initially proved unsuccessful as companies further shifted public sentiment by educating the public on the benefits of their welfare work (Eichar, 2015).

At the beginning of the twentieth century, the traditional family enterprise—where the owner is the key decision maker—gave way to professionally managed corporations (Weinstein, 1968). Increasingly, American companies were transformed into publicly traded stock corporations which use the stock market as a major source for financing (Berle & Means, 1932; Djelic & Etchanchu, 2017). "The factory system, the basis of the industrial revolution, brought an increasingly large number of workers directly under a single management. Then, the modern corporation, equally revolutionary in its effect. . ." (Berle & Means, 1932: 5), turned owners into stockholders who surrendered the daily control of the corporation to professional managers.

> The independent worker who entered the factory became a wage laborer surrendering the direction of his labor to his industrial master. The property owner who invests in a modern corporation so far surrenders his wealth to those in control of the corporation that he has exchanged the position of independent owner for one in which he may become merely recipient of the wages of capital. (Berle & Means, 1932: 5)

> In just a few decades, American capitalism came to be re-invented around very large-size firms, oligopolistic competition, corporate ownership, and the managerialization of decision making. (Djelic & Etchanchu, 2017: 650)

The separation between ownership and management had profound consequences for the role of CSR in the American society. While professional managers of a big corporation—unlike owner/key decision makers—had no authority to pursue unconditional CSR activities, they were wielding immense power over the economy in general and the welfare of wage earners specifically. As a consequence, big corporations were conceived as semipolitical institutions with a responsibility that goes beyond serving the interests of the shareholder. In the spirit of the Trusteeship ideology, he was called upon to use this power responsibly as a trustee, not only for the shareholder but also for the society at large. Thus, contrary to the Neoliberal ideology, the professional manager had a fiduciary duty not only toward the owner of the company but also toward its workers, consumers, and society. The ideological framework of "Trusteeship" legitimized corporations—through their managers—to assume quasi political roles. Corporations started to provide public goods such as pension plans, consumer credit, unemployment insurance, and health care (Leon, 2016). Further, corporate philanthropy became a pillar of support for the society in the USA. "By the end of the 1920s, (corporate) business, through its professional managers, had become in the United States a 'key social institution' for the well-being of the community" (Djelic & Etchanchu, 2017: 651).

Workers sought to find strength in unions and attempted to gain negotiation power with companies once again. They proposed trade agreements for fair wages, limited work hours, seniority rules to govern layoffs, and restrict hiring to union members only (Eichar, 2015). The increasing popularity of unions was met with resistance form many corporations. Employer groups such as the National Association of Manufacturers and the National Metal Trades Association presented the American Plan in 1921 to wane unionism by reemphasizing American values of individualism and equal opportunity (Eichar, 2015). Unionization was presented as un-American. Union members were discriminated against and blacklisted within industries and industrial spies reported union supporters within organizations. By 1923, union membership fells by 28.3% (Eichar, 2015) and the American Plan proved temporarily successful.

When the stock market crashed in 1929, Ford increased its wages by 15%. At that time, President Herbert Hoover called on businesses to maintain wages, so the country could uphold market demand and avoid a recession (Taylor, 2003). This example shows how the sphere of corporate responsibility clearly increased at that time. At Ford, the increased wages did not only cure absenteeism and reduce turnover, but they also increased market demand for his product. Seeing the wage increases work in Ford's favor in the factory as well as in the market, other businesses soon followed this example.

Triggered by the Great Depression (1929–1932), the overall sentiment in American society toward the responsibility of corporations underwent significant change again. "The concentration of power—economic, financial, but also political—in the hands of a small number of firms became all the more striking and problematic as conditions were worsening for many across the country" (Djelic & Etchanchu, 2017: 651). A system relying on privately owned, profit-driven corporations were perceived as providing insufficient benefits to society. The Trusteeship paradigm appeared to have failed most workers and society as a whole. Many Americans lost trust in the managers of big corporations who were supposed to be their trustees. President Roosevelt noted:

> Primarily, this is because the rulers of the exchange of mankind's goods have failed, through their own stubbornness and their own incompetence, have admitted their failure, and have abdicated. Practices of the unscrupulous money changers stand indicted in the court of public opinion, rejected by the hearts and minds of men. (Roosevelt, 1933: 2)

Despite the best efforts of many large corporations, which unsuccessfully tried to assure the public that the Trusteeship ideology is well and alive, a general anti-business sentiment developed and triggered political and regulatory changes (Djelic & Etchanchu, 2017).

2.4 *The New Deal: Government Guides Business*

The New Deal is commonly associated with a series of government programs and initiatives first advocated under the leadership of President Franklin D. Roosevelt with the goal of reordering the economic system in an effort to overcome the social and economic misery of the Great Depression (Nelson, 1990). President Roosevelt suggested in his inaugural speech that this

> can be accomplished in part by direct recruiting by the Government itself, treating the task as we would treat the emergency of a war, but at the same time, through this employment, accomplishing great—greatly needed projects to stimulate and reorganize the use of our great natural resources. (Roosevelt, 1933: 3)

The basic belief behind the New Deal ideology was that government intervention in and regulation of the economy leads to a more efficient allocation of resources. Further, government has the moral obligation to directly support and protect vulnerable populations.

The power of the unions started to grow once again, this time simultaneously with government regulations meant to protect employees. Under the Roosevelt Administration, Congress passed the National Industrial Recovery Act of 1933 to regulate production, ensure stable employment, and guarantee workers the right to organize and bargain collectively over the terms and conditions of their employment (AFL-CIO, 2018). Additionally, unskilled workers could now join unions. At that time, 92% of all the country's coal miners were members of a union. John Lewis, who as president of the United Mine Workers of America (UMWA) from 1920 until 1960 was the dominant voice shaping the labor movement in the 1930s, flooded the coalfields with the message: "The President wants you to join the union!" (AFL-CIO, 2018).

While President Taft only reluctantly established the Department of Labor in 1913 because he was skeptical of the need for government to interfere in employer–employee relations, his successor President Theodore Roosevelt called on the Bureau of Labor Statistics (BLS) to investigate labor unrests and support the efforts of the progressive movement. The steel industry was particularly troublesome. A study of a Bethlehem Steel Company walkout revealed that workers were required to work more than 12 hours, often on a 7-day workweek. Despite objections by the industry, further studies were conducted on other companies, and published as Senate Documents (Goldberg & Moye, 1985). As a result, the government took on responsibilities that were perceived to be the sole obligation of corporations only a few decades earlier. At the same time, corporations, which became increasingly more powerful economically, used their power to influence the government.

> The rise of the modern corporation has brought a concentration of economic power which can compete on equal terms with the modern state—economic power versus political power, each strong in its own field. The state seeks in some respects to regulate the corporation, while the corporation, steadily becoming more powerful, makes every effort to avoid such regulation. (Berle & Means, 1932: 5)

Nonetheless, after the crisis of 1929, managers of big corporations came to terms with the bigger role of government under the New Deal ideology—albeit reluctantly. It was increasingly accepted and expected that the government intervene in the economy to ensure social welfare and protect civil rights. Clearly, the line between the sphere of government and corporate responsibility shifted significantly again. This shift also led to a hitherto non-existing strict separation between corporate (maximizing the value of the corporation) and government (implementation and administration of civil, political, and social rights) responsibilities, which can still be observed today.

> Even if corporations and their managers could be called upon to take on parts of those political and social responsibilities, the idea that they should be doing this as surrogates of the state emerged during that period and came to progressively impose itself. (Djelic & Etchanchu, 2017: 653)

Companies and unions put their differences aside during WWII. The war increased nationalist sentiment and created feelings of belongingness that temporarily trumped class differences. Wartime demand increased the need for labor during WWII, ending the high unemployment rates of the Great Depression. However, with many servicemen and women returning from the war, it was difficult to sustain the postwar economy (Baker, 2016). Union membership was on the rise once again (Eichar, 2015). The United Auto Workers (UAW) decided to take on General Motors in 1945 when 180,000 workers went on strike after their newly proposed contract was declined. By 1946, almost two million industrial workers in the meatpackers, electrical, and steel workers also followed (Eichar, 2015). Not wanting to promote a greedy public image in the aftermath of the Great Depression, unions decided to negotiate for pension benefits for workers instead of demanding higher wages. In 1949, Ford became the first of many companies to sign agreements including pensions (Eichar, 2015). General Motors signed an agreement with the UAW in 1950 (Jacoby, 1997). The public attributed their rising standard of living in part to the broad unionization of the industry. Unionized companies such as General Motors created employee relations departments to manage day-to-day matters and limit union interference, which became today's human resources departments (Eichar, 2015; Jacoby, 1997). This practice nurtured the relationships between companies and employees, which ultimately weakened unionization. As companies continued to practice welfare capitalism, union membership began declining in the 1950s (Baker, 2016).

The structural economic downturn that started at the end of the Vietnam War marked another change in the economic, social, and political climate of the USA, eventually paving the way for the Neoliberal ideology to become more dominant. On the one hand, technological advances required flexible work systems and more highly skilled employees, which did not fit the rigid system propagated by the unions (Jacoby, 1997). A changing, more educated workforce preferred nonunion firms because they viewed fairness as "recognition of individual abilities" instead of "equal treatment for all" (Jacoby, 1997). On the other hand, the new technologies thinned the need for medium skilled workers and made unskilled workers disposable.

In line with the increasingly more popular and influential Neoliberal ideology, President Reagan embarked on a mission to deregulate business and reduce government interference. Since private companies were believed to be much more efficient than government, many of the tasks traditionally considered as government's responsibilities were transferred to the private industry. At the same time, the maximization of shareholder value became the ultimate goal for most corporations. Thus, a clear demarcation line between the sphere of government and corporate responsibility was drawn.

3 Part II: The Justification of Corporate Social Responsibility

What are (or should be) the social responsibilities of corporations? This question is still as relevant today as it was 200 years ago. While always somewhat elusive, the answer to this question was different at different times depending on the respective economic, social, and ideological environment of the USA. Investigating the potential justifications behind CSR might further help to illuminate the interplay between ideology and ascribed corporate responsibilities.

At all times, corporations practiced instrumental CSR activities, defined as corporate initiatives that serve a societal purpose and, at the same time, help to maximize shareholder value. Following this framework, corporations should act in line with Kantian hypothetical imperatives, which assess the value of an action by its effectiveness to achieve a given goal. Since the goal itself is not evaluated, acting according to hypothetical imperatives is not necessarily ethical. In the case of instrumental CSR, the goal is to increase shareholder value while the means to this end are CSR activities (Quinn & Jones, 1995). In a more cynical way, the responsibility of corporations toward society ends as soon as the social initiative in question cannot be expected to increase profits. Instrumental CSR is in line with the Neoliberal worldview that corporations should only assume societal responsibilities if they advance the long-term value of the firm (Mackey, Mackey, & Barney, 2007). The instrumentalist conceptualization of CSR is generally more accepted in Anglo-Saxon countries and still dominates the academic debate on CSR (Richter, 2010).

As shown in this brief contextual historic review of CSR activities, corporations tried to: enhance their overall corporate image, create good will among consumers, increase overall competitiveness, sway the public opinion in their favor, avoid unrest and labor strikes, increase employee loyalty, discourage unionization, increase employee productivity, and avert and/or influence government regulation.

Interestingly, while likely to be phrased differently today, these basic arguments behind instrumental CSR are still found and discussed today (Porter & Kramer, 2006; Schlegelmilch & Szöcs, 2015). For example, Porter and Kramer (2006) mention four prevailing justifications for CSR: (1) reputation, (2) license to operate, (3) sustainability, and (4) moral obligation. The first two can easily be subsumed under instrumental CSR. Reputation justifies CSR as a means to improve a company's image, strengthen its brand, and enliven morale. Clearly, all those arguments have already been brought forward in the nineteenth and early twentieth century. The license to operate argument—"every company needs tacit or explicit permission from governments, communities, and numerous other stakeholders to do business" (Porter & Kramer, 2006: 81)—is strikingly similar to Henry Gantt's (1919: 5) assessment: "The business system must accept its social responsibility [...], or the community will ultimately make the attempt to take it over in order to operate it in its own interest." Indeed, CSR is frequently operationalized as (social) risk management (Richter, 2010). The third justification, which "emphasizes environmental and community stewardship" (Porter & Kramer, 2006: 81), is not new either. While environmental concerns only started to take off in the twentieth century, community stewardship—as a means to increase the value of the firm and/or with the objective to do good in its own right—has been around in different interpretations for at least 200 years. Finally, the argument for the "the moral appeal" (Porter & Kramer, 2006: 81) alludes to the need for companies to be ethical. Of course, the perception of what type of CSR activities is ethical depends on the type of moral assessment used. While most people use some combination of teleological and deontological reasoning, there are significant individual differences (Hunt & Vitell, 1986, 2006). Further, what type of moral assessment is being used has always been a child of its time. Nonetheless, it is helpful to briefly look at CSR activities from a teleological and deontological perspective.

On the one hand, applying a teleological approach such as utilitarianism as it has been introduced by John Stuart Mill (1806–1873) and Jeremy Bentham (1748–1832), one would likely come to the conclusion that instrumental CSR is ethical. Utilitarianism judges the value of an action solely by its outcome. The moral philosopher Mill (1979) argued that one should choose the alternative that leads to the greatest happiness of the greatest number. In the spirit of a utilitarian approach, employee welfare was often perceived as a means to a higher end, which typically is to further the interests of the owners of the corporation. However, regardless of the motivation behind it, as long as instrumental CSR leads to positive consequences—the greatest happiness of the greatest number—it is considered ethical. Utilitarian and instrumental CRS are mainly motivated by strategic considerations. That is, the corporation uses CSR to achieve strategic business objectives with the ultimate goal of increasing the value of the firm. It is interesting to note that teleological approaches toward moral philosophy have historically been more prominent in the USA than deontological approaches which were more dominant in Europe. The difference in ethical reasoning, which to some extent is culturally determined, might partially explain why the Neoliberal framework that—as espoused by Milton Friedman—calls for dominance of the shareholder has been and still is more popular in the USA than in Europe.

On the other hand, following a deontological framework toward moral philosophy, instrumental CSR—doing good in an effort to maximize shareholder wealth—would not be considered ethical. In the Kantian tradition, deontology judges the value of actions only from the perspective of their inherent wrongness or rightness regardless of the consequences. Kant (1724–1804) (Kant, 1965: 10) argued that "being ethical is having ethical intentions without considering the consequences because any result of any action is influenced by uncontrollable variables." Therefore, instrumental CSR could not be considered ethical. Only a categorical approach toward CSR—the moral duty to unconditionally do good—would be of ethical value. Interestingly, Porter and Kramer's (2006: 81) moral obligation argument "that companies have a duty to be good citizens and do the right thing," is in line with this deontological proposition.

What motivates corporations to do good without the expectation to reap economic benefits? The main difference between instrumental CSR and unconditional CSR is that the focus of unconditional CSR is on others: to give to others without getting something back. Arthur Schopenhauer (1788–1860) argued in his positive theory of ethics, which is descriptive and not prescriptive, that the main motivation for truly altruistic behavior is empathy. That is, when the line between the self and the other becomes permeable, even if only for a brief moment, we feel compassion. "Only then will the pain and the misery of the other person affect me: I look at him no longer as something different from me, something about which I do not care, but I suffer with him" (Schopenhauer, 1979: 127). Arguably, the very noticeable hardship and misery experienced by many workers in the aftermath of the Industrial Revolution might have sparked empathy and compassion among business leaders. The altruistic motivation to do good, ameliorate suffering, to share, increase public welfare, and make life more livable without anything in return is not based on rational calculations but on emotions and personal values. As such, it does not fit the classic *homo economicus* assumption, which was and to some extent still is among economists. While the psychological motives that underlie altruism remain diverse (ranging from the ability to reciprocate trust and cooperation to bonding and empathizing with others), altruistic behaviors also have a significant impact on human physiology (Hurlemann & Marsh, 2017). Current perspectives on neurobiology suggest that altruistic behaviors activate the stimulation of the pleasure circuits of the whole brain and improve immune function (Hurlemann & Marsh, 2016). This is in line with the argument that behaving altruistically, improving someone else's life feels good and produces a warm glow (Schlegelmilch & Szöcs, 2015).

While it should not be very contentious when the owners of a corporation engage in unconditional CSR activities that echo their personal values—as was often the case in the USA in the nineteenth century—this is not necessarily true for professionally managed companies. Similar to the critique voiced by Friedman (1970), managers who pursue unconditional CSR activities that are not expected to increase—or might even decrease—the shareholder value of the corporations they manage have little legitimatization to do so. In other words, the decision of who should benefit from CSR activities and how much the goal of maximizing shareholder value should be compromised cannot solely depend on the manager. If indeed managers were to unilaterally decide on CSR activities, there is the danger that these activates become reflective of their own values, which might be completely different from the prevailing values of the society they operate in. Further, there lies the danger that big multinational companies might impose their values on societies in other cultures, which would be akin to a new form of cultural imperialism (Banerjee, 2007). Unfortunately, this is exactly how many corporations make their CSR decisions. A manager's personal sense of social consciousness is often the driving force for making CSR decisions (Campbell, Gulas, & Gruca, 1999). There is a high empirical correlation between the attitudes of decision makers toward specific social issues and corresponding CSR activities (Schlegelmilch & Szöcs, 2015). Nonetheless, it is questionable to generally condemn unconditional CSR for several reasons:

First, the problem goes away if the decision maker is also the owner of the corporation. This is not only the case if the corporation is managed by the owner but also if the shareholders directly make CSR decisions. While giving for social benefit and investing for financial return have historically been practiced as separate and distinct activities in the USA, there are a range of investment strategies available that target both, financial and specific social returns (Brill, 2011). A myriad of rating agencies rank companies on the performance of CSR, providing valuable information to potential investors interested in socially responsible investing (Porter & Kramer, 2006). Socially responsible investing, which refers to investment decision-making that takes into account a company's environmental, social, and governance policies is seen as an alternative to traditional philanthropic giving. The basic idea is that socially responsible investing is more efficient because the corporation extends its core competencies to also achieve social goals. In practice, fund managers often avoid investing in companies found to be unacceptable from a CSR perspective (unacceptable products, services, or corporate governance practices) and entrust investments in companies believed to further specific CSR goals (environment, diversity, fair trade, etc.) (Brill, 2011).

Second, CSR is a time and context dependent, socially constructed phenomenon reflecting the belief system of its time. What was once considered to be unconditional CSR behavior—doing good in its own right—often becomes normalized through institutionalization processes over time. Societal expectations about the acceptability and desirability of corporate practices change over time. For example, child labor was an accepted business practice at the beginning of the nineteenth century. Socially responsible corporations such as the National Cash Register Company practiced unconditional CSR by voluntarily not employing children. Clearly, today it would be laughable to claim a corporation is socially responsible because it refrains from child labor. The same is true for many other practices that were acceptable at one time such as discrimination, 70-hour work weeks, hazardous working conditions, etc. Once these practices turned out to be seen as undesirable and unwanted by an increasing number of people in the society, abstaining from them became a potential means to increase profits. That is, if enough people dislike (or like) a specific practice, refraining from it (or adopting it) might create general goodwill, boost the company's reputation, or improve its relationship with employees. Therefore, what first started out as unconditional CSR evolved into instrumental CSR over time. Finally, many of those practices, once they were recognized as undesirable or unwanted, became prohibited by laws and regulations so that avoiding them is no longer considered CSR at all. In a democracy, the prevailing norms of the society tend to eventually become enshrined in laws and regulations. Once the societal norms and values shift the baseline of acceptable corporate practice also shifts so that corporate activities that are considered to be "unheard of" at one point are considered to be "responsible" at another point in time, "expected" at a third, and "required" at a fourth (Rivoli & Waddock, 2011).

Third, while separating instrumental and unconditional CSR based on motivations is useful for an ethical analysis grounded in moral philosophy and valuable to increase our understanding of the phenomenon CSR, it does not directly correspond with how CSR is practiced. In practice, the separation becomes quite impossible and loses its meaning since "dividing the world into economic and social ultimately is quite arbitrary" (Harrison & Freeman, 1999: 483). Business and society are not two separate entities; their needs are always intertwined. Successful corporations need a healthy society providing a rule of law, enforceable property rights, an educated and healthy workforce, etc. At the same time, a healthy society needs successful companies since the business sector is unrivaled in sparking innovation, creating jobs, and ultimately increasing standards of living (Porter & Kramer, 2006). In the end, a corporation has to benefit the society it is a part of or the society—as Henry Gantt (1919: 5) puts it a hundred years ago—"will ultimately make the attempt to take it over in order to operate it in its own interest."

4 Part III: Conclusion

Triggered by economic, social, and political events, the prevailing ideology—the overarching belief system—of the American society has been constantly changing. At the same time, in line with changes in those underlying beliefs, different societal expectations about the role of CSR developed throughout the post agrarian history of the USA (see Table 1).

The spheres between government and corporate responsibilities have been changing quite drastically over time in line with their respective ideological framework. The role of government in ensuring societal welfare has been minimal in Paternalism, moderate in Trusteeship, large in the New Deal, and again minimal in the Neoliberal framework. Similarly, society's expectation of corporations varied widely ranging from almost total responsibility for societal welfare in Paternalism, moderate responsibility in Trusteeship, co-obligation together with the government in the New Deal, to an indirect responsibility in the Neoliberal framework. While, unsurprisingly, instrumental CSR has been widely adopted under all ideologies it is the only legitimate CSR activity in the neoliberal framework.

Without considering its time, context dependent and socially constructed nature, the neoliberal framework—which only supports instrumental CSR—tends to become entangled in a logical trap. Since instrumental CSR activities are expected

Table 1 The historic interplay between ideology and ascribed responsibilities for corporations and government

Ideology	Paternalism	Trusteeship	New deal	Neoliberal
Main belief	The benevolent patriarch is responsible for well-being of his workers and community. He is the ultimate decision maker, who knows what is best for everybody.	Noblesse oblige: Corporations and their owners have a moral obligation to use their wealth on behalf of the public and for the common good.	Government should intervene in and regulate the economy and directly support and protect vulnerable populations.	Responsibility of business is to increase its profits while obeying the law and prevailing norms. Individual economic self-interest is source of collective welfare.
Role of corporation	Responsible for welfare of the family enterprise, its workers, and the community around it.	Fiduciary duty not only toward the owner of the company but also toward its workers, consumers, and society. Big Corporations are semipolitical institutions.	Business and government are both responsible for societal welfare. Business is a social institution.	Most efficient allocation of resources leading to higher standard of living through economic self-interest. Responsibilities between government and business are to be separated.
Role of Government	Minimal role of government. Government responsible for national security and basic services.	Small role of government. Government responsible to enforce the rules of the game.	Big role of government. Government responsible to direct and regulate economy and support vulnerable populations.	Government, which generally is less efficient, should have a minimal role, enforcing the rules of the game.
Instrumental CSR	Yes	Yes	Yes	Yes
Unconditional CSR	Yes	Limited	Limited	No
Main societal expectations for CSR	Patriarch takes care of his company, his family, his workers, and the community around it in all aspects of life.	Wealthy members of society support their less fortunate brethren on a voluntary basis.	Government and business work together to ensure a stable economy and social welfare.	Make profit, obey the law, obey prevailing norms, and engage in fair and free competition. Increase innovation and standard of living.

to increase profits, calling those activities socially responsible seems to be disingenuous. Rather, these activities should be described as good business practice, or "intelligent operation of the business" (Rivoli & Waddock, 2011). However, if the corporation is not legitimized to pursue activities that are not necessarily expected to be profitable—as is the case for unconditional CSR—then the discussion about CSR becomes pointless. If an activity is profitable, it is good business practice to pursue it anyways with no further discussion needed. If it is not profitable, there is no legitimization to pursue it. If pursuing this activity is perceived as important by society, it should be imposed on all competitors using laws or regulations, in which case such activities are no longer CSR (Rivoli & Waddock, 2011). Clearly, this paradox is being dissolved by accounting for the dynamic nature of CSR. As demonstrated in the brief overview of the historic interplay between ideological, political, and economic forces and the development of CSR, many activities that started out as unconditional CSR—such as not putting children to work—ended up being mandated by laws and regulations.

CSR is a truly dynamic phenomenon, constantly changing as a response to social, economic, and political events and—often as a consequence of these events—shifts in prevailing norms and beliefs. The increasing globalization of markets might contribute to another change of societal expectations about the responsibility of corporations. At the end of the nineteenth century, the USA was still an emerging economy. Interestingly, contemporary discussions about CSR in today's emerging economies are somewhat similar to the debate back then in the USA. In both cases, the line between government and corporate spheres of responsibilities was more fluid and CSR activities were often a response to the lack of laws regulating business conduct. The regulatory landscape of the nineteenth and early twentieth century in the USA is somewhat comparable to today's situation in many developing markets. (Husted, 2015). Today, many big MNCs are taking on responsibilities in emerging markets that were usually thought of as government responsibilities such as providing support to the local economy in crisis, just as Ford did in the USA under the Hoover administration. Also, big MNCs are often expected to provide basic public goods such as education, power, or clean water (Djelic & Etchanchu, 2017).

The concept of big MNCs taking on a political role and pursuing quasi government tasks in developing nations is conceptually similar to some factory towns in the early nineteenth century in the USA that have been governed by a "benevolent" patriarch who took care of his workers and the community around it in all aspects of life. As it was true back then, this political role of corporations—while conceivably beneficial to the immediate well-being of workers and community—comes with potentially severe limitations of people's autonomy and liberty. If the traditional separations between various spheres of life—for example, between work and nonwork—are removed by a patriarch or a big MNC, people become quite vulnerable since these boundaries between the spheres of life serve as buffers protecting individual freedom (Mäkinen & Kasanen, 2016). As illustrated by some rather extreme historic examples of Paternalism, the call for a more political role of corporations should not be adopted without reflection. At the very least, there should be an open value-oriented discussion about the role of government versus the role of corporations. Should corporations become partially a substitute for government (as in Paternalism), should they supplement government tasks as in Trusteeship, or be primarily concerned about shareholder value as in Neoliberalism? As shown, all approaches toward CSR are socially constructed and intractably intertwined with an ideological framework. In the end, the responsibilities ascribed to corporations have always been ideology driven.

A fruitful debate about the social responsibilities of corporations in today's increasingly global economy necessitates not only a discussion of economic, political, and social factors but also of the underlying ideological framework and value structure. A meaningful discussion is not possible without admitting to the necessarily value laden character of CSR. Indeed, the claim of neoliberal economic thought that the analysis of the role of a firm should be held free of value judgments is in itself a value judgment (Richter, 2010). Disagreement about the values behind CSR is not the problem; "avoidance of the topic and/or failure to engage in a collaborative dialogue is" (Drumwright & Murphy, 2009: 103). An open dialog, which is characterized as a sustained collective inquiry into the assumptions, beliefs, and values that compose CSR, can potentially help mangers to devise guidelines for CSR.

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CSR in Egypt: Communication and Marketing Practices

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Abstract This chapter reviews trends in corporate social responsibility (CSR) in Egypt through the lens of marketing. Following a review of the pertinent literature, two business organizations in Egypt, PepsiCo and the Arab African International Bank, are analyzed. Primary research is undertaken to assess their marketing activities concerning CSR. The study finds that mainstreaming CSR as a corporate branding tool is not yet standard practice in Egypt.

1 Introduction

The dynamic nature of communications and marketing with the rise of digitalization and globalization in the twenty-first century requires a fresh academic approach to be adopted and undertaken by marketing academics. A new flexible and innovative understanding of the pillars and essential components of marketing is required if marketers truly seek to reap the benefits of the borderless economy and the day-to-day changes in technology and innovation. Narrow understandings of customers and limited demarcations of what constitutes market share are currently being challenged, not only globally, but also on a regional level in Africa as well.

With social media and e-commerce thriving, online marketing needs to meet the demands of a more involved customer. Consumers are now more aware than ever of climate change, ethical business practices, and corporate citizenship. With this in mind, it is important to go beyond the traditional marketing tools that have been the cornerstones of marketing campaigns, such as precise information and personalization. Digital marketing and online presence have forced marketers to adopt more stakeholder- and customer-engaging approaches in their marketing strategies. Engaging customers and the public is often enhanced by showcasing a company

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as an active member of society and promoting its social benefits to the community in which it is present.

In Egypt, both top management and marketers still struggle with defining CSR and understanding its full potential. Nonetheless, CSR is becoming increasingly important for senior management. With the economic uncertainties faced by Egypt after its multiple political upheavals, more and more local and multinational companies are widening their CSR scope and activities to include more sustainable practices that support the overall community both socially and economically.

However, there is still some reluctance, especially among local businesses, to utilize such implemented CSR activities and projects in a way that will benefit the organization's overall business model, i.e., the deployment of these activities in marketing and communication. To promote the importance of this link and raise awareness on related successful implementation practices, this study aims to showcase two success stories that have been able to develop an integrative approach between marketing, communications, and CSR.

The focus is to present how these two successful business organizations have been able to incorporate CSR activities in their annual marketing strategies and to underscore the extent to which management in these organizations perceive CSR as a branding tool to promote positive and responsible governance and community participation. The main two questions addressed are:

1. How often do these companies incorporate their CSR activities in their corporate marketing and branding strategies?
2. What are the methods and means by which they incorporate them into the company's marketing strategy?

The information and practices that emerge through this investigation are intended to provide basic guidance to other marketers on how to incorporate CSR in marketing strategies and to trigger further research on the impact of CSR on a company brand.

2 Literature Review

In this section, we present the evolution of CSR as well as understandings that have developed relationships between CSR and marketing, CSR and corporate communications, and CSR and brand value.

2.1 Overview of CSR

CSR has been an area of interest for many marketing researchers over the past 30 years. Some have been especially interested in understanding CSR and its effects on factors such as consumer choice, purchase decisions, and attitudes toward CSR practices; others have rather focused on investigations of moderating factors on this relationship, which can be described as cause–effect (Van den Brink, Odekerken-Schröder, & Pauwels, 2006).

Although CSR has gone through different phases of evolution (Maignan & Ferrell, 2004), each playing a key role in studies conducted so far, an inability to agree on a uniform understanding of CSR has generated wide-ranging debate (Sanclemente-Téllez, 2017). Problems emerge from the fact that confining the meaning of CSR to societal causes is unrealistic, as it is difficult to identify a list of all activities that may be so characterized (Podnar & Golob, 2007). Researchers have even described the concept of CSR itself as unclear (Lantos, 2001).

There are various reasons for this confusion. Firstly, defining CSR from a certain disciplinary perspective restricts it to that discipline's boundaries, overlooking any interrelation with other disciplines (Vaaland, Heide, & Grønhaug, 2008). Secondly, whenever public organizations engage in CSR, its legitimacy can be questioned: People may ask how CSR can be measured when it is done by an organization that is supposed to act in the public interest anyway—again creating room for confusion (Vaaland et al., 2008) in that normally, public organizations are expected to serve society without question, while private businesses are those whose involvement in CSR could be worthy of remark. Finally, the impact of CSR on business profitability remains uncertain (Vaaland et al., 2008), as empirical evidence for a substantial effect on financial profitability is lacking.

Not only have scholars found it difficult to define CSR, but so have managers. Senior managers have been unable to grasp the concept clearly or how CSR's social impact might be linked to their business (Maignan, Ferrell, & Ferrell, 2005). They argue that no level of commitment to CSR can please all stakeholders (Maignan et al., 2005). Therefore, the definition of CSR has continued to be an area needing more understanding by both researchers and practitioners.

Despite the lack of a universal consensus on its definition, many researchers have attempted to conceptualize CSR from different perspectives, leading to definitions ranging from the purely theoretical to more concrete (Gorski, Fuciu, & Dumitrescu, 2016). Some broadly define it to be "a commitment to improve societal well-being through discretionary business practices and contributions of corporate resources" (Du, Bhattacharya, & Sen, 2010: 8). Some definitions focus on external stakeholders, while others emphasize CSR as a tool that a company can use internally to engage employees (Gorski et al., 2016).

Efforts at definition started in the 1950s. In general, more concrete CSR definitions emphasize the common benefits to stakeholders and society that are expected from companies (Podnar & Golob, 2007). One attempt defined CSR as "a balance of all responsibilities and policies which meet or exceed expectations, values and norms of stakeholders and society at large" (Podnar & Golob, 2007: 328). The term "expectations" is key here, because it represents all that stakeholders might require from a company, considering its impact on society, in general. These expectations involve not only performance, but also environmental practices, transparency, and communication.

Another interesting definition discussed in the literature is more holistic, combining the interests of stakeholders and environment—that CSR works in the interest of different stakeholders while preserving environmental health and ensuring that society ultimately benefits from business activities (Holienčinová, Nagyová, & Sedliaková, 2014).

2.2 CSR and Marketing

The idea of corporate marketing emerged as a first step toward identifying the benefits of CSR to organizational marketing (Podnar & Golob, 2007) and shifted the organizational level of concern from products and services toward society. Some scholars posited CSR as a marketing concept by placing it within a global perspective which included social cause-related marketing, environmental marketing, consumer responses to companies' CSR activities (Maignan & Ferrell, 2004; Vaaland et al., 2008) and social marketing, quality of life, and socially responsible purchases and sustainable consumption (Vaaland et al., 2008). Interestingly, the general direction of marketing in the 1990s toward sustainable development highlighted the importance of accountability for activities in addition to contributing to the betterment of society (Holienčinová et al., 2014), meaning that organizational marketing needed to take commitment to the benefit of society as a whole into higher consideration.

Scholars have recognized this changing relationship between CSR and marketing. The evolution of definitions of marketing implies how the concept has been challenged by wider dynamics relating to environmental concerns and by the way that society, in general, is now implicated in CSR (Sanclemente-Téllez, 2017). Scholars at the American Marketing Association (AMA) have tried to integrate changes in environmental and management decisions in conceptualizing marketing. In 2004, the AMA redefined marketing to focus on its impact on different stakeholders, not only customers (Brønn, 2011)—a huge transition from almost 70 years of definitions focusing only on the 4Ps and customers (Brønn, 2011). Three years later, other scholars became engaged in exploring marketing's impact on society as a whole, and marketing came to be understood as heavily concerned with the effect of businesses on the environment and vice versa (Sanclemente-Téllez, 2017).

Debates began around ways in which CSR can serve marketing. In certain cases, it was argued, CSR can have positive effects on business, purchase intentions, attitudes toward a company, and brand loyalty. Scholars associated CSR with positive consumer attitudes toward organizations because values-driven attributions positively affect trust, while stakeholder-driven, ego-driven, and strategy-driven attributions have a negative or no impact (Öberseder, Schlegelmilch, & Gruber, 2011: 450). Conversely, CSR could work against an organization, promoting doubt, negative word of mouth, or avoidance if the organization does not meet its expectations (Sanclemente-Téllez, 2017). The previous cases have shown how CSR profiles impact on company image and perception in consumers' minds, which is a top marketing priority.

CSR's role in marketing became clearer when researchers pointed out that both are linked through overall value (Brønn, 2011). Marketing's main purpose is to achieve maximum value for stakeholders; not only profits, but also long-term relationships with stakeholders through a highly dynamic exchange which includes the environment (Marín & Lindgreen, 2017). Meanwhile, CSR generates strong relationships with customers, enhances company reputation, strengthens brand value, supports distributors' ties within the supply chain, and creates a sense of loyalty among employees while preserving the environment (Marín & Lindgreen, 2017). Hence, marketing is also about the willingness of a company to provide value that does not involve profits. Integrating CSR as a marketing tool redefines the value that a company provides, and that is the point at which CSR begins to become part of value considerations.

The importance of CSR grew to a point where companies have found it obligatory to report on their CSR activities, following pressures from their consumer base to meet customers' expectations (Juščius, Šneiderienė, & Griauslytė, 2014). These pressures mainly appear when a company's practices go beyond commercial aspects and impact on society in one way or another (Van den Brink et al., 2006). Companies have also found it beneficial for their business to inform people when they engage in cause-related projects (Juščius et al., 2014); this creates a degree of credibility in customers' minds and strengthens brand loyalty (Khan, Lew, & Park, 2015). Some researchers argue that CSR's importance arose from people's awareness of companies' role in drawing socially concerned customers toward certain attitudes, essential for their business development (Murphy, Öberseder, & Laczniak, 2013).

Companies have now begun to issue CSR reports of their own volition, making them available to the public through a process called CSR reporting. At first rather voluntary and random (Juščius et al., 2014), by the end of the 1990s the system had become more organized; formal reports started to appear concerning not only financial performance but also CSR causes. The importance of CSR reports continued to grow, reaching a level where some stock exchanges and rating agencies require such reporting as a condition to trade (Juščius et al., 2014). In particular, the effect of CSR on strategic development, competitive advantage, and creating trust among stakeholders was a key stimulus for CSR's inclusion in financial communications (Nielsen & Thomsen, 2012). As a result, CSR reports became an important tool to showcase information that while not usually found in financial statements, has indirect impact on financial performance.

The formalization of CSR reports has made it possible to study CSR's effects on organizational performance. A recent study on 800 Chinese firms operating in different industries was conducted to see whether CSR could have an effect on organizational performance in emerging economies (Bai & Chang, 2015). The study examined the effect of CSR on three groups of stakeholders—customers, employees, and society—and found that CSR affecting these three groups tends to have a positive effect on company performance (Bai & Chang, 2015). It is suggested that once a firm engages in CSR activities, stakeholders perceive it to be legitimate and responsible, which creates positive attitudes toward the company's image, which in turn enhances the sense of marketing capability or competence (Bai & Chang, 2015). Thus, the study empirically showed that perceived competence in marketing can originate from the efficient mediation of CSR.

The effect of CSR is not only confined to marketing competence, but also influences customer attitudes. In another study, conducted on 480 undergraduate students from marketing-related classes at Feng Chia University in Taiwan (Lii, Wu, & Ding, 2013), sponsorship, cause-related marketing, and philanthropy were verified as three types of CSR deployed in sustainable marketing. These can add value to a firm's reputation by creating positive attitudes toward the brand and establishing credibility among consumers (Becker-Olsen & Hill, 2006; Lachowetz, Clark, Irwin, & Cornwell, 2002), which will become reflected in purchase intentions (Lii et al., 2013).

As such research developed, some scholars proposed different frameworks on how to utilize CSR to support marketing. Maignan and Ferrell proposed an interesting conceptual framework on how CSR could be integrated into an organization's marketing practices. The authors investigated how to direct management processes toward CSR practices that suit the expectations of both stakeholders and the organization (Maignan & Ferrell, 2004). Other theoretical frameworks also emerged to draw CSR into the marketing context (Murphy et al., 2013). Nonetheless, a huge gap remains in marketing and CSR-related research and needs further examination.

2.3 CSR and Corporate Communications

The impact of CSR and CSR reporting has fallen not only just on marketing but also on other organizational functions, and researchers have started to examine relationships between them. One affected function is corporate communications. The idea that CSR reports could constitute a major tool of communication between different general marketing programs (Juščius et al., 2014) envisaged a common relationship with corporate communications that needed investigation.

Corporate communications can be defined as a function that coordinates the efforts of different communications specialists across different processes (Cornelissen, 2011). According to this definition, it can harmonize all types of communication inside and outside the company to build a base for a strong relationship between a company and its stakeholders (Van Riel, 1995).

CSR communication is still an emerging field, increasing in importance in recent years. The literature sees CSR communication as about communicating CSR using different promotional tools for informing stakeholders about companies' CSR practices and relating them to brand identity and reputation (Golob et al., 2013). An interesting study by Nielsen and Thomsen (2012) also attempted to understand CSR communication as a concept and to evaluate research on CSR from a corporate-communication perspective. It revealed the overlap between CSR communication and corporate communication—they both aspire to enhance corporate reputation and image among different stakeholders, mainly customers and employees (Nielsen & Thomsen, 2012). This study shed light on the relationship between CSR and corporate communication and how CSR can be integrated as a communication tool. Further research by Gorski and colleagues surveyed 116 managers and employees and indicated that CSR communication is not efficiently utilized in organizations and that most of the surveyed companies were not fully aware of the benefits that CSR communication could bring to corporate communication (Gorski et al., 2016).

Another study, an email survey designed to examine the relationship between corporate communication and CSR departments in 302 companies chosen from the first thousand companies of the Forbes 2000 in 14 European countries (Pollach et al., 2012) sought to understand the relationship between CSR and corporate communications. The results interestingly showed that the average frequency of collaboration between corporate-communication departments and departments handling CSR activities measured on a four-point scale, scored 3.2, demonstrating that the two cooperate very frequently, sometimes even daily, in most companies (Pollach, Johansen, Nielsen, & Thomsen, 2012). Hence, corporate communication and CSR departments were found to be heavily interrelated, undertaking similar or at least coordinated activities which are usually communicated to stakeholders. Accordingly, corporate communication is a useful tool for the analysis of CSR management (Nielsen & Thomsen, 2012) and can offer further input into CSR-related research.

2.4 CSR and Brand Value

The relationship between CSR and brand value has also spurred interest, with some researchers arguing that CSR increases brand value and creates a competitive advantage (Juščius et al., 2014). When brand value is enhanced, brand loyalty tends to strengthen (Khan et al., 2015), and one study examined the effect of CSR on brand loyalty through an experiment with 240 participants. Imaginary companies with imaginary CSR campaigns were presented to the participants, who were later asked about four dimensions, including brand loyalty (Van den Brink et al., 2006). The study confirmed that long-term cause-related marketing may increase brand loyalty when the product does not require high customer involvement (Van den Brink et al., 2006). This is usually because the effect of a high-involvement relationship between customer and brand exceeds the impact of any CSR activities; the authors recommended companies aiming for high degrees of brand loyalty to engage in long-term CSR strategies.

Another study, by Currás-Pérez, Bigné-Alcañiz, and Alvarado-Herrera (2009), analyzed the effect of perception of CSR activities on customers' purchase intentions, and its relation to the corporate brand; it was found that CSR can help to establish a relationship between company and customer through enhancing the uniqueness of the brand in the customer's mind, exerting a positive influence on customers' attitudes which reflects in their purchase intentions (Nielsen & Thomsen, 2012). This result was confirmed by another industry-related study, on the mobile phone sector in China. Examining the effects of three CSR practices (ethical, discretionary, and relational) on consumer perceptions and attitudes toward mobile phone companies (Wang & Chaudhri, 2009), the study showed that ethical and relational practices tend to have a more positive effect on consumer attitudes toward these companies than discretionary practices, and that ethical and relational elements should therefore be incorporated into CSR communication strategies (Nielsen & Thomsen, 2012).

Consequently, it is clear that a general consensus has emerged in the literature that CSR is a strategic instrumental tool that enables a company to be responsive to stakeholder's expectations and changes in the environment, leading to better marketing practices. The interrelations found between marketing, corporate communications, and brand value from one side and CSR from the other side have induced a continuous wave of studies investigating CSR from the perspective of concepts in which CSR became an integral component. Some scholars claim that the value that CSR adds to a company's image and reputation is strategic, while others argue that it is all about the expectations of stakeholders and how modern companies are expected to have positive societal effects and to communicate this is to establish credibility. Despite the different perspectives, a common feature is that CSR can no longer be separated from marketing; further research would be beneficial in understanding how CSR practices can be integrated successfully into marketing programs.

3 Methodology

This study is based on a qualitative research methodology. The authors have found it essential to understand the views and opinions of marketing managers who oversee marketing strategies in the chosen case studies. Semi-structured interviews were conducted to provide guidelines of the area that this study focuses on, while offering an optimal space for the interviewees to share their unique knowledge, experience, and understandings.

Interactive and narrative research based on dialog between a researcher and the subject of research can provide insights and project a sense of human engagement (Gummesson, 2006). Especially relevant to this research is the opportunity to delve deeper into causality and understanding behind marketers' utilization of CSR activities (Gummesson, 2006). The case-study approach has been deployed before in CSR studies (Daymon & Holloway, 2010); its comprehensive nature allows the use of interviews and content analysis, which accounts for a diversity of views and data saturation.

Selection of the two case studies was based on the following criteria:

- Strength of corporate brand
- Strong track record in adopting CSR and/or corporate philanthropy projects
- Conducting successful marketing campaigns that resonate with the public
- At least one marketing campaign including and/or representing company CSR activities.

The two selected case studies are PepsiCo and Arab African International Bank. Four initial and follow-up interviews were conducted with the marketing and CSR departments of the two organizations, including middle and senior management. Additionally, their websites, official reports, and marketing campaign materials have been taken into consideration.

4 Evolution of CSR in Egypt

To understand the onset of CSR adoption in Egypt as a core practice by companies, it is appropriate to adopt a stakeholder approach, which helps to shed light on the intricate dynamics and complexities present in the evolution of the concept's practice and implementation as seen in Egypt's overall business ecosystem.

4.1 Private Sector

From the beginning of the 2000s, Egypt's private sector became significantly aware of the proactive role that it could play in social and economic development. Despite lacking a discrete delineation of CSR, the way Egypt's private sector has adopted responsible governance and citizenship reflects a rich comprehension of the essence of CSR and its different practices (Ibrahim & Sherif, 2008).

Despite the significant growth of companies adopting CSR, not all comply with international interpretations of CSR. Rather, a large number still practice corporate philanthropy, featuring traditional charitable activities such as direct monetary and in-kind donations favoring causes such as orphanages, medical equipment, infrastructure funding for schools or hospitals, or funding for NGOs that support families in poverty. In the last decade, international organizations such as the United Nations Development Programme (UNDP), International Labor Organization (ILO), United Nations Industrial Development Organization (UNIDO), and United Nations Global Compact have striven to promote awareness of the importance of CSR practices in compliance with international agreements, standards, and practices.

Moreover, aided by their international headquarters, an increasing number of multinationals in Egypt have started to link their CSR practices to their business models, thus introducing activities that better comply with what CSR stands for overall, rather than simply charitable funding. These multinationals have intentionally redirected their CSR to uphold the concept of "shared value" (International Labor Organization, 2015), designing projects to be more developmental and sustainable, with social impact in mind. This trend has come to highlight increased private-sector agency, as a development actor of change rather than simply a funder for projects enacted by the civil sector.

As can be inferred, companies in Egypt have endorsed a spectrum of understandings of CSR, ranging from corporate philanthropy to sustainability. More and more companies dedicate staff to manage and oversee CSR, many establishing CSR units or independent operational functionalities. Larger multinationals and profitable local business groups have resorted to mixed models to link both charity and CSR. Accordingly, charitable arms in the form of foundations have been created for charity, immediate relief, and donations, while independent CSR departments have been created within companies' operational business models to promote more sustainable activities and link them to the core business. In general, more companies have moved toward institutionalizing CSR.

More advanced CSR concepts such as sustainability, Bottom of the Pyramid (BOP), and inclusive business are still in the early stages of introduction to the private-sector ecosystem in Egypt. Despite scattered efforts to introduce these newer concepts, lack of awareness, low access to information, and the high costs related to implementing these more advanced concepts hinder progress.

The same trends can also be witnessed by the country's thriving and dynamic banking sector. Toward this end, the Egyptian Banks Federation established the Commission on Sustainable Development in 2014 to implement a vision of adherence to international standards of CSR and sustainability among the country's banks. Some of the Commission's activities include promoting entrepreneurship, sustainable finance, and capacity-building.

Further progress is detectable on introducing green and sustainable finance tools; green bonds and investment in renewables are gaining momentum due to current economic difficulties, caused by growing resource scarcity and high price fluctuations in areas such as oil, hydro-generated electricity, and water potability.

4.2 Civil Sector

Traditionally, civil-society organizations (CSOs) have perceived the private sector as a funding source for ongoing programs to further community development, fight poverty, reduce illiteracy, and other important and challenging causes. Traditional understandings of corporate philanthropy as consisting of monetary and in-kind giving have supported the persistence of this role, whereby companies have contracted CSOs to undertake programs or have financed ongoing CSO-initiated programs. Yet when companies assume a leadership role in their CSR programs rather than limiting themselves to funding, the relationship morphs into one of a strategic partnership with mutually defined and detailed roles, giving the company overall management of projects while CSOs, due to their experience and wider geographic outreach, undertake implementation.

It is also worth highlighting the formation of a number of civil-society lobbies, coalitions, and collaborative platforms that promote private-sector and civil-society partnerships in implementing CSR activities. One such example is the Terous Foundation, which has initiated an annual CSR forum and created a sustainability committee to promote private-sector sustainability.

4.3 Government

Meanwhile, the government and relevant ministries, such as the Ministry of Trade and Industry, Ministry of International Cooperation, and Ministry of Investment, have all striven to be more progressive in supporting or at least acknowledging the developmental role that the private sector can perform in Egypt's economic and social progress.

Prior to Egypt's political upheavals of 2011, a Standard and Poor/Egypt Stock Exchange Economic Social and Governance Index (S&P-EGX ESG) had been designed and launched, the first of its kind in Africa and the Middle East to support CSR practices among listed companies. The index was the result of a partnership between the Egyptian Corporate Responsibility Center (ECRC), a joint project between the United Nations Development Programme (UNDP) and the Egyptian Institute of Directors (EIoD) affiliated to the Ministry of Investment. It was designed using Standard and Poor's (S&P) methodology (United Nations Development Programme, Industrial Modernization Center, and Egyptian Corporate Social Responsibility Center, 2016).

Currently, the Ministry of Investment is designing a CSR award scheme targeting all companies registered in Egypt. This scheme is designed to promote CSR's pillars and encourage internationally acceptable practices. It is expected to become an annual governmental tradition to nurture more constructive dialog with the private sector.

Similarly, ministries such as the Ministries of Education and Social Solidarity are increasingly involved in tripartite agreements with the private sector and CSOs to benefit from CSR programs and related funding. This helps to align private-sector efforts with those undertaken by other community stakeholders. Most importantly, it demonstrates a newly instituted government role as a facilitator and coordinator between different community actors.

With the support of both the private sector and international organizations, the government often sponsors under its auspices forums and conferences with a CSR focus, with the aim of raising CSR awareness, promoting partnerships, and shedding light on Egypt's economic and social priority needs.

Finally, taking account of the UN's launch of Sustainable Development Goals (SDGs), Egypt is currently revising and updating a strategy developed to promote sustainability in line with the detailed targets set by the SDGs. Under the name of Sustainable Development Strategy 2030, different government institutions, affiliates, and organizations, along with civil society, private sector, youth clusters, academia, and international organizations are engaged in a participatory approach to launch an updated version of the strategy.

This strategy is expected to act as a planning blueprint for the private sector to design CSR strategies, goals and priorities, taking into account the targets set by the Strategy. Moreover, it will further promote and facilitate a transition for the private sector to move up the spectrum from corporate philanthropy CSR to full-fledged sustainability agendas and policies.

4.4 International Organizations

Almost all active international organizations in Egypt promote private-sector engagement and act as intermediaries in facilitating awareness, access to information, partnerships, and capacity-building. This pattern is currently at an all-time high with the promotion and introduction of the global SDGs, which require proactive activities to be endorsed by the private sector to structure and manage more sustainable business models. The Global Compact Local Network has been an active agent in encouraging companies to adopt international standards of CSR and sustainability.

First introduced in Egypt in February 2004 by the UNDP and Mansour Group, it promotes the global reporting initiative (GRI) and presents the ten principles that companies need to adhere to once they become signatories to the compact. It acts as a collaborative platform, although now the network is a foundation, while yet part of an international network of organizations drawing from the UN strategies on sustainable development goals. The network provides access to the latest research, management, and reporting tools to promote CSR, in addition to awareness workshops and capacity-building. The network also hosts an inclusive business roundtable event to support companies to endorse more advanced modes of CSR, such as responsible investment and inclusivity of small and medium enterprises (SMEs), local communities, and entrepreneurs in supply chain operations.

Meanwhile, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH has created responsible and inclusive business hubs (RIBH) in the Middle East and North Africa (MENA) region, including Egypt, to promote responsible and sustainable practices, providing research guides, advisory services, trainings, and dialog roundtable events to engage the private sector as well as other community stakeholders. Similarly, the International Labor Organization (ILO) has also been active in promoting CSR through publishing case studies, supporting the creation of a CSR unit at the Egyptian Federation of Industries, and launching an annual CSR forum. The International Finance Cooperation (IFC) is backing the efforts of the Ministry of Investment in setting up a CSR competition for the private sector, while the United States Agency for International Development USAID has initiated the Strengthening Entrepreneurship and Enterprise Development (SEED) project, which aims at integrating entrepreneurs in industrial supply chains in a number of sectors through the promotion of CSR and inclusive business practices.

4.5 Academia

Egypt's leading business schools have already introduced CSR into their undergraduate and graduate business curricula, thus mainstreaming it as an essential component of business and management studies. Moreover, academics are producing more material addressing business practices and CSR in Egypt, emphasizing its developmental and charitable aspects. The John D. Gerhart Center under the School of Business at the American University in Cairo focuses on promoting inclusive business and CSR among private-sector contenders and civil society, and has partnered with the Egyptian Federation of Industries and ILO to publish two volumes of CSR success stories in Egyptian industry. It has also designed and delivered CSR training with ILO and the USAID SEED project and has launched CSR advisory services to enable business and organizations to create CSR departments and implement related strategies. In addition, a number of CSR research projects have been conducted at the German University in Cairo.

4.6 CSR Marketing and Communication Patterns in Egypt

It is important to distinguish between the definitions of marketing and communication within the wider concept of business studies and management (El-Bassiouny, Darrag, & Zahran, 2018). Communications is part of an overall marketing strategy to promote the company brand and support its market positioning, and thus ultimately the profitability and continuity of its operations in relation to customer demand, and profiling. Marketing is strategic, while communications should be considered as a tactical implementation tool to actualize the marketing strategy, which is a wider umbrella (Illia & Balmer, 2012).

Local efforts by business managers are often directed toward using CSR for communication and reporting, rather than utilizing it as a strategic marketing tool, where consumer perception and behaviors can be influenced. This pattern can be the result of existing research gaps and lack of access to knowledge identifying CSR's potential in marketing. Moreover, long-standing religious and cultural traditions represent an ideological hurdle and can be a cause of some hesitancy among local family-business owners regarding profit-enhancement aspect; such people often have the attitude that philanthropy, even by their own companies, should not be advertised (International Labor Organization, 2015).

In a study on CSR and communication practices, El-Bassiouny et al. (2018) urge Egyptian businesses to expedite efforts to express CSR as a business strategy and not just for CSR disclosure purposes. It is important to inform customers about the ethical side of business, both to limit skepticism and to reinforce the company brand. The study suggests that CSR communication in Egypt is often "one-way communication"—in other words, companies report CSR activities as events and news on social media portals or on their websites or as part of their public relations functions, without engaging response or feedback from the public and customers (El-Bassiouny et al., 2018). Companies also place CSR in their annual reports of achievements or UNGC report, or adopt GRI reporting; but although such reports are usually uploaded to their websites, generally this kind of information targets stakeholders and partners rather than the public (El-Bassiouny et al., 2018).

The remainder of this study focuses on existing practices that integrate CSR on a more strategic level or in marketing planning. The authors have striven to preserve the integrity of the case studies, aiming mainly to provide information rather than attempt theoretical generalizations, while offering a clearer understanding for marketers.

5 Case Studies

Our chosen companies have been able to achieve successful and well-utilized levels of integrating CSR into their strategic marketing. This is vital, especially with a fluctuating economy, unstable market dynamics and rising consumer skepticism, especially after the revolution, and economic reform policies adopted by the government. These companies have managed to develop CSR activities to reinforce corporate branding, revitalize customer loyalty, and maintain a competitive advantage.

5.1 *PepsiCo*[1]

5.1.1 Company Profile

PepsiCo, founded in the USA in the late 1890s as a global food and beverage company, was introduced to the Egyptian market in 1948. Its product portfolio embraces a wide range of popular food and beverages. Between 2013 and 2018, PepsiCo Egypt invested over EGP 12 billion (about $500,000[2]) in the country across ten fully operational facilities, 31 massive distribution centers, and 15,000 direct and indirect employment opportunities.

PepsiCo Egypt's maxim, "performance with purpose," means:

> Sustaining financial results while being responsive to the needs of the world around us. This philosophy reflects three important priorities: improving the products we sell, cherishing our responsibility to protect the environment and upskilling people around the world. (Sara Youssef Hanna, CSR Manager of PepsiCo Egypt)

5.1.2 CSR Profile

Based on its philosophy, PepsiCo has been highly committed to the overall well-being of Egyptians by carrying out several programs aimed at developing and enhancing personal capabilities, especially among youth, with particular focus on sports and education, and also the environment.

Its flagship programs are Pepsi Football Schools League and Tomooh. In partnership with the Ministry of Education, the Pepsi Football Schools League, since its inauguration in 2003, has involved over one million students. Its committee of football experts scout around 25 talented players annually, and is responsible for

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[1]All information in this section is based on three semi-structured interviews conducted with the Head of Corporate Affairs, Head of Marketing, and CSR manager, all taking place on October 31, 2018.

[2]Based on the conversion rate of May 16, 2019.

twelve major stars of Egyptian soccer, including Mohamed Salah, who went on to international stardom and became an inspiration for millions in Egypt and elsewhere.

The scouting program also holds an annual competition among public schools from all 27 governorates in Egypt, which encourages the formation of football teams on a school level. The winning teams then join the league for the PepsiCo football academy, in which players are given health checks, healthy meals, and transportation and logistical allowances, as well as training. They are also encouraged to better their academic performance.

Partnering with the UN World Food Program, PepsiCo's Tomooh Education Program provides monthly food supplies to families in poor areas of Upper Egypt, mainly in the Sohag governorate, encouraging them to enroll and keep their children in schooling. Moreover, the program distributes fortified biscuits as school snacks for children, in line with its principal aim to encourage disadvantaged children to stay at school and to provide them with the necessary nutrition.

Tomooh has played a vital role in the lives of over 200,000 students, more than half of whom are female, since 2008. In addition to these flagship programs, the company also introduces new CSR activities annually, built around partnerships and other worthy causes adopted by Egyptian civil society. Moreover, to guard against resource depreciation, in the 3 years up to 2018 PepsiCo Egypt managed to save more than two billion liters of water and approximately 80 million kilowatt hours of energy.

5.1.3 CSR and Marketing

In the case of PepsiCo Egypt, utilizing CSR as a marketing tool and integrating it into their annual marketing plan was the initiative of the marketing team, who worked to give the company a competitive edge amid fierce competition in the food and beverages sector. The team needed fresh approaches to create customer "pull" strategies in the market, and opted to utilize resources and activities that were already in place to support the community. Hence, the idea was to showcase what the company is actually accomplishing through its flagship projects. The strategic aims were to:

- Revitalize customer loyalty by appealing to emotional and social areas
- Direct public and customer engagement through social media, to provide people with a sense of ownership
- Create credibility amid Egypt's turbulence, by portraying the company as a responsible entity.

These aims were achieved through their CSR projects due to the following important success factors:

- CSR focus on sports, a major interest and entertainment area for the general public as well as youth, who represent a large percentage of Pepsi's customer base.
- Results and successes in their ongoing flagship projects, especially the long-running Pepsi Football Schools League, which confer credibility.

Based on these success factors, the marketing team decided to design major marketing campaigns around sports promotion, showcasing both the impact and consequences of their Pepsi Football Schools League program; a theme of "championing sports and sports figures" was backed up by its robust track record in their CSR programs and by advertisements in television, radio, and print, as well as related sponsorship events and partnerships.

In 2016, Mohamed Salah became Pepsi's brand ambassador in the Middle East and North Africa and a role model for young footballers; several marketing campaigns have presented his success story, the main message being that if he could achieve such success, so could other young Egyptians. A number of ads capitalized further by showing Mohamed Salah with recent graduates from the Pepsi league.

Another campaign, carried out earlier in 2011 and 2012, deserves attention. Launched during the month of Ramadan, it was the first to encourage public participation. For the first campaign in 2011, PepsiCo launched a "call to vote" through a series of ads featuring a famous Egyptian actor. The campaign was designed to trigger a public call to action regarding three main social causes to which Pepsi could donate—clothing for the poor, sports support, and educational infrastructure provision. The public was asked to vote for their preferred cause and Pepsi donated accordingly—in this case, 150,000 pieces of clothing to the RESALA foundation in Egypt.

For the 2012 campaign, the marketing team took the idea to a deeper level of customer engagement. Advertising was designed to issue a "call for direct public donations." As well as Pepsi's own contribution, the public were encouraged to donate to an Egyptian food bank to fight hunger and food insecurity. As a result, about EGP two million was collected.

These marketing efforts indicate a serious attempt to mainstream elements of CSR in PepsiCo's marketing campaigns. Their success has led to a strategic marketing policy of at least one campaign a year based on the company's CSR activities.

At the communications level, the company shares its CSR activities and events through social media venues and its website and also in its international sustainability reporting.

5.2 Arab African International Bank[3]

5.2.1 Company Profile

The Arab African International Bank (AAIB), established by a special law in 1964 as a joint venture between the Central Bank of Egypt and Kuwait AAIB, has transformed from a bank to a full-fledged financial group, "Arab African Investment

[3]All information in this section is based on two semi-structured interviews conducted with the Head of Sustainability and Marketing Communications, and the Marketing Manager, conducted on November 4, 2018.

Holdings (AAIH)," offering corporate and retail banking, wealth management, and investment services, with several branches across the region. The group consists of four subsidiaries: Arab African Investment Management (AAIM), Arab African International Securities (AAIS), Arab African International Mortgage Finance (AAIMF), and Arab African International Leasing (AAIL).

5.2.2 CSR Profile

AAIB was one of the first business organizations and banks to introduce and institutionalize CSR in Egypt. From the onset, management made a clear distinction between traditional philanthropic practices and the introduction of international CSR standards. They also helped introduce the concept to the business sector and to the Egyptian community at large.

The bank's management team, led by their head of communications, contributed to coining the term value creation in Egypt, in describing the link between CSR and their core business. The bank was among the first signatories to the UN global compact and is now also party to several international protocols and agreements in sustainability. In addition, it is an active founding member of the Sustainable Development Committee founded by the Egyptian Banks Federation. It was also the first financial institution to issue a sustainability report in Egypt according to the GRI framework.

It was also the first bank in Egypt to measure its carbon footprint and issue a report. From 2014, it replaced the concept of CSR with sustainability, a more inclusive understanding of how a business should operate. The bank also led by creating a model charitable foundation called We Owe it to Egypt in 2007, while independently maintaining a sustainability unit under its marketing and communications division. The foundation is more inclined toward corporate philanthropy, its lead projects being mainly in the health sector, including the renovation of the Cairo University Specialized Pediatrics Hospital (CUSPH) and helping to improve its staff capacity.

Via its sustainability unit, in 2014 the bank launched "Mostadam," a flagship program promoting sustainable finance, in cooperation with the United Nations Development Programme (UNDP) and Egyptian Corporate Responsibility Center (ECRC). It offers certified professional training on tools of green and sustainable finance and was the first of its kind in Egypt. The training aims to provide bankers with a close understanding of the relevance and importance of sustainable finance, investing in clean energy, and pillars of sustainable reporting and disclosure. "Mostadam" also has elements of advocacy, and promotes awareness of sustainable finance products.

The bank is also a founding strategic partner of the V-Lab incubator at the American University in Cairo (AUC). The V-Lab provides working space as well as business and technical training to creative start-ups that have prospects of success. At the time of its creation, it was Egypt's first university-based incubator.

In 2015, the bank kicked off the country's first fully-fledged private-sector environmental awareness initiative. Keep the Coast Clean (KCC), with the aim of educating the public on the importance of keeping northern coastal areas clean, to combat climate change as well as counteract the degradation of biodiversity and marine life. The project aspires to promote sustainable consumption, decrease marine debris, and positively influence the behavior of visitors to these areas of natural tourism.

The design and implementation of this initiative represent the notion of "connecting development" (Dr. Dalia Abdel Kader, Head of Sustainability and Marketing Communications at the Arab African International Bank). If sustainability is to be common practice in the private sector, there is a need for connectivity, sharing of knowledge and experience, and stakeholder dialog. Attaining sustainability in the context of SDGs, which the bank champions, can only be managed through cooperation, consolidation, and collaboration.

5.2.3 CSR and Marketing

Building on the idea of connecting development, the bank's marketing team is also adopting what is described by their head of communication and marketing as a strategic approach to sustainable marketing, where CSR and sustainability activities are interchangeable with corporate branding and embody its strategic objectives. In this perception, CSR is not just a tool to be integrated into the bank's overall marketing strategy. Rather, marketing in all its activities should reflect the message of creating value through sustainable finance, CSR, and well-being.

As a result, since 2015 the bank has adopted Keep the Coast Clean as a major pillar of its marketing efforts. The various campaigns adopted for KCC aim to effect behavioral change among its customers and the public. To give this initiative a marketing identity, AAIB portrayed the most common waste items on the coastlines (cigarette butts, plastic bottles, plastic bags, cans, and glass bottles) as Beach Devils, in funny easily understood cartoons. This was a key factor in generating public awareness of environmental degradation and made the issue more accessible (Fig. 1).

Keep the Coast Clean began as a nationwide social media campaign in an online interactive competition in cooperation with Egypt's Ministry of Environment and National Research Center, aiming to spread awareness of the need to restore Egypt's beaches. The competition, running from September 15 to November 15, 2017, with total prize money of EGP 180,000 for three winning teams, called for groups to clean littered beaches. The successful teams were provided with a 5-day training program by specialized professors from the environmental research division of the National Research Center.

The campaign has expanded on an annual basis to include outdoor events, radio advertising, and press releases. Billboard advertising has also been used in 27 locations to ensure maximum visibility. Giveaways distributed during outdoor events were designed to be practical, while conveying environmental tips. An interesting example of the giveaways was a recycled box full of biodegradable bags to

Fig. 1 Illustration of the beach devils, part of the AAIB program Keep the Coast Clean (AAIB, n.d.)

encourage environmentally conscious disposal. Clay ashtrays were introduced in a number of beaches for cigarette butts, as well as 50 recycling bins for residents to help keep beaches clean. Fun awareness-raising days for children were also organized. The campaign included sponsorships with commercial retail partners to promote the use of reusable rather than one-off bags.

These efforts resulted in positioning the bank as a proponent of environmental sustainability initiatives, assisting activists with a variety of ways to convey the environmental message.

6 Conclusion and Recommendations

CSR in Egypt displays areas in need of refinement and offers immense opportunities for the private sector to provide an integrated contribution to economic and social change. There is an acknowledgment that business profitability, branding, and future sustainability are related to how much good these organizations can do for their respective communities.

Areas of development:

- Further efforts to promote the move away from traditional corporate philanthropy to better compliance with international CSR principles and standards.
- Need for government support and awareness of the imperative to shift to sustainability in all sectors and among all community stakeholders.

- CSR practices should not be limited to reporting and one-way communication channels.
- A paradigm shift is needed to acknowledge that CSR practices should be an integral part of marketing strategies and operational business structures.
- Need for further collaboration and knowledge-sharing among successful business organizations, to support others in moves toward adopting CSR and sustainability.
- Need for more academic research focusing on the impact of CSR as part of strategic marketing.

Areas of opportunity:

- Showcased success stories are indicative of local talents, capacities, and mind-set to conceptualize CSR as a strategic market-positioning tool, as it conveys trust, transparency, and accountability.
- Especially in the case of promoting sustainability practices, marketing and communications are vital platforms that should be part of any project design.
- Today's consumers and the public (especially millennials) are interested in businesses with ethical and responsible practices, which are clearly expressed through engagement via social media platforms.
- The government, along with community stakeholders, has acknowledged the importance of utilizing CSR programs for economic and social development. This recasts the historically skeptical perspective of business ethics and motivations.
- CSR is a suitable venue for different modes of strategic partnerships between the private sector, government, and civil society, thereby aligning community priorities and needs while creating a setting for building trust, communication, and knowledge-sharing.

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Useful Links

BoP Global Network. https://www.bopglobalnetwork.org/

Business for Development. http://businessfordevelopment.org/insight/what-is-inclusive-business/

Global Compact Network Egypt. http://www.gcnetworkegypt.org/

Global Reporting. https://www.globalreporting.org/Pages/default.aspx

Sustainable Development (United Nations). https://sustainabledevelopment.un.org/sdgs

Terous. http://terous.org.eg/en/

The Gerhart Center (American University in Cairo). http://schools.aucegypt.edu/Business/gerhart/Pages/default.aspx

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CSR in Germany: A European Perspective

Bettina Lis and Christian Neßler

Abstract The chapter starts with a short discussion of the roots of CSR and then analyzes the role of CSR within the European Union. Subsequently, it focuses on CSR in Germany and contends that hardly any independent CSR movement emerged in the country. Instead, Germany mainly adopted impulses from the international and European discussion which were integrated in the already existing social systems and institutions.

1 Roots

The scientific debate on the responsibility of companies as well as the accompanying role in society developed in the 1950s in the USA. Although there have been isolated publications on social responsibility in earlier years, the work *Social Responsibilities of the Businessman* published by Bowen in 1953 is regarded as a major milestone in the corporate social responsibility (CSR) debate (Carroll, 1999; Windsor, 2001). Bowen analyzed the central role of companies for society and their societal obligations. He provided the first fundamental definition of CSR according to which a businessman acts responsibly if he upholds the obligations and norms of society (Bowen, 1953; Windsor, 2001). McGuire defines responsibility more specifically and emphasizes that the responsibility of companies should go beyond legal and economic obligations (McGuire, 1963). Different stages of development followed, reflecting the theoretical engagement with the contents of CSR. The first stage of CSR, mainly considered in the 1960s to the late 1970s, focused on the social obligations and the accountability of companies. Later a greater emphasis is placed on the active responsibility adoption by companies. Since the mid-1970s, not only

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the corporate responsibilities have been discussed, but additionally their behavior, which was termed as responsiveness. These thoughts are considered to be more practitioner oriented (Frederick, 1994).

Contrary to the supportive arguments, the CSR concept was subject of fundamental criticism. The literature contains many references to Milton Friedman's approach to CSR, which still is often used as basis for conceptual criticism of CSR. Friedman argues in the spirit of the Chicago School for a free-market economy within the institutional framework and clearly expresses his negative attitude (Friedman, 1970). Businessmen as agents are exclusively obliged to the corporates' owners. For the exercise of socio-political tasks they lack both education and legitimacy. The only acceptable justification for corporate social engagements is market forces that drive companies to social activism, for example in order to reduce costs. Friedman considers that the overriding goal of a company is "to make as much money as possible" (Friedman, 1970: 122). However, in the following, Friedman narrows in a subordinate clause that the profit target should be achieved "while conforming to the basic rules of society, both embodied in law and embodied in ethical custom" (Friedman, 1970: 122).

Political, social, and economic developments of the 1980s, such as the stakeholder debate, the conservative policy of republican administration under Reagan, and the prominent position of the economists of Chicago School lead to the fact that the dialogue-oriented conceptionalization approach continued to receive attention. To summarize, it should be noted that the first stage of CSR represents a kind of normative basis of the basic considerations with regard to corporate responsibility. This era is followed by the introduction of models, which complements additional aspects in the form of strategic conclusions. In this context, responsiveness determines that companies have an active influence on their external environment, i.e., the stakeholders. Businesses should strive to

> cope more proactively than reactively with the problems and issues their activities raised in spheres other than the economic sphere, inherently recognizing their interdependence (interpenetration) with society. (Waddock, 2004: 16)

This stream shows significant overlapping with Freeman's (1984) stakeholder theory. It also deals with management instruments with regard to the handling of external claims. Therefore, it is not surprising that this era played a more significant role in economic practice. The points on which most CSR concepts focus are

> (1) meeting objectives that produce long-term profits, (2) using business power in a responsible way, (3) integrating social demands and (4) contributing to a good society by doing what is ethically correct. (Garriga & Melé, 2004: 65)

While researchers at the beginning of the CSR debate were more concerned with theoretical considerations on CSR, initial empirical research was conducted from the 1970s onwards (Loew, Ankele, Braun, & Clausen, 2004). In their chronological order, the developmental approaches and concepts reflect a trend toward the operationalization of CSR. These include, among others, corporate citizenship and sustainability.

2 Corporate Social Responsibility in the European Union

Europe has become an active and dynamic region in terms of CSR development. Corporate responsibility in Europe is mainly based on an initiative by Jacques Delors (President of the European Commission 1985–1994), who called for efforts to combat social exclusion in 1993. These efforts culminated in 1995 in the passing of the European Business Declaration against Social Exclusion. This formed the basis of the business-to-business network CSR Europe, founded in 1996, which acts as an informal body for entrepreneurs and decision-makers with the aim of integrating topics on corporate responsibility to the discussion of the stakeholder and interest groups. The network currently comprises over 45 multinational member companies and 41 national partner organizations representing 10,000 companies. It supports companies through benchmarking and capacity building programs (CSR Europe, 2018; EUCOM, 2009). Another important milestone in CSR development is the European Union (EU) strategy, adopted in 2001 for the following decade: Europe should become the most dynamic economic area in the world, competitiveness combined with social cohesion (EUCOM, 2001, 2006, 2011; Loew et al., 2004). By referring to the relevance of the private sector for realization of this goal, the European Council is particularly appealing to the sense of corporate and societal responsibility in the economy. Best practices are focused on the categories of lifelong learning, work organization, equal opportunities, social inclusion, and sustainable development.

Starting from the sustainability discussion at the end of the twentieth century, the European Union has been pursuing a clear goal. Remarkable is the European Union's Green Paper on CSR from 2001, which intended to promote a European framework for CSR and placed sustainable development at the center of politics and CSR as core element of any business strategy. This became particularly clear in the communication on a renewed European Union strategy for CSR in 2011 where the European Commission puts forward a new definition of CSR. The European Union renewed its earlier definition from 2001, which considered CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (EUCOM, 2001: 6) and renounced the element of voluntary and emphasized "the responsibility of enterprises for their impacts on society":

> Respect for applicable legislation, and for collective agreements between social partners, is a prerequisite for meeting that responsibility. To fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders, with the aim of: maximising the creation of shared value for their owners/shareholders and for their other stakeholders and society at large—identifying, preventing and mitigating their possible adverse impacts. (EUCOM, 2011: 6)

However, the European Union understanding of CSR still contains voluntary elements as the

> development of CSR should be led by enterprises themselves. Public authorities should play a supporting role through a smart mix of voluntary policy measures and, where necessary,

> complementary regulation for example to promote transparency, create market incentives for responsible business conduct, and ensure corporate accountability. (EUCOM, 2011: 7)

This smart mix was, e.g., realized through the directive on disclosure of nonfinancial and diversity information.

The European Union highlights that "enterprises must be given the flexibility to innovate and to develop an approach to CSR that is appropriate to their circumstances," but states that nevertheless, many enterprises

> value the existence of principles and guidelines that are supported by public authorities, to benchmark their own policies and performance, and to promote a more level playing field. (EUCOM, 2011: 7)

Therefore, the European Union aims to better align European and global approaches to CSR to advance a more level playing field and intents to link up with other international frameworks like OECD Guidelines for Multinational Enterprises, the United Nations Global Compact, the ISO 26000 Guidance Standard on Social Responsibility, the ILO Tri-partite Declaration of Principles Concerning Multinational Enterprises and Social Policy, and the United Nations Guiding Principles on Business and Human Rights. Other dynamics have emerged under the Environment, Society, Governance (ESG) frame with themes like Green Finance and Sustainable Finance in order to accompany climate change activities and to establish a sustainable economic system. The European Commission recognized that the participation of the financial sector is key for reaching the environmental and social goals, as large amounts of private capital need to be mobilized. In this coherence the European Commission recently developed an action plan on sustainable finance in March 2018 with three main objectives:

> (1) reorient capital flows towards sustainable investment in order to achieve sustainable and inclusive growth; (2) manage financial risks stemming from climate change, resource depletion, environmental degradation and social issues; and (3) foster transparency and long-termism in financial and economic activity. (EUCOM, 2018: 2)

The Sustainable Development Goals of the United Nations as well as the COP-21 targets agreed in the United Nations Framework Convention on Climate Change in Paris 2015 are increasingly focusing on the financial sector in order to provide the financial resources to accompany the climate change efforts. Worth to note is that already in 2016 almost $12 trillion of European assets were committed to sustainable and responsible investment strategies in a broad understanding, which was approximately 33% ahead of the USA with $9 trillion of social responsible invested assets at that time (GSIA, 2017). Today in the USA almost 25% of total US assets under professional management are counted for using Social Responsible Investment (SRI) strategies, which also represents $12 trillion at the start of 2018 and an increase of 38% since 2016 (USSIF, 2018).

3 Corporate Social Responsibility in Germany

The public debate on CSR is still developing in Germany. In contrast to the USA and the UK, the term has no independent tradition and reflects the country-specific differences in the development of political and economic order. At the end of the nineteenth century in the USA, small, regional, market-controlled enterprises were starting to grow into large groups with correspondingly concentrated power. The resulting change in the economic structure inevitably raises questions about the societal responsibility of companies. In order to avoid state regulation, American companies have been systematically engaging in voluntary activities in the societal sphere beyond the legal requirements already since the 1930s (Carroll & Buchholtz, 2008; Loew et al., 2004).

In the UK, the discussion on CSR has intensified in the 1980s and during the tenure of Thatcher it turned to America's liberal economic policy with the aim of deregulation. The economic policy at that time soon led to a jump in unemployment. As a result, British enterprises were also adopting voluntary social measures in order to achieve better living conditions and social stability in their environment (Bundesministerium für Umwelt, Naturschutz und Reaktorsicherheit, 2008).

In contrast to the USA or the UK, no independent CSR movement has established in Germany. Instead, individual impulses from the international and European CSR discussion have been picked up and integrated into existing social systems and institutions. These include, on the one hand, the social partnerships and, on the other, the strong environmental orientation (Loew et al., 2004).

The German CSR orientation is mainly historically founded. Germany was strongly agricultural until the second half of the nineteenth century. Industrialization was relatively slow in European comparison. Nevertheless, until World War I, Germany has been developing into a leading industrial nation. This progress was decisively made possible by the state, which created a suitable infrastructure through the development of an education system, the construction of housing and roads, the creation of a railway network, etc. Furthermore, already the Bismarck Government developed a social security system with pension insurance from which the industry also benefited. After World War II, the system of social market economy, shaped by Ludwig Erhard, developed and gave the state the task of shaping the economic frames. As a result, chambers of commerce, associations, and trade unions are responsible for determining the balance of interests between the state and the economy. In connection with a strong state, it is difficult to completely renew the social order of Germany and to find a fully new balance between society, state, and economic life (Habisch & Wegner, 2005). In addition, since the 1970s, there has been an increase in environmental movements, which places the ecological responsibility of companies in the foreground. Over the years, a multitude of rules and regulations has emerged which oblige companies to ecological sustainability and offer little leeway for own groundbreaking initiatives.

In spite of the strong role of the state, in Germany some activities and approaches have been established with which companies try to fulfill their social responsibility.

Numerous corporate scandals such as financial manipulations, excessive salaries, and environmental scandals have led to a loss of confidence over the last few years among major stakeholders, especially investors, employees, and customers (Loew et al., 2004). In order to fight against the image of pure profit-seeking and to relieve the trust of the stakeholders, companies have begun to engage themselves voluntarily in society. Particularly in the areas of job security or equal opportunities, numerous initiatives have established themselves beyond the legal requirements. Some of the activities go well beyond the conventional understanding of roles and understand the company not only as an economic, but also as a political, social, and moral actor.

Global trends and mainstreaming on CSR as well as the developments in Europe and the European Union's definition of CSR had decisive influence on the German discussion. The relevant CSR areas have been defined by the Commission as human rights, labor and employment practices, diversity, ecology, resource efficiency, and the fight against corruption. In particular, stock-listed companies in the European Union are encouraged to disclose their CSR strategies and activities. The largely voluntary reporting, which has already been followed by the majority of German Prime Standard (DAX) companies, has been replaced by a reporting obligation since the beginning of 2017 for certain companies of public interest, such as listed companies, banks, and insurance companies with more than 500 employees. Their annual reports have to disclose information about their concepts relating to the environment, social and labor issues, human rights, fight against corruption, and diversity in the management and supervisory boards.

As already outlined in the European context, in Germany also SRI gained significant relevance and showed double- and triple-digit growth rates. The total market volume for SRI (including exclusion strategies) in Germany in 2016 was 1.8 trillion € which equals 16% European market share and demonstrates the significance also for German corporates and German capital market players (EUROSIF, 2016).

In addition to individual corporate activities, numerous internationally operating companies have joined sustainable development forums, like Econsense, a think tank promoting sustainable development and the corporate responsibility of companies. The top organizations in the German economy, the Bundesvereinigung der Deutschen Arbeitgeberverbände BDA (Confederation of German Employers' Associations), the Bundesverband der Deutschen Industrie BDI (Federation of German Industries), the Deutscher Industrie- und Handelskammertag DIHK (Association of German Chambers of Commerce and Industry), and Zentralverband des Deutschen Handwerks (German Confideration of Skilled Crafts) have also taken initiatives to promote CSR (Loew et al., 2004). For them, CSR is a priority issue. With the founding of CSR Germany, the organizations are attempting to comprehensively represent the social commitment of companies, to create a network for CSR actors, and to exchange experiences (CSR Germany, 2018).

At the political level, there are several public statements on CSR expressing commitment on CSR. Regarding the importance of CSR, the German Government stated that CSR is an important topic for the Federal Government, but for the social engagement of the economy beyond reasonable obligations, it should be borne in mind that in Germany there is already a relatively high density of regulations (e.g., environmental standards) and accordingly there is less room for additional commitment than in other regions or legislations. German Government's CSR policy aims to provide companies with more orientation and clear expectation communication for business to develop sustainable activities and align with the new requirements (Bundesministerium für Arbeit und Soziales, 2017).

4 Conclusion

Even if CSR and the need for taking responsibility is widely accepted, the general discussion on the social responsibility of companies and the need for a normative orientation is still ongoing. Since the 1980s, it has been covered by the keywords business ethics or sustainability. The discussion about CSR has steadily increased, which is reflected in the increasing number of scientific publications on this topic. In corporate practice and politics, the clear trend of increasing CSR orientation is emerging too.

Basically, two tendencies can be examined: a rather practice-oriented research of American provenance as well as a more ethical and normative European debate. The strong normative nature of the entire CSR discussion lets the concept appear to be unable to model more practice relevant approaches. In this context, some voices demand further research on a normative level, because the ethical dimension, in its original task as a normative guide to all human action, has not yet been sufficiently integrated into the CSR concepts, but was only instrumentalized for the pursuit of profit. Nevertheless, an understanding of CSR as an enlightened self-interest in the sense of doing something good and doing yourself something good has established. This also builds a link between social and economic responsibility as well as the stakeholder theory (Beschorner, Hollstein, König, Lee-Peuker, & Schumann, 2005; Loew et al., 2004; Neßler, 2012; Palazzo, 2000).

The foundation of the German CSR orientation is certainly based on historical developments as well as the concept of the social market economy. Much of what is CSR in other parts of the world can be summarized in Germany in this context. Nevertheless, the current debate, not least driven by corporate scandals and environmental catastrophes, but also a strong European Union position, is breaking new ground. Building on the scientific discourse and the general acknowledgment of the need for responsible action, there has recently been a strong tendency on the international level to standardization and comparable approaches.

On the one hand, Germany as an export-oriented economy with many international operating companies has a great interest in common standards and effective complaint mechanisms. On the other hand, the companies play an important role for acceptance and implementation in supply—production—and value chains, also in sense of globally promoting and kind of exporting the sustainability and responsibility orientation. But in sense of concretely taking the responsibility, the large amount of small-sized and family-owned companies play particularly important roles as employers and also corporate citizens in their immediate communities and cultural and social environment.

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CSR in Poland: The Rise and Development of Corporate Social Responsibility

Robert Kudłak

Abstract This chapter provides an overview of the state of CSR in Poland and the adoption of CSR practices by Polish-based companies. CSR only gained traction in Poland from the 2000s with the increasing openness of the country's economy to the international flows of trade and investments. Data on CSR in Poland shows that companies predominantly focus their efforts on supporting development of local community, improving working conditions, and protecting the natural environment. It is argued that the concept of the institutional isomorphism and its mechanism serve well the explanation of the diffusion of CSR practices in Poland.

1 Introduction

For many decades, corporate social responsibility (CSR) has been perceived as a predominantly American phenomenon that occurred in a response to institutional deficits resulting in insufficient provision of social infrastructure (Carroll, 1999, 2008). Back then, CSR predominantly took a form of philanthropy that served as a source of investment and development of social housing, health care system, hospitals, and libraries (Eells, 1956). Over the years, however, the geographical scope as well as the forms of corporate engagement in social issues have expanded (Matten & Moon, 2008; Steurer, Martinuzzi, & Margula, 2012). Since the 1990s, CSR emerged in continental Europe and at the beginning of the twenty-first century diffused also to developing and transition countries such as Poland (Elms, 2006; Habisch, Jonker, Wegner, & Schmidpeter, 2005).

Up to the 1990s, Poland was a centrally planned economy that was cut off from the international flow of trade and investments. For this reason, hardly any technological or organizational innovations diffused from Western to Polish companies. In addition, the state and its agents dominated and monopolized almost any form of individual or economic activities. Hence, the idea of corporate social responsibility

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was unknown. However, the 1990s brought significant political and economic changes to many Central and Eastern European (CEE) countries, including Poland. The country underwent a shock therapy that was supposed to turn it into the Western-like model of democracy and market economy. The legal and institutional reforms, liberalization and privatization of the economy as well as opening of the economy to international trade brought about unprecedented changes with regard to organizational forms and operations of the domestic companies. These companies had to change significantly in order to gain and sustain their competitiveness and legitimacy. Although this process is rather advanced, certain organizational practices such as CSR remain relatively rare and have only recently started to mark its presence among companies (Clark & Cole, 1998; Mason, 2018).

This chapter aims at highlighting the current level of the CSR uptake among Polish companies as well as the areas most frequently targeted by corporate voluntary activities. Subsequently, it explains the mechanisms responsible for the diffusion of corporate social responsibility among companies in Poland. The chapter ends with the discussion concerning the future of CSR in Poland.

2 Uptake of CSR Practices in Poland

Corporate social responsibility is a relatively new phenomenon among Poland-based companies. Up to 1989, Poland was a command and control country, its economy hardly linked with international markets. Therefore, the influx of new organizational practices was very limited. The early 1990s brought about rapid economic, political, and societal changes that forced the domestic companies to rapidly adapt to new conditions, which was visible, among others, in introducing new organizational structures, formal management systems, and new manufacturing technologies. In light of these fast and far-reaching economic, organizational, and technological transformations, Polish companies strived for their survival rather than engaged in CSR practices. After the initial transformation period, the years 1997–2002 in Poland can be illustrated by a lack of interest of companies in CSR (Wachowiak, 2013), although numerous economic entities launched voluntary organizational practices (such as environmental management systems) or joined voluntary environmental initiatives (such as cleaner production). These, however, were not explicitly treated as and called CSR-related activities. Yet, as the modernization of companies advanced, so did the processes of economic and political integration of the Polish economy with the European structures. As a result, domestic companies started to recognize the concept of corporate social responsibility. The first organizational practices related to CSR were introduced in Polish companies about 2002–2005. According to Wachowiak (2013), these practices consisted of individual, single projects targeting specific aspects of corporate operations. Gradually, companies started to convert these projects into ongoing activities and link them with corporate sectoral strategies concerning PR, marketing, corporate governance, and human resource management. Finally, about 2010, a growing number of companies started to launch dedicated strategies dealing with corporate social responsibility and sustainability (Wachowiak, 2013).

As CSR in Poland is still in its infancy, so is the research about it. This is, among others, reflected in the fact that there is no single and comprehensive source of information about the number of companies involved in voluntary responsible practices. Nevertheless, some partial conclusions can be drawn from the reports which have been regularly compiled by various nongovernmental organizations and private consulting companies. One general observation concerning the rise and development of CSR in Poland, probably applicable to the entire Central and Eastern European region, can be derived from the KPMG (2017) survey on CSR reporting, collected from 4900 companies operating in 49 countries (KPMG, 2017). According to the report's findings, the CEE countries underperform in terms of CSR reporting when compared to Western Europe. For instance, the national rate of CSR reporting among the 100 largest companies in Poland, Czech Republic, and Slovakia in 2017 was 59%, 51%, and 55%, respectively. The figures were significantly lower than in other European countries, such as Norway (89%), Sweden (88%), Italy (80%), and the Netherlands (82%). This observation suggests that in countries like Poland, CSR remains at a relatively early development stage.

Clearly, the most popular organizational practice implemented in Polish companies, often perceived as a manifestation of corporate environmental responsibility (Schaltegger, Burritt, & Petersen, 2017), is the ISO 14001 environmental management systems (EMS). According to the International Organization for Standardization, 3184 Polish companies introduced and certified this type of management system by the end of 2017. This self-regulatory activism was, however, not explicitly linked to CSR, at least in the early years. Companies started to introduce the ISO 14001 EMS in the late 1990s, when the Polish economy became increasingly open to international competition. Due to a significant institutional, economic, and cultural distance between the domestic companies and the foreign companies investing in Poland, the former took a number of activities (such as environmental self-regulation confirmed by an internationally recognized standard) in order to enhance bilateral trust and stimulate economic cooperation (Kudłak, 2017). Hence, environmental management systems, at least among companies that introduced them in the 1990s, can hardly be recognized as a manifestation of CSR. They mainly served the purposes of economic collaboration and were often of a ritual character, thus lacking a genuine improvement in terms of environmental performance. It can be argued that as the economic and political transformation progressed and as the CSR discourse emerged, such organizational practices started to be treated as a part of corporate social responsibility (Kudłak, 2017).

Data on the uptake of CSR-related organizational practices among companies operating in Poland is scarce. One of the very few reliable sources of information about this topic has been collected and published by the Responsible Business Forum, one of the largest and best-known NGOs focusing on CSR. Its most recent report concerning corporate social responsibility (Forum Odpowiedzialnego Biznesu, 2018) accounts for 177 corporations operating in Poland that have introduced different types of CSR practices. A vast majority of these corporations are

Table 1 The structure of organizational practices undertaken by companies operating in Poland, own elaboration based on Forum Odpowiedzialnego Biznesu (2018)

	Overall (%)	Polish companies (%)
Corporate governance	5.39	6.36
Human rights	3.11	1.61
Working conditions	25.92	21.61
Environmental protection	14.40	13.71
Fair business practices	4.04	3.95
Consumer-related issues	6.65	6.74
Local community	40.49	46.02
Σ	**100**	**100**

large entities, which employ several thousand people and have a turnover of hundreds of millions of Euro. More than half of them (57.3%) are subsidiaries of foreign enterprises. It might be argued that they are involved in CSR as a consequence of the global strategy of the corporation, which requires all its subsidiaries to implement a CSR strategy and respective organizational practices (Husted, Montiel, & Christmann, 2016; Rugman & Verbeke, 2004). According to the FOB data (Forum Odpowiedzialnego Biznesu, 2005, 2018), the number of companies involved in CSR in Poland increased from 132 in 2004 to 177 in 2017, while the number of responsible organizational practices rose from 113 to 1188. The numbers indicate that there was a slow, but constant growth of entities practicing CSR, and that there was a more rapid increase of organizational practices performed by an average company. For the sake of argumentation, however, it is worth to indicate that only some companies are mentioned in both the 2004 and the 2017 reports, which suggests that some companies ceased their practices, while others started new ones.

All the companies identified and included in the 2017 report of the Responsible Business Forum introduced a total of 1188 voluntary responsible practices (see Table 1) (Forum Odpowiedzialnego Biznesu, 2018). More than 40% of these practices targeted the local community and its development. For instance, companies frequently undertook activities supporting education; stimulating entrepreneurship and creation of work places; providing social services and donating food; alleviating poverty; offering scholarships for pupils, students and young sportsmen; raising awareness about healthy eating habits; and promoting local art and culture. The second most recurrent type of organizational practices was related to the work environment and comprised of activities targeted at creating conditions for improving employees' work–life balance, ensuring work safety, providing employees with private health care, supporting personal development, and enhancing employees' participation. Subsequently, more than 14% of the voluntary activities was related to the natural environment and its protection. This group of actions aimed at improving companies' performance in terms of protecting biodiversity, raising ecological awareness, investing in renewable sources of energy and recycling. The above three types of organizational practices account for about 80% of all CSR-related practices undertaken by the reported companies. The remaining practices were of a much lower frequency. Interestingly, the structure of voluntary responsible was very similar for foreign companies and ones with a prevalence of domestic capital.

3 Mechanisms of CSR Diffusion Among Polish-Based Companies

The diffusion of CSR-related activities among Polish companies can be explained in terms of isomorphism, which can be defined as "a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions" (after Hawley, 1968, cited by DiMaggio & Powell, 1983: 149). Isomorphism leads to the diffusion and uptake of organizational practices that are perceived as providing and sustaining competitiveness and legitimacy in a given organizational field. According to DiMaggio and Powell (1983), there are two types of isomorphism that lead to increasing homogeneity of companies: competitive isomorphism and institutional isomorphism. Competitive isomorphism explains organizational forms adopted by companies (or other organizations) in their attempt to adjust to changes in the market conditions (Hannan & Freeman, 1977). Then, the interaction of market actors for scarce resources makes the economic efficiency the basic criterion for the functioning of economic entities and leads them to assuming organizational forms and modes of action meant to increase their chances of survival on the market. In other words, isomorphism occurs because the suboptimal organizational forms are subject to selection and rejection from the whole population of the organization (Hannan & Freeman, 1977). However, companies also strive to gain and sustain their legitimacy in the given organizational field. Legitimacy can be understood as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995: 574). In order to gain and sustain their legitimacy, companies introduce organizational practices which are perceived as institutionalized, i.e., effective and necessary in a given organizational field (Tolbert & Zucker, 1994). DiMaggio and Powell (1983) call this process institutional isomorphism.

There are three mechanisms through which institutional isomorphism occurs (DiMaggio & Powell, 1983): (1) coercive isomorphism, (2) normative isomorphism, and (3) mimetic isomorphism. Coercive isomorphism is the result of a formal and informal pressure imposed on organizations by other entities upon which they are dependent. For instance, a state can exert a very strong pressure imposing legal regulations coercing entities to implement a specific organizational form or a way of behavior. This type of pressure leads to changes in the structure and mode of operation of organizations as they will strive to achieve compliance with the formalized rules determined by a state. As a consequence, organizations operating in a given organizational field will more and more resemble one another in terms of an organizational structure and a mode of operation. Coercive isomorphism can also occur directly between enterprises. For example, a subsidiary's organizational structure can reflect the structure of its mother company. Normative isomorphism is connected with the process of professionalization (DiMaggio & Powell, 1983). Professionalization can be interpreted as the "collective struggle of members of an occupation to define the conditions and methods of their work, to control 'the production of producers' and to establish a cognitive base and legitimation for their occupational autonomy" (Larson, 1977: 49). The members of a given occupational group create their own associations since they facilitate the exchange of information and the protection of their rights on the labor market (Abbott, 1988). Professionalization of a specific occupational group allows members of this group to take collective power over the conditions of membership in their group and to determine methods of work and occupational practices which are recognized as appropriate (Greenwood, Suddaby, & Hinings, 2002). These methods and practices are then spread by organizations representing professionals in this field (Lee & Pennings, 2002). Finally, institutional isomorphism can also have its source in the uncertainty which accompanies an organization's activity and which makes it imitate the behavior of other entities operating in the same organizational field. DiMaggio and Powell (1983) call this process mimetic isomorphism. When organizations do not know or understand new technologies, or when they face a new social, economic, or political factor causing substantial uncertainty, then they "review" other organizations operating in their organizational environment and "borrow" organizational arrangements and practices from them. It seems that the three mechanism of isomorphism can be applied in order to explain the rise and diffusion of CSR among Polish-based companies.

Companies operating in Poland have not been, at least so far, under the state's pressure forcing them to engage in CSR. Although the Polish Government starts to recognize the potential role of the private sector in contributing to the public welfare and alleviating some of the societal problems, this recognition, however, has not yet translated into any form of hard or soft regulatory measures. Some role in mobilizing Polish-based companies to undertake socially responsible projects and activities has been played by the pan-European legislation of the European Parliament and of the European Council. One manifestation of this legislation is the Directive 2014/95/UE regarding disclosure of nonfinancial information. This directive requires large companies to disclose certain information on the way they operate and manage social and environmental challenges. It has been assessed that this requirement might regard about 250–300 Polish companies (Krasodomska, 2017). This will lead to a higher uptake of CSR in Poland.

The diffusion of CSR activities among Polish companies is, at least to a certain extent, a consequence of normative isomorphism resulting from the professionalization of the managerial occupation. There are some clear examples illustrating this process. For instance, Polish business schools and universities are increasingly participating in the international organizations and networks that provide templates for business education and that serve as brokers of the CSR concept. The latter idea served as a foundation for establishing the European Academy of Business Society

(ABIS). One of the main purposes of ABIS is to provide future managers with education concerning their role and responsibility toward society. Furthermore, Polish universities and business schools (e.g., Warsaw School of Economics) participate in such initiatives and as a consequence introduce CSR into their educational curricula. This diffuses the knowledge of corporate social responsibility and its significance among young generations of future business managers.

Polish universities and business schools increasingly offer courses and master programs in CSR (Jastrzębska, 2010). During these courses and programs, students are familiarized with the concept of corporate social responsibility, with how to include CSR to the fundamental activities of a company, what aspects of CSR should be integrated into a corporate strategy, and how they should be measured and reported. For instance, Poznań University of Economics and Business as well as Kraków University of Economics offer master studies in CSR. In 2004, the Responsible Business Forum, jointly with student research groups of numerous Polish universities, launched an educational program for students, to enhance their knowledge of responsible business practices. More recently, the 23 largest and most relevant universities and business schools in Poland have signed a Declaration of Social Responsibility of Universities, in which they committed themselves to actively engage and promote attitudes and values based on social responsibility, ethics, and human rights. It is also worth noticing that Polish managers more and more frequently graduate from Western universities and their knowledge about managing organizations is applied in Polish companies. For example, at present the Polish alumni club of INSEAD business schools includes more than 300 managers. Arguably, while running and coordinating Polish companies, they apply management standards and ways of thinking about business operations that they got acquainted with during their studies at INSEAD. Keeping in mind that INSEAD puts a strong emphasis on CSR in its educational curriculum, it can be expected that the school's graduates serve as brokers of the CSR concept.

However, the diffusion of CSR in Poland is also driven by organizations of managers (e.g., business associations) and other business professionals (e.g., accountants, analysts). For example, in a reaction to the Directive 2014/95/EU on disclosure of nonfinancial and diversity information by large companies, Accountancy Europe published a document presenting the practical aspects and guidelines of the implementation. These guidelines were further transmitted to the national associations of accountants such as the Polish Chamber of Accountants and Auditors. It may be expected that this act will accelerate the awareness and uptake of CSR practices and reporting. Similarly, the Conference of Financial Companies in Poland—the Employers' Association that groups the most relevant enterprises of the financial market in Poland—came up with a set of guidelines and best practices based on ethical and legal norms. These guidelines and practices were then disseminated to be employed by the conference members. Certainly, professional associations serve as important brokers of knowledge about CSR and will contribute to the increasing uptake of responsible business practices among companies in Poland.

Undoubtedly, the diffusion of CSR practices among Polish-based companies has also been a consequence of mimetic isomorphism. As the transition of the Polish economy continued, domestic companies faced a fierce competition from the foreign companies that invested in Poland. They were frequently much more technologically and organizationally advanced than Polish companies, which forced the latter to bridge these gaps. However, as some of them lacked time and resources to build and develop technological and organizational knowledge, they limited themselves to copying organizational forms and practices observed among their competitors operating in the same organizational field. The empirical evidence in this realm, however, is scarce. One of the few relevant studies is Kudłak's research (2008, 2017) on the implementation of the environmental management systems (EMS) compliant with the ISO 14001 standard, which are often perceived as a manifestation of corporate environmental responsibility. In light of Kudłak's research, almost one-fifth of the 281 investigated Polish companies implemented ISO 14001 EMS as a consequence of mimicry of other companies. Some of the surveyed managers argued that their organizations did not always understand the meaning and importance of environmental management systems; however, as they observed this kind of behavior among other (especially foreign) companies, they decided to imitate these organizational practices. This finding corresponds with the KMPG study (KPMG, 2014) which showed that according to almost 90% of Polish managers interviewed, the presence of foreign corporations was the most important factor affecting and stimulating the rise and growth of CSR in Poland. This implicitly suggests that foreign companies served as a pattern of organizational forms and behavior which was reproduced by other companies.

4 Discussion

Corporate social responsibility has a relatively short tradition in Poland and remains at its early level of development. So far, CSR-related organizational practices were introduced mainly by large corporations, with a slight majority of them being subsidiaries of multinational enterprises. Most frequently, Polish companies engage in voluntary activities concerning the development of local communities, improvement of working conditions, and environmental protection. It seems that the predominance of these activities as well as a rather low popularity of activities addressing other social issues, reflect the domestic institutional milieu and the societal needs and expectations concerning the role of private businesses in society. In contrast to companies operating in Western economies, with a long tradition of CSR (such as the Anglo-Saxon countries), Polish companies rarely offer private health insurance to their employees. This is, among others, due to the fact that the Polish legal-institutional system offers public health care to all citizens which limits the room for corporate voluntary actions.

The number of companies in Poland practicing CSR as well as a relatively short time since it has been introduced seems to imply that CSR-related organizational practices (in countries like Poland and other CEE transition countries) are at the pre-institutionalization stage (Tolbert & Zucker, 1994). At this stage, companies set up new structural arrangements in response to a specific organizational problem and formalize these arrangements via policies and procedures. At the pre-institutionalization stage, a specific organizational practice or arrangement has been introduced by the early innovators (those facing similar circumstances) and knowledge about the practice or arrangement is relatively limited. In regard to CSR, Polish companies increasingly face changes in terms of market, political, and societal expectations concerning their involvement in socially responsible corporate practices. In response to these expectations, companies that are the most exposed to these expectations and relatively homogenous in terms of their organizational characteristics introduce certain policies and actions proving their social responsibility. These organizational arrangements, however, tend to be relatively short lived. According to Tolbert and Zucker (1994) at the next stage of institutionalization, organizational practices and arrangements (e.g., concerning CSR) tend to diffuse relatively widely among other organizations and gain a certain level of normative acceptance. At this stage, adopters have typically become quite heterogeneous in terms of organizational characteristics. Tolbert and Zucker (1994) call this stage semi-institutionalization. Most likely, CSR in Poland will slowly move toward this stage during the upcoming years and we will observe more and more companies engaging in corporate responsible practices. Finally, at the last stage, organizational practices and arrangements will be fully institutionalized, i.e., perceived as necessary, effective, and taken for granted. At this stage, the role and importance of CSR among Poland-based companies will be similar to those in Western economies with a long tradition of corporate engagement in social issues. ISO 14001 environmental management systems exemplify an organizational practice in Poland that has undergone the entire path of institutionalization and is now fully institutionalized (Fig. 1).

Arguably, the mechanisms of institutional isomorphism may serve well the task of explaining the rise and diffusion of CSR among Poland-based companies, which face coercive, normative, and mimetic pressures pushing them to introduce organizational practices—in regard to CSR—that are perceived as rational, necessary, and taken for granted in their organizational fields. The legal regulations such as Directive 2014/95/EU or pressure from foreign investors mobilize domestic companies to introduce formal organizational arrangements and practices related to CSR. Subsequently, professionalization of the managerial occupation in Poland leads to the formation of business associations as well as business schools that increasingly serve as brokers of CSR. Finally, there is some empirical evidence that numerous companies, when facing uncertainty in their environment, seek organizational arrangements and practices that will allow them to keep their legitimacy in the marketplace (Kudłak, 2017).

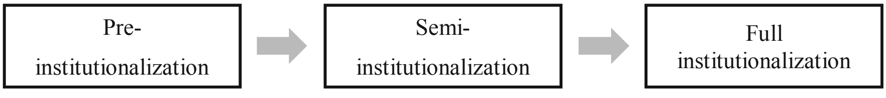

Fig. 1 Stages of institutionalization, own elaboration based on Tolbert and Zucker (1994)

It can be assumed that the significance of the mechanisms of isomorphism discussed above will change over time. Probably, the diffusion of CSR in countries where this type of organizational practice is unknown initially takes place primarily under the influence of coercive and mimetic mechanisms. Under the influence of legal regulations, organizations and international standards, as well as investors and cooperators from highly developed countries, enterprises engage in CSR in order to make themselves credible in their eyes as modern organizations that follow the latest management trends. Other companies, for the same reason, imitate organizations in their environment. The impact of the normative mechanism at the beginning of the process of CSR spread is weaker than the other two mechanisms, because the idea of corporate social responsibility has to enter the curriculum of universities, schools, and business associations, which will then disseminate it among their members. However, with the spread of CSR, the importance of normative isomorphism will increase, because once CSR is institutionalized and a critical mass (in terms of the number of universities and organizations promoting CSR) has been reached, the scale and pace of socialization of successive management graduates will increase.

It is worth noting that the initial forms of CSR undertaken by enterprises in a given country may lead to a certain dependence on the path, i.e., to determine the forms and scope of CSR among other enterprises (Shipilov, Greve, & Rowley, 2010). Although, hypothetically, enterprises have at their disposal an almost unlimited set of CSR activities, in fact, the range of available actions is determined by actions taken by early innovators and decreases with the institutionalization of further organizational forms in the field of CSR. Therefore, by observing the scope and form of early innovators' involvement in Poland, it is possible to predict with a certain degree of probability which forms of involvement in CSR will be the most popular over the next few years.

This chapter is of introductory character and opens up avenues for further research concerning CSR in post-socialist countries like Poland. For instance, it would be interesting to uncover if the voluntary efforts undertaken by companies in order to tackle specific social issues have a genuine impact on these issues or if they are organizational rituals that merely serve to sustain companies' legitimacy. Another intriguing topic concerns the role of CSR in signaling the organizational maturity to other entities, especially foreign ones. In other words, if Poland-based companies introducing CSR are categorized (as a consequence of the CSR engagement) by their Western counterparts as more trustworthy and if this categorization increases the chances of Polish companies to survive, examination of these and other topics would enlarge the knowledge about CSR and verify some of the long-established theories concerning organizations.

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CSR in India: Evolution, Models, and Impact

Suresh Mony and Shekar Babu

Abstract As one of the oldest civilizations of the world with a rich history of culture that embraces tolerance and social consciousness, the concept of social responsibility in India dates back to 1500 B.C. and is not a modern day twentieth century phenomenon. When companies emerged in the twentieth century, social responsibility was largely ingrained in volunteerism; however, today corporate social responsibility (CSR), apart from the philanthropy of individuals and companies, is triggered by the mandate to meet government's legislation. This chapter traces the evolution of CSR in India across four phases. Conceptual models in vogue in the country are then outlined followed by an appreciation of CSR in a few major sectors. This is followed by an analysis of the impact of CSR with regard to overcoming major societal challenges. An attempt is made to answer the moot question whether CSR is part of corporate strategy, followed by an assessment of India's unique CSR law. Thereafter, a critical evaluation of CSR activities in India including its linkages with the Sustainability Development Goals formulated by the United Nations is carried out.

1 Evolution of CSR in India

The concept of social responsibility in India dates back to the Vedic ages during the period 1500–600 B.C. The Hindu scriptures such as the Vedas, Bhagavad Gita, Upanishads, and treatises like Manusmriti and Arthashastra have in various contexts

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dwelt on the responsibilities of kings, leaders, individuals, citizens, and groups toward society.[1]

Social responsibility is expected from the king to his subjects. Vedic literature emphasizes the role of the king as the accumulator of wealth to take care of the welfare of the subjects, that is stakeholders, in return for which the king will grow as the sun grows and shines. It also states that whatever is given to society is returned manifold. Doing one's duty to society is termed as Dharma and wealth earned by violation of the principle of Dharma is not "good" wealth and should be rejected. The Vedic literature often contains terms like "sarva loka hitam" which means "well-being of stakeholders," signifying their importance in entities like corporations.

In the Bhagavad Gita, which is a 700 verse Sanskrit scripture that is set against the backdrop of the Mahabharata war between the Kauravas led by Duryodhana and the Pandavas led by Arjuna, Lord Sri Krishna who dons the role of mentor to Arjuna, stresses the importance of leaders and leadership qualities. Manu, who in Indian mythology is recognized as the first man and whose teachings are chronicled in the treatise Manusmriti, extols the virtues of honesty, righteousness, and obedience to law as the means to happiness and derides acquisition of wealth by unrighteous means. Thus, fulfillment of desires to earn wealth should be in conformity with Dharma, and wealth which contravenes Dharma should be rejected. Extending these principles to business enterprises, companies should ensure that they think not only about the end, that is profit, but also the means employed to earn that profit. Further, Manusmriti states that whatever is good for society is also good for the business organization in the long run.

Kautilya, the author of the treatise Arthashastra, stated that happiness cannot be obtained by wealth and profit alone, but by doing the right things in the right manner, termed as "sukhasya mulam dharma" (Muniapan & Dass, 2008). Kautilya also maintained that a leader or king should have no self-interest. His satisfaction lies in the welfare and happiness of his people. The same advice is also found in Shanti Parva, which is the twelfth of eighteen books on the Mahabharata and pertains to the rule of the Pandavas after defeating the Kauravas in the war, namely, that public interest or welfare is to be accorded precedence over the leader's interest (Muniapan, 2008).

The Vedanta, which is one of the six schools of Hindu philosophy and is an umbrella term for many sub-traditions ranging from dualism (wherein God and the world are two distinct realities) to nondualism or monism (embracing oneness in the concept of existence), propounds the concepts of Dharma and Karma. While Dharma is the moral force that keeps the universe in equilibrium and society ticking and is maintained by each person doing his/her duty, the belief that a person's actions in this life will determine the fate in the next life is termed as Karma. Karmic philosophy enjoins that one must do good things in life and that acts of kindness,

[1]Manusmriti was one of the first Sanskrit texts studied by philologists. It was translated from Sanskrit into English by Sir William Jones in 1794. The Arthashastra is an ancient Indian treatise on statecraft, economic policy, and military strategy, written in Sanskrit. Kautilya, also identified as Chanakya, is traditionally credited as the author of the text.

selflessness, helping others, or supporting the underprivileged will be rewarded in the next life. Further, the good deeds or Karma that result from Dharma (doing one's duties toward society) would serve as an insurance in bad times. Indian society thus evolved on the bedrock of the above principles that acted as the foundation in later years when business organizations developed.

Sundar (2000) has identified four phases of CSR originating from the pre-independence era (from 1850 to 1914) to the current ongoing period, namely:

- Phase 1 (1850–1914): Donation and social welfare phase
- Phase 2 (1914–1960): Trusteeship and social development
- Phase 3 (1960–1988): Legislation—labor and environmental standards
- Phase 4 (Post 1988): Philanthropy and integration of CSR

Phase 1 (1850–1914): Donation and Social Welfare Phase

Sundar (2000) states that this phase saw the shift from charity for purely religious reasons benefitting members of the same community to a more secular philanthropy. Rich business families set up trusts and institutions such as schools, colleges, and hospitals apart from charitable contributions for construction of water tanks, gardens, shrines, and betterment of the underprivileged. Although the term CSR did not exist at the time, organizations' social engagements took the form of charity and philanthropy for community development, a legacy of the early industrialists who were leaders in the economic as well as social fields.

Phase 2 (1914–1960): Trusteeship and Social Development

Phase 2 coincided with India's struggle for freedom from colonial rule and the institutional and social development process, influenced by the Gandhian philosophy of trusteeship and the reform movement focused on rural development, abolition of untouchability, and women' empowerment (Mohan, 2001). Mahatma Gandhi's concept of trusteeship drew inspiration from Vedic scriptures that call for relinquishing all wealth to God, and taking only what is necessary (Gandhi, 1960). In his social trusteeship theory, Gandhi propagated that God's assets are for all God's people, and not for selfish consumption by any particular individual. In its truest sense, this trusteeship concept allows private ownership of property only to the extent that it serves society's best interests—in essence, renouncing capitalism in favor of a more egalitarian societal setting. Gandhi proposed a set of governing principles of trusteeship to bring in egalitarianism in the capitalist order of society which encompassed (Mitra, 2007: 24):

- The renunciation of private ownership of property, except in cases permitted by society for its own welfare
- Establishment of a minimum wage with the difference between minimum and maximum wage being reasonable, equitable, and variable from time to time
- Precedence of social necessity over personal whim or greed in determining the charter of production
- Use of individual wealth with regard to the interests of society.

Business leaders like Ghanshyam Das Birla and Ramkrishna Bajaj who were close to Gandhiji and took part in the freedom movement were pioneers in the establishment of trusts purportedly for CSR. The Tata Group led by J.R.D Tata is credited with pioneering labor welfare measures (e.g., 8-hour working day, leave with pay, provident fund schemes) in India as early as 1912, well before such legislations emerged in the West. They also built rural and urban infrastructure including the entire city of Jamshedpur. Mohan (2001) notes that these initiatives reflected a sense of altruism and social commitment.

Phase 3 (1960–1988): Legislation—Labor and Environmental Standards
Phase 3 was characterized by the emergence of the public sector, that is state-owned public sector units (PSUs), and a regime of high taxes and a quota and license system that imposed tight restrictions on the private sector, constraining their surpluses and consequently their capacity for contributing to CSR. Philanthropy, in this phase, was largely directed toward education and health initiatives—areas that were incentivized by the state. Although business leaders like J.R.D. Tata and G.D. Birla influenced public policy debates, business conceded a prominent role to the state in the developmental process (Mitra, 2007). However, the assumption that the public sector could tackle developmental challenges materialized only to a limited extent.

Phase 4 (Post 1988): Philanthropy and Integration of CSR
The economic liberalization after 1990 brought freedom from controls and changed India's economic paradigm, thereby favorably impacting the corporate sector's revenues and propensity for CSR. While philanthropy continued to be the main instrument of corporate participation, the need to look at CSR more holistically and establish a strategic connect emerged in many large progressive corporates. Highlights of surveys conducted by different organizations are summarized below.

Tata Energy Research Institute (TERI) Their survey showed that Indians in general feel that businesses must play a larger role in society and besides providing quality products at reasonable rates, should strive to make their operations environmentally sound, adhere to high labor standards, reduce human rights abuse, etc. (Kumar, Murphy, & Balsara, 2001).

Centre for Social Markets (CSM) In July 2001, CSM surveyed perceptions and attitudes toward CSR (Brown & Mehra, 2001) and their report claimed that the government with unclear policies, ineffective bureaucracy, poor monitoring, complicated tax systems, and poor infrastructure was the key barrier (Prakash-Mani, 2002).

United Nations Development Programme and Others Their CSR survey conducted in 2002 revealed that many companies are still steeped in passive philanthropy (United Nations Development Programme, British Council, Confederation of Indian Industry, & PricewaterhouseCoopers, 2002).

Partners in Change (PiC) In 2004, from a sample survey of 536 companies across India, PiC concluded the following (Arora & Puranik, 2004):

- There was a marked increase in the number of companies adopting CSR policy compared to their earlier findings in 1999 and 2000.

- Philanthropy is the most significant driver of CSR (64%), followed by the goals of image building (42%), employee morale (30%), and ethics (30%).
- CSR policy is largely initiated by the CEO, except in the case of PSUs where it is triggered by government policies (Ghosh, 2003).
- The perception of CSR has increased due to an enabling corporate environment.
- Older companies with greater turnover are more conscious of their social responsibility.

2 CSR Models Practiced in India

In their landmark survey of CSR, Kumar et al. (2001) identified four major models of CSR in vogue in India, namely, the ethical model, the statist model, the liberal model, and the stakeholder model.

2.1 Ethical Model

The ethical model grounded in "volunteerism," connotes voluntary commitment by companies to public welfare, draws on Vedic and Gandhian thought, and is an offshoot of Gandhi's trusteeship model. Mitra (2012) argues that Mahatma Gandhi enjoyed close relations with several business leaders like the Birla and Bajaj groups who implemented Gandhian philosophy and were perceived to be more socially responsible (Kumar et al., 2001; Mehta et al., 2006; Nasscom Foundation, 2007). Several companies state their CSR policies are led by their founders' guiding principles (Mehta et al., 2006; Nasscom Foundation, 2007; United Nations Development Programme et al., 2002), in line with Gandhi's trusteeship concept (Richards, 1995), but this cannot be generalized.

2.2 Statist Model

The statist model championed by Jawaharlal Nehru, India's first Prime Minister, gave primacy to state ownership with the expectation that PSUs would be able to fulfill their social responsibility objectives better than those in the private sector. Jawaharlal Nehru brought Gandhian philosophy and ethics into the domain of official state policy, albeit in diluted form as Nehru's priority was building the newly independent nation. A mixed plan economy was adopted, where industries deemed crucial to development were reserved for the public sector and private firms were put under tight regulations (Kaushik, 1997). Gandhian ideals of self-sufficiency were integrated with Nehru's plans for economic progress via heavy industrialization and investment in science and technology. Many stalwarts of corporate India actively supported the independence movement and the nation-building exercise thereafter and partnered with state agencies for both business and CSR. After, 1990, India embraced competition as key to socioeconomic development. Liberalization was carefully controlled and did not completely erode the state's influence. The government evolved into a crucial partner for private industry. Hence, the statist model remains relevant for contemporary India (Kumar, 2004: 1).

2.3 Liberal Model

The liberal model proposed by Friedman (1970) is centered on profit motives as opposed to altruism and limits corporate responsibilities to satisfying owners, namely the shareholders. This is based on the capitalist theory of "business for profits." Although, in relation to CSR, it appears crass and materialistic, Balasubramanian, Kimber, and Siemensma (2005) opine that the ethical, statist, and stakeholder models may be idealized and the liberal model may be more relevant.

2.4 Stakeholder Model

The Stakeholder model postulated by Freeman (1984) elevates stakeholder responsibility from the narrow profit-centric approach of Friedman and demands consideration of the impact on customers, employees, communities, etc. Collins and Porras (1994) expand on Freeman's approach in their book *Built to Last* where they propose that a strong set of core values involving collaborative stakeholder relationships permeating across the organization explains the sustained success of firms across industries and time periods. In India, Freeman's model is best illustrated by the Tata Group, which has progressive policies such as giving jobs to a son or daughter after the father's death, providing housing for all employees, and providing financial assistance to those who are desirous of becoming entrepreneurs. Freeman argues that companies who respond to stakeholder concerns make their firms more powerful and resilient to attack from outside groups and make a positive social contribution by honoring the communities that support their work as evident from the success of the IT sector in India.

2.5 Neoliberal Model

India's political and social environment has significantly changed over the 70 years since independence and the socialist focus has been substituted by buzzwords of modern day business such as corporate entrepreneurship, team ethics, nation building, and social responsibility. Consequently, Mitra (2012) argues that in the current context, companies rarely seem to follow one of the four models faithfully, and instead adopt a neoliberal profit-centered agenda at the core, intertwined with the essence of an ethical model and/or stakeholder model. This is corroborated by the words of the founder of one of India's largest ΓΓ companies who says that

> decision makers across Indian companies today recognize that following the dictates of a broader, social conscience can help them realize new markets, increased profits, an improved corporate image, and happier employees [. . .] [It] enables them to contribute meaningfully to economic and social development in the country. (Murthy, 2007)

While the liberal model has profits and satisfaction of shareholders as the underlying objective and obligation of companies, the neoliberal model has the following characteristics:

- It emphasizes voluntary CSR and is driven by corporate leaders, who are ethical and transformational (Waldman & Siegel, 2008).
- Ecological and resource-oriented concerns are usually given primacy over communities of interest (Peterson & Norton, 2007).
- Activities in hitherto ignored rural and developing markets to generate revenues are preferred (Prahalad, 2007).
- Green technology assumes significance along with scientific methods of conducting and evaluating CSR (Peterson, 1997).

3 Sectoral Appreciation of CSR in India

The sectoral contribution toward CSR is influenced by the ownership (state or private), corporate philosophy, nature, size, and profitability of the industry. Four diverse sectors are analyzed in the following sections, namely:

- Banking and financial services, where the majority of banks are nationalized and their activities have a high degree of social orientation as they follow government diktat
- Construction, which is one of the biggest employers
- Pharmaceuticals, which is universally acknowledged as a highly profitable industry
- Information technology, which is the largest industry in the service space in India

3.1 Banking and Financial Services Industry (BFSI)

The policies and regulations of the government impose CSR obligations on banks and their operations are integrated with CSR by default. The relevant CSR areas in the BFSI are:

- Rural branch expansion
- Priority sector lending

- Environmental protection
- Education
- Community welfare
- Farmer welfare

Rural Branch Expansion To trigger growth in underdeveloped regions, rural branch expansion was taken up on a large scale by the Reserve Bank of India to augment financial inclusion. Chakrabarty (2009) explained financial inclusion as the process of ensuring access to appropriate financial products and services needed by weak, low income groups at an affordable cost in a fair and transparent manner by mainstream institutional players. Lack of rural bank branches besides inadequate legal and financial support constrains financial inclusion in many states. Banks are expected to fulfill the infrastructure gap of rural branches, even though their economic viability is often questionable (Sharma & Mani, 2013).

Priority Sector Lending This entails lending to agriculture, small-scale and ancillary units, renewable sources of energy, cottage industries, artisans, food- and agro-based processing, education, housing, and weaker sections. While both domestic public and private sector banks are required to lend 40% of their net bank credit (NBC) to the priority sector, foreign banks are required to lend only 32% of their NBC (Sharma & Mani, 2013).

Environmental Protection and Education Sharma and Mani (2013) enumerate the activities carried out by banks for environmental protection and education as stated in Table 1.

Community Welfare and Farmer Welfare Sharma and Mani (2013) enumerate the activities carried out for the welfare of the community and farmers shown in Table 2.

3.2 Construction Industry

From the viewpoint of employment potential, the construction sector is the second largest, after agriculture, and is one of the fastest growing with average annual growth rates of more than 10% in recent years. The rapid growth led to a substantial increase in the demand for construction labor from 14.6 million in 1995 to 31.5 million in 2005. Wuttke and Vilks (2014) conducted a survey of ten leading construction companies in India and identified the following major practices that blot the industry's CSR image.

Poor Living and Housing Conditions Accommodation for workers is not always provided and if done, it has been found to be generally in inhuman conditions in the form of makeshift shanties and huts without access to drinking water and other basic amenities (National Commission for Enterprises in the Unorganized Sector, 2007: 34, 99).

Table 1 CSR activities for environmental protection and education in the BFSI (Sharma & Mani, 2013)

Environmental protection	Education
• Not giving credit to businesses involved in ozone depletion, human rights violation, controversial weapons, gambling, or pornography activities • Awareness programs on avoiding usage of plastic bags and reduced use of paper in offices • Promoting and financing energy saving and solar energy projects • Encouraging, financing, and setting up of nonconventional energy generation units • Assistance for rainwater harvesting tanks • Wild animal protection projects • Tree plantation drives • Projects related to reduction of carbon emissions	• Financial support to low income family students • Free uniform and books • Motivational camps for enrolling rural children in schools • Concessional interest on education loans for backward class students • Establishing library-cum-reading rooms in rural areas and providing fans, water coolers, etc. to schools • Promotion and financial support for the education of special children • Education loans and interest subsidy schemes for students belonging to economically weaker sections • School adoption projects • Special educational sponsorships for female children • Donations as educational assistance • Opening of pre-schools and assistance in midday meals

Table 2 Community and farmer welfare activities of the BFSI (Sharma & Mani, 2013)

Community welfare	Farmer welfare
• Donations to orphanages • Free food to poor patients of government health care centers • Health awareness programs • Free health checkups • Campaigns against drugs, alcohol, and cigarettes • Construction of toilets, community halls, and dispensaries • Helping disabled persons by donating artificial limbs, calipers, wheelchairs, etc. • Free medical facilities for the poor • Support to nongovernmental organizations (NGOs) engaged in community welfare • Blood donation camps • Donations for disaster relief and accident victims	• Agriculture debt waiver and debt relief schemes • Concessional loans for solar water heaters • Rural extension programs for farmers and entrepreneurs to improve their productivity • Establishment of farmers' clubs and farmers' training centers (FTCs) • Special credit cards for farmers • Agriculture knowledge sharing programs • National insurance programs for agriculture • Financing rural warehouses and cold storages • Debt swap schemes • Setting up agriculture clusters for improved farming practices • Commodity finance against pledge of warehouse receipts of agro commodities

Discriminatory Practices Toward Female Construction Workers Men execute the skilled operations, and unskilled work is left to women who constitute about 15% of the workforce. The role of female workers is to support men for digging earth, mixing mortar, and carrying cement bags, bricks and other construction materials.

According to the Construction Workers Federation of India (2010), about 80% of female workers start working at the age of 10–12 years, 92% are illiterate and 90% are temporarily employed. Hence, women are more likely to accept work at lower wages than men and often are denied the minimum wage (Construction Workers Federation of India, 2010; National Commission for Enterprises in the Unorganized Sector, 2007: 99).

Problems of Child Labor Despite prohibition by law, child laborers in the construction industry are estimated at 400,000–700,000 (Construction Workers Federation of India, 2010). Generally, they are engaged in unskilled manual jobs such as earth cutting, bucket carrying, brick stacking, brick loading and unloading, assisting masons, carpenters, painters, plumbers, helping the cook for preparing food at the work site, preparing and serving tea, and operating the water pump. In practice, child laborers are not given statutory minimum wage and benefits as they are below 18 years of age. Besides, they are deprived of the opportunity of education, recreation, and are vulnerable to sexual harassment (Wuttke & Vilks, 2014).

Inadequate Training of Unskilled Construction Workers Construction workers often work with potentially dangerous tools and equipment amidst a clutter of building materials, on temporary scaffolding or at great heights, and thus are vulnerable to injuries. The industry is guilty of not providing sufficient training to unskilled workers, thereby increasing the risk of loss of life and limbs (Planning Commission Government of India, 2008: 239).

Evaluation of Construction Practices in Leading Companies In order to evaluate the CSR practices of the ten construction companies surveyed, Wuttke and Vilks (2014) set up a scoring system given in Table 3. The methodology for evaluation was to assign a score for each individual company's CSR practice, aggregate the individual scores, and finally assign a CSR grade to the company on a 1–5 scale with 5 being the highest grade and 1 the lowest.

Wuttke and Vilks (2014) found that only one company has gone beyond good practice, one company meets good practice, and four companies meet some criteria of CSR. The results of the study reveal a focus on poverty alleviation and usage of environment friendly materials in construction but sadly not on the social aspects of eliminating child labor and empowering women. Therefore, the challenge for the construction industry is to fulfill the increasing demand for labor and concomitantly uplift the economic and social condition of the more than 80% of the workforce who

Table 3 Evaluation system used by Wuttke and Vilks (2014)

Aggregate score	CSR grade	Scope of CSR engagement
48–80	5	Best practice
36–47	4	Goes beyond good practice
28–35	3	Good practice
13–27	2	Meets some criteria of good practice
0–12	1	Meets few or no criteria

are vulnerable and poor (Planning Commission Government of India, 2008: 240). If they can do this and also discover the poor as customers, for instance in the segment of low-cost housing through innovative financing models, they would contribute significantly to poverty alleviation and enhance their CSR image.

3.3 IT Industry

The IT industry has emerged as one of the most active and socially responsible sectors. The annual CSR spend of the IT industry is INR 1100 crores,[2] that is about $159 million[3] (KPMG, 2018). The focus of the IT industry is on education. It is also engaged in health care, sanitation and drinking water, environmental sustainability, promoting gender equality and empowering women, rural development, etc. A survey titled *Catalyzing Change* conducted by the Nasscom Foundation in cooperation with the global CSR platform Goodera (Nasscom Foundation & Goodera, 2017) revealed that around 62% of the IT companies in India spent their CSR funds on education and allied social activities followed by 18% on gender equality, and 12% on hunger and poverty during 2016–2017.

3.4 Pharmaceutical Industry

The pharmaceuticals sector, which has often been referred to as a goldmine sector (Porter, 2004), is active in the field of CSR. There are several significant players including large companies like Cipla, Dr. Reddy's Laboratories, Novartis, GlaxoSmithKline Pharmaceuticals (GSK), Johnson & Johnson and Wockhardt, as well as smaller companies like Biocon and Strides Arcolab. Their CSR initiatives encompass objectives like promotion of healthy living, cancer palliative care, women's and child health, environment conservation, and leprosy treatment.

4 Social and Economic Impact of CSR

Six broad thematic areas, namely poverty alleviation, education, health care, environment, rural development, and livelihood constitute the broad thrust of CSR activities as discussed in the following sections.

[2] INR 10,000,000 = 1 crore

[3] The conversion rate for the whole chapter is based on data from April 15, 2019. The values in US Dollars are rounded accordingly.

4.1 CSR and Poverty Alleviation

Below the Poverty Line (BPL) population in India according to the World Bank was 13.6% in 2015 (World Bank Group n.d.-b) translating to around 170 million people out of the nation's population of 1.25 billion. The BPL (defined as income level of $1.90 per day on 2011 Purchasing Power Parity basis equivalent to INR 132 per day) population declined from 35% in 1994 to 25% in 2007, 22% in 2011 to 13.6% in 2015. Notwithstanding the declining trend, the quantum of BPL population of 176 million (Roy, 2019) is substantial, equivalent to 80% of the USA's and 33% of Europe's population and calls for creative CSR interventions.

In this regard, the contribution of the Tata group for poverty alleviation is given as an example. The group, which has over 40 companies, has enunciated 17 sustainability development goals in line with the charter of the United Nations and each company in the group addresses one or more SDG depending on the environment in which it operates. For instance, Tata Motors addresses 15 out of the 17 SDGs while Tata Power pursues 5 SDGs. The Tata Sustainability Group is an overarching division that supports, coordinates, and monitors each company for successful implementation of CSR activities and meeting the goals (India CSR Network, 2017). Goal No. 1 is "No Poverty" and Goal No. 2 is "Zero Hunger" and both contribute to poverty alleviation. These goals are being tackled by Tata Global Beverages through its "Gaon Chalo" program, by Tata Power through its "Samriddhi" program for improving livelihood of farmers, Tata Group through the "Tata Affirmative Action Program," and by Tata Steel through its "Agricultural Productivity Improvement Program."

4.2 CSR in Education and Health Care Areas

Ernst & Young carried out a survey for PHD Chamber in 2013 across 50 companies and identified the CSR activities in the education and health care areas as given in Table 4.

Education The problems plaguing the education sector in India, in particular primary education, are the lack of infrastructure (equipment, furniture, books, teaching supplies, libraries) and good teachers. Further, in rural areas, families are unable to afford quality education and most schools are not able to meet their day-to-day expenses. Corporates have been contributing through infrastructure support, training and providing good teachers, propagation of education for girls, running their own schools, and providing scholarships for needy students. Some of the largest companies in India including Reliance Industries, Wipro, Bajaj Auto, Tata Steel, Mahindra & Mahindra, Infosys, Samsung, ITC, Adani Ports, Jindal Steel and Power are focusing on education.

Health Care For nearly 60% of households in underdeveloped rural areas and 50% in metropolitan cities, saving for health care is a major priority. Around 40% of the

Table 4 CSR engagement of Indian companies in the education and health care areas (PHD Chamber, 2013)

Education area	Proportion of surveyed companies engaged in activity (%)	Health care area	Proportion of surveyed companies engaged in activity (%)
Infrastructure support	88	Health camps	74
Enhancing quality of education	74	Infrastructural equipment support	68
Scholarships	62	Maternal child health	44
Child education specifically for girls	48	Water and sanitation	44
Adult education	34	Geriatric care	14
Running own schools	30		

bottom of pyramid households in rural India and 22% of financially vulnerable households in urban areas report negative income during illness (Shukla, 2015). In large numbers of cases, illnesses occur because of lack of awareness and poor quality of water for drinking and sanitation. Maternal and child health is also a serious problem in rural areas.

4.3 CSR in Environment, Livelihood, and Rural Development Areas

The pattern of engagement in the 50 companies researched by Ernst & Young and PHD Chamber in the environment, livelihood and rural development areas is summarized in Table 5.

Environment In recent years, activities on the environment front have picked-up although investment-wise this area is way behind poverty alleviation, education, and health care. CSR initiatives in this segment include tree plantation drives, promoting afforestation, water conservation, and waste management. Notable environmental initiatives are spread across creating oxygen hubs in densely populated cities, save bird campaigns to conserve bird species, afforestation, animal welfare through providing shelter, and forest-based sustainable livelihood programs.

Livelihood Providing basic livelihood for underprivileged people largely revolves around skill development to make them employable and job creation for income generation. Skill development covers vocational training and career counseling to enhance employability of candidates and consequently their earning potential.

Table 5 CSR engagement of Indian companies in environment, livelihood and rural development areas (PHD Chamber, 2013)

Area	Activity	Proportion of surveyed companies engaged in activity (%)
Environment	Green initiatives	76
	Water conservation	64
	Waste management	56
Livelihood	Skill development	88
	Job creation/ Income generation	78
Rural development	Infrastructure support	68
	Awareness generation	54
	Support for the differently abled	48
	Youth clubs	32
	Rehabilitation initiatives	22

Companies also enhance knowledge of farmers or artisans in their own field, for example sensitizing farmers on new and improved farming techniques.

Rural Development This involves improving rural infrastructure such as building check dams, revamping water pumps, and road construction. The other activities are awareness creation on issues such as domestic violence, female feticide, and importance of education.

5 Is CSR a Part of Corporate Strategy in India?

In recent years, with the rapid growth of CSR, management thinkers are at the forefront of the drive to integrate CSR with business strategy. Porter and Kramer (2006) opine that the CSR efforts of most firms are generally counterproductive as they pit business against society whereas the two are interdependent and CSR should be customized to societal needs. An outstanding example of an Indian company that has blended CSR in their business strategy and concomitantly added business value is ITC, as described in the following paragraphs.

5.1 ITC's e-Choupal Program

Farhoomand and Bhatnagar (2008) state that in 2000, ITC established e-Choupal, which was conceived as an answer to mitigate the constraints of the agrarian supply chain. It transformed not only the business of the firm but also the life of millions of Indian farmers. Under the initiative, ITC set up small internet kiosks in the villages that provided farmers access to an efficient and more transparent alternative to the traditional marketplace for selling their produce. They established a direct channel with the farmer, thereby marginalizing the middlemen and enabling farmers to get more money for their produce. The e-Choupal empowered the community and conferred a host of social benefits besides enhancing the global competitiveness and brand recognition of ITC food products. The social benefits were as follows.

Information-Led Empowerment and Income Through internet kiosks, farmers had prior knowledge of the price of the produce before leaving the village and obtained negotiating power to make informed decisions regarding their sales. In the process, farmers became more literate, commercially savvy and confident. The website e-Choupal.com was developed in multiple local languages and delivered bundled information such as when to use fertilizers, seeds and pesticides, what to use under different weather conditions, etc. It delivered real-time and relevant information. A locally elected farmer became a Sanchalak or kiosk manager and acted as interface between the computer terminal and farmers thereby helping to enhance the credibility of the system.

Choupal Saagars were created to substitute the local mandis or market. One Choupal Saagar catered to about 40 e-Choupals and offered the farmer the facility of accurate weighing through electronic weighing scales, full and immediate payment, and customer care. The Choupal Saagars also acted as rural malls and farmers could procure fertilizers, seeds, fumigants and other agricultural products. Besides, it also acted as a health care platform.

Education Primary education was carried out through e-Choupal; also digital content and virtual training sessions were provided. It became a news portal, provided information on weather and technological trends, and opened windows to the outside world.

Women Empowerment From living in the shadows of their husband, women also became knowledgeable through information and marketing linkages. ITC worked with NGOs to harness the nonfarm skills of women and linked them to global markets.

Health Care ITC tied up with health care companies and utilized the e-Choupal infrastructure to deliver quality services through a three-tier network:

- Tier 1: The Choupal-basic health services include information dissemination, delivering medical aid, providing over-the-counter (OTC) drugs, administering simple pathological tests, and connecting through telemedicine with a doctor.
- Tier 2: Each Choupal Saagar is managed by a Choupal health champion and supported by a doctor, a laboratory with a technician, and a telemedicine center connected to a network hospital partner.
- Tier 3: The network hospital handled complex cases, provided specialist online advice and high-level information.

Retailing Initially, the Choupal Saagars were utilized to distribute ITC's own products but were later converted to full-scale retailing centers, retailing products from over 100 companies. These ranged from small items like oral care products to home appliances, trucks, and motor cycles—all distributed under the same roof.

Financial Services ITC offered its network as a delivery platform to the State Bank of India to deliver credit at e-Choupals at considerably lower rates than charged by money lenders. Third party loans and insurance were also provided through e-Choupal. It was a win–win situation as last mile connectivity and transaction costs were substantially reduced and farmers benefitted with inexpensive credit and insurance against crop failure due to the vagaries of monsoon.

5.2 *Evaluation of ITC's e-Choupal Program with the Porter and Kramer Model*

The value chain depicts all the activities that a company is engaged in, and Porter and Kramer (2006) identified activities in the value chain that cause positive and negative social impact. They term mapping of the social impact of the value chain as "*looking inside out*" and mapping social influences on competitiveness as "*looking outside in*."

Inside Out Approach ITC improved effectiveness and efficiency of the internal "farm to factory" supply chain in: (1) procurement by eliminating middlemen and directly purchasing from farmers; (2) inbound logistics as repeated storage and transportation is avoided, leading to lower cycle time and 50% savings in transportation cost; (3) firm infrastructure as setting up of internet kiosks at the e-Choupals led to better communication system with supplier; and (4) marketing and sales through 20% lower procurement price for ITC compared to purchase through commission agents and concurrently higher price realization for farmers, leading to a win–win situation.

Outside in Approach Social influences on external factors of competitiveness: (1) efficient physical infrastructure and administrative structure achieved through internet kiosks at e-Choupal, and the trained Sanchalak who was the human interface; (2) rivalry with competitors preempted by incentivizing farmers with anti-discriminatory systems, better prices, and transparency (weighing and quality metrics) as against the unfair decisions of commission agents; and (3) unique local skills of women were harnessed and linked to global markets—creating a social value proposition.

By integrating the "inside out" and "outside in" approaches, ITC identified a set of opportunities that altered their business strategy, added business value, and benefitted society.

6 Legislation for CSR

India is the first country in the world to introduce a legislation for mandatory contribution to CSR. The precursor to the law were the "Corporate Social Responsibility Voluntary Guidelines" in 2009 by the Ministry of Corporate Affairs and this

Table 6 Ten CSR areas under Section 135 of the Companies Act (Companies Act, 2013)

1	Eradicating hunger, poverty and malnutrition; promoting preventive health care and sanitation; making available safe drinking water
2	Promoting education, including special education, and employment enhancing vocation skills especially among children, women, elderly, and the differently abled; livelihood enhancement projects
3	Promoting gender equality; empowering women; setting up homes and hostels for women and orphans; setting up old age homes, day care centers, and other such facilities for senior citizens; measures for reducing inequalities faced by socially and economically backward groups
4	Ensuring environmental sustainability, ecological balance; protection of flora and fauna, animal welfare, and agroforestry; conservation of natural resources; maintaining quality of soil, air, and water
5	Protection of national heritage, art, and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts
6	Measures for the benefit of armed forces veterans, war widows, and their dependents
7	Training to promote rural sports, nationally recognized sports, Paralympic sports, and Olympic sports
8	Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socioeconomic development and relief and welfare of the scheduled castes, the scheduled tribes, other backward classes, minorities, and women
9	Contributions or funds provided to technology incubators located within academic institutions, which are approved by the Central Government
10	Rural development and slum area development projects

culminated in the drafting of the CSR law enacted in 2013 under Section 135 of the Companies Act. Under Schedule 7 (given in Table 6) the Act has outlined ten areas of activity framed with inclusive growth and sustainable development as the major goals.

6.1 Minimum CSR Spending

According to Section 135 of the Companies Act, companies with one (or more) of the following characteristics (including foreign companies with respect to their Indian operations) shall contribute a minimum of 2% of their profit after tax to CSR (The Institute of Company Secretaries of India, 2015):

- A net worth of at least INR 500 crores ($72 million)
- A turnover upwards of INR 1000 crores ($145 million)
- A net profit of INR 5 crores ($0.7 million) or more computed based on an average of the preceding 3 years.

For implementing the CSR mandate, every company is required to constitute a CSR committee of the Board of Directors (comprising at least three directors and one independent director). The CSR committee's responsibilities include policy formulation, recommendation of activities, approval of expenditure, and instituting a transparent monitoring mechanism. The CSR activities are to be implemented through a registered trust or a registered society or a company established under Section 8 of the Companies Act. The important stipulations are that activities undertaken in the normal course of business or those meant for the benefit of employees as well as amounts contributed to political parties, do not qualify as CSR expenditure. Also, the Board's annual report shall carry a section on CSR activities of the year under review.

6.2 Critique of CSR Law

When the law was enacted, it provoked heated debates: One section of critics lauding it as a revolutionary step and game changer, wherein industry along with government would move hand in hand to alter the social and environmental landscape; at the other end of the spectrum there were critics who felt that government was abrogating its duty and outsourcing its social responsibilities to the corporate sector. Sarkar and Sarkar (2015) analyzed the potential implications of the CSR law by surveying 500 large companies listed on the Bombay Stock Exchange. Their research was based on analysis of the information contained in the annual reports pertaining to the period 2003–2011 during which time both CSR spending and CSR disclosures were voluntary. Their main finding was that with the CSR law in place, the corporate spending would be less than 2% of government social expenditure, in other words government was spending upwards of 50 times the legally prescribed CSR spend and was thus not abrogating its duty to society. They concluded that the CSR law appeared to be a vehicle for instilling the social responsibility spirit and ethos on the lines of the Gandhian trusteeship model and the age-old Vedic philosophy.

7 Critical Evaluation of CSR in India

A systemic approach wherein CSR is viewed as a system with inputs, processes, and outputs with associated measurement and control mechanisms is adopted for the purpose of evaluation. Table 7 depicts the characteristics of the systemic approach for evaluation of CSR.

7.1 Evaluation of Inputs

7.1.1 Major Drivers

In the century before Christ was born and until about 1750 A.D., India was one of the richest countries in the world. Its share in the world GDP was 32% in 1 A.D., about

Table 7 Characteristics of systemic approach for evaluation of CSR

Inputs	Process	Outputs
Major drivers	Programs	Spending
Strategy	Implementation	Firm performance
Objectives		Responsibility growth

28% in 1000 A.D., and about 25% between 1500 and 1750 A.D. This steadily eroded during the two centuries of British rule and collapsed from 22% (almost equal to Europe in 1700) to 3.8% in 1952 (Maddison, 2007). Post-independence in 1947, with the socialist regime that protected industry, the economy was dismal until 1990 when the shackles were opened. Today, India is one of the fastest growing economies ranking sixth in terms of nominal GDP after the USA, China, Japan, Germany, and the UK and third on purchasing power parity basis after China and the USA (World Bank Group n.d.-a). India has 131 billionaires out of 2153 in the world and ranks third after the USA and China (Forbes India, 2018). Yet the per capita income of India is a low $1940, ranking 138th in the world. It also fares poorly on human development index, ranking 130 out of 189 countries (United Nations Development Programme, 2018). However, it continues to be the spiritual nerve center of the world. Thus, India is a paradox of poverty amidst plenty, high manpower quality amidst mediocrity, and low human development amidst high spiritual quotient. It is against the above backdrop that CSR has to be examined. The contextual factors influencing the society and consequently CSR in the post reforms era in India are:

- Widening gaps between different segments of population and between regions, states, cities, and industries
- Enormous job losses with disproportionate adverse impact on marginalized groups, especially women

The present policies are more conducive to make the Indian industry globally competitive and augment GDP but less to make it socially responsible. Keeping this in view, Sood and Arora (2006) have identified the drivers of CSR in India as follows.

Market-Based Pressures and Incentives In keeping with the pressure to compete in the global markets, there is considerable focus on creating an adequate skill base, information base and institutional structures, and codes of conduct for labor.

Civil Society Pressure NGOs and other civil society groups have brought public pressure on companies and taken up causes leading to legislations, e.g., the Infant Milk Substitutes, Feeding Bottles and Infant Foods (Regulation of Production, Supply and Distribution) Act 1992 to push food companies toward full compliance with the International code of marketing of breastmilk substitutes (Sood & Arora, 2006).

Regulatory Environment

- Social, work, and wage related legislation to protect vulnerability of the poor working in the unorganized sector.
- Environmental legislation to prevent land degradation, promote biodiversity, minimize air pollution, and provide better management of fresh water resources and hazardous waste.

- Corporate governance: Existing regulations focus primarily on management and control structures and rules relating to power relations between owners, Board of Directors, and auditors; however, employees, creditors, customers, and community do not get a fair coverage, except in rare cases.

7.1.2 Strategy

It is usually found that companies tend to have numerous disparate programs that spread thin and the inherent potential for social benefit is not achieved. Hence, a prudent and coherent strategy is called for. In order to facilitate the crafting of a CSR strategy, Rangan, Chase, and Karim (2012) put forward three categories of CSR practices which they termed as "theatre," namely:

- Theatre 1: Activities in the realm of charity and philanthropy, although they may have the potential to add business value.
- Theatre 2: Activities that are symbiotic to the business and benefit the producer as well as the environment or have a salutary social impact on one or more of their value chain partners, including the supply chain, distribution channels, or production operations. This involves reengineering the value chain to create economic and social value.
- Theatre 3: Programs that distinctly alter the company's eco system, create social value, and enhance the long-term business position; it may however entail short-term risks.

Initiatives by companies like Ambuja Cements in India to modify their sourcing and production process parameters to reduce the water consumption and effluents and become net water positive are a Theatre 2 example. In the case of ITC, their e-Choupal initiatives aimed at making the supply chain more efficient could be placed in Theatre 2; however, with their subsequent initiatives that involved the entire rural community, altered the eco system, expanded their business and benefitted other stakeholders in society, ITC may be said to have graduated to Theatre 3. Large companies like ITC, Tata Steel, Mahindra & Mahindra, Reliance Industries, Nestle, Infosys, and Wipro have dovetailed their CSR programs around their CSR strategy, encompassing activities in Theatre 1 as well as in Theatre 2.

Objectives In recent years, the concept of CSR has been attributed a more macroeconomic rationale aligned with sustainable development goals (SDGs) of nation states. Governments are increasingly taking the view that the rapidly prospering companies need to be part of the solution to their nations' economic and social challenges (Archel, Husillos, Larrinaga, & Spence, 2009). This notion of CSR is endorsed by the promulgation of the CSR law emphasizing the 17 SDGs outlined by the United Nations (UN) as the ultimate goal and provides a direction to corporates for outlining of objectives.

7.2 *Evaluation of Process*

7.2.1 Programs

Process encompasses the cycle of strategizing, crafting of programs, and managing their implementation. In order to get a sense of the activities that are most prevalent, and the trend if any, it is useful to compare the study of Sarkar and Sarkar (2015) where the data period pertained to 2010 with Majmudar, Rana, and Sanan (2017) where the data period was 2015–2016. Broadly, based on the spending in the respective years, the main CSR areas could be identified as depicted in Table 8. It can be observed that while health and wellness, education, rural development, and charity have been the main areas both in 2010 and 2015, environment and vocational training have emerged as new focal areas; this may be attributed to the increasing emphasis on sustainable development.

7.2.2 Implementation

Implementation is the key to the success of any strategy or policy, as intents—how much so ever honorable—may remain on paper if they are not backed by proper structure, necessary resources, and monitoring and control. Kansal, Subramaniam, Babu, and Mony (in this book) carried out a detailed study on the governance and implementation of CSR activities in state-owned central public sector enterprises (CPSEs) that contribute to 22% of the GDP of India. They surveyed 13 CPSEs wherein senior managers such as Director, General Manager, Chief Manager, and Senior Manager were interviewed. The detailed case study is given in the respective part of the book. Kansal et al. studied the implementation of the CSR mandate in CPSEs from a principal–agent perspective where the Government of India (GoI) as the owner is the principal and CPSEs are agents. The highlights of the case study are summarized under three broad headings namely, institutional context, agency risks, and survey findings.

Table 8 CSR spending in major areas (Majmudar et al., 2017; Sarkar & Sarkar, 2015)

Spending on	2010 (%)	2015–2016 (%)
Health and wellness	17	23
Education	18	21
Energy	14	–
Aid—donation/charity	11	8
Empowerment of women	10	–
Rural development	8	12
Vocational training	–	6
Environment	–	7
Others	22	23

Institutional Context Post 1986, the pressure on CPSEs to be profitable has enormously increased, which inhibits their CSR efforts. As a result, the project selection and resource allocation processes are not scientific and lack merit. There is an obvious lack of goal congruence between the principal and agent.

Agency Risks As CPSEs are required to satisfy a wide group of stakeholders, they are risk averse and their focus is on taking up short-term projects that can be completed quickly. Long-term projects that may result in greater social contribution are consequently sacrificed. Project selection by CPSEs is also suboptimal as they choose projects that are easy to monitor and report in preference to more complex but socially beneficial projects.

Survey Findings

- The major risks in CSR implementation are goal incongruence, suboptimal project selection, and opportunistic behavior of CPSEs.
- Participant managers did not perceive roles in CSR favorably from the viewpoint of career advancement unlike a business or functional management role.
- At present, GoI primarily monitors the usage of funds for CSR activities and spends against budgets. The control is more on inputs and compliance and not outcomes, in other words they employ a "behavioral control mechanism." The authors suggest that the principal employs "outcome based controls" incorporating service delivery targets with performance evaluation and incentives for CSR personnel. GoI needs to structure contractual relationships with CPSEs and the MoUs should specify social performance outcomes for CSR much like the business and financial outcomes.

A majority of companies are implementing CSR programs through their own registered trust or through NGOs. This is accepted under the law and ensures that there is no diversion of CSR expenditure under business to reduce the tax burden. Sagar and Singla (2004) and Mishra and Suar (2010) found that other private sector companies do not have an exclusive department for CSR and the activities are being handled by the human resources department. There needs to be a separate CSR department possibly reporting to the Chief Strategy Officer. Thus, the internal processes of most Indian companies with regard to implementation of CSR require strengthening.

7.3 Evaluation of Outputs

7.3.1 Measurement Models of CSR

Considering that many scholars perceive CSR as a tool for competitive advantage, the measurement of CSR is of great importance for developing a sustainable organization. A few useful constructs have been developed in management literature to measure CSR (e.g., Abbott & Monsen, 1979; Maignan, 2001). However, a scale for measuring CSR has not yet been developed (McWilliams, Siegel, & Wright, 2006) and research has largely ignored the exact scale and dimensional structure of

Table 9 Composition of CSR ratings determined by Karmayog.com (Gautam & Singh, 2010)

Karmayog CSR rating	Number of companies	Percentage of companies
0/5	231	46
1/5	92	18
2/5	138	28
3/5	35	7
4/5	4[a]	1
5/5	0	0
Total	500	100

[a]Includes Housing Development Finance Corporation (HDFC), Infosys, Tata Steel, and Titan Industries

CSR. Studies have appeared that present useful concepts as well as some ad hoc measurements (Abbott & Monsen, 1979; Aupperle, Carroll, & Hatfield, 1985; Carroll, 1979). Examples of CSR measures include line-count of information provided in corporate documents, content analysis, self-ratings by firms, evaluation by judgment of a company's reputation, and forced choice item formats.

7.3.2 Models for Measurements of CSR in India

Measurement of CSR activities in India is still in its infancy, yet one significant attempt was made by Karmayog.com (Gautam & Singh, 2010), who have from 2007 been conducting an annual survey and rating the top 500 publicly listed companies in India on their CSR performance. The Karmayog platform assesses: (1) the diminution of negative effects through steps taken by a company to neutralize, minimize, or offset the harmful effects caused by its processes and product usage and (2) favorable impacts through its resources, core competence, skills, location and funds for the benefit of people and the environment and rates companies on five levels, with 1 being lowest and 5 highest. The CSR activities of the companies were mapped against the Global Reporting Initiative (GRI)[4] and the 18 GRI aspects were broadly clubbed under: (1) society performance, (2) human rights performance, (3) labor practices, and (4) product responsibilities. Karmayog.com employed four criteria namely: (1) tracking of social indicators by the company, (2) innovative practices employed, (3) CSR links to business, and (4) focus areas of CSR to evaluate the CSR practices of companies against each GRI. The ratings of Karmayog.com survey in 2016 are summarized in Table 9.

[4]The 18 GRI aspects include: (1) community, (2) corruption, (3) public policy, (4) anti-competitive behavior, (5) compliance, (6) investment and procurement practices, (7) nondiscrimination, (8) freedom of association and collective bargaining, (9) child labor, (10) forced and compulsory labor, (11) security plans, (12) indigenous rights, (13) employment, (14) labor/management relations, (15) occupational health and safety, (16) training and education, (17) diversity and equal opportunity, and (18) product responsibility.

Table 10 CSR spend analysis in 2014–15 and 2015–16 (Majmudar et al., 2017; Majmudar, Rana, & Sanan, 2016)

Parameter	Unit	2014–2015	2015–2016
Available spending data	Number of companies	173	170
Profit after tax (PAT) positive companies without CSR spending	Number	4	6
Expected spending at 2% of PAT	INR crores	7934	8118
	$ million	1147	1174
Committed spending	INR crores	8251	8644
	$ million	1193	1250
Actual spending	INR crores	5751	6756
	$ million	832	977
Average spending per company	INR crores	33.2	39.7
	$ million	4.8	5.7
Actual spending	% of PAT	1.42	1.7
Pattern of spending			
> 2% of PAT	% of companies	32	48
1–2% of PAT	% of companies	33	24
< 1% of PAT	% of companies	35	28

It can be seen that 231 companies have been given a "zero" rating and no company is listed in the top category. There are only four companies that have been given a four out of five rating while the majority of companies have ratings of one and two. Overall, only 54% of the corporates surveyed were engaged in at least some CSR activity, of which 46% (rated 1 or 2) generally conducted random activities. This indicates that until 2016 very few companies had a well thought out and structured CSR policy.

7.3.3 CSR Spend

Majmudar, Rana, and Sana (2016, 2017) did a trend analysis of the CSR spend of 170 leading companies in the manufacturing and services sectors for 2014–2015 and 2015–2016 as given in Table 10.

The analysis reveals that both in 2014–2015 and 2015–2016, the committed spend was higher than the prescribed spend as per law. However, the actual spend in both years was lower than the prescribed 2%, although in 2015–2016 it significantly improved from 1.42% to 1.7% of aggregate PAT. Out of the companies surveyed, 32% and 48%, respectively, in the 2 years exceeded the threshold of 2% and thereby compensated for the laggards.

The top five corporate volume spends (all above 2% PAT) during the 2 years are given in Table 11 from which it can be seen that three of the companies are common in the two lists.

Table 11 Top five CSR volume spends in 2014–2015 and 2015–2016 (Majmudar et al., 2016, 2017)

	2014–2015		2015–2016	
Company	INR crores	$ million	INR crores	$ million
Reliance Industries	761	110	651	94
Oil and Natural Gas Commission	495	72	419	61
Infosys	239	35	–	–
Tata Consultancy Services	218	32	294	43
ITC	214	31	–	–

Table 12 Major focal areas of CSR (Majmudar et al., 2016, 2017)

Responsibility area	2014–2015% of spend	2015–2016% of spend
Health and wellness	28	24
Education	21	25
Rural development	12	13
Environment	11	7
Technology incubators	3	4
Charity	4	8
Others	21	19

In order to identify the focal areas of corporates, a sectoral spend analysis is presented in Table 12 from which it is obvious that health and wellness, education, rural development, and environment (in that order) receive maximum attention. This is in conformance with the stark disparity in education, incomes, and health condition of citizens in urban and rural India.

7.3.4 Firm Performance

Mishra and Suar (2010) conducted a survey of 150 senior level managers including CEOs and analyzed perceptual data, in particular to assess the financial performance of companies practicing CSR. The research covered samples from 18 different industries and 6 primary stakeholders in each, namely customers, employees, investors, community, suppliers, and natural environment. They examined the influence of individual as well as aggregate CSR dimensions on firm performance of Indian companies. The results of their study reveal that:

- Firms that are listed on stock exchanges show better linkage between CSR and FP which is attributable to companies being mandated to publish their balance sheets and regular monitoring by multiple stakeholders.
- Neither ownership pattern nor firm size appear to have an influence on CSR performance.

- Indian companies have successfully integrated various issues such as workplace safety and benefit plans into company policy, thereby enhancing competitive positioning and profitability.
- Customers were found to reward companies that consistently manufacture quality products, adhere to safety standards, and resort to ethical pricing and advertising whereas those that misled consumers with scientifically incorrect information were penalized.
- Pressure by international buyers and MNCs to institute responsible and ethical practices at supplier locations has introduced progressive practices and augmented FP.
- Increase in aggregate CSR benefits also boosted FP due to higher prices, and lower costs (arising from tax concessions and lower duties to promote CSR).
- Eighty-five percent of companies agree that they have a responsibility to the community and are committed to the cause.
- Environmental consciousness of Indian companies has improved: 92% of companies surveyed had clearance from pollution boards, 43% have adopted ISO 14000 and 15% have adopted OSHAS 18000; these proactive measures enhance FP.

7.3.5 Responsibility Growth

In their study titled *Gearing up for Responsibility Growth*, Majmudar et al. (2017) identified India's top companies in 2016 that exemplified sustainability and CSR ethos from a sample set of 217. The study focused on four criteria: governance, disclosure, stakeholders, and sustainability with assigned weights of 20%, 15%, 35%, and 30%, respectively, for the purpose of evaluation. They coined the term "responsible" business by blending the constructs of sustainability and CSR. The major findings of the study were:

- The top performers engaged in CSR not merely for compliance but as part of a well-crafted strategy.
- Four Tata Companies, namely, Tata Steel, Tata Power, Tata Motors, and Tata Chemicals along with Mahindra & Mahindra, ITC, Larsen & Toubro, Bharat Petroleum Corporation Ltd., Ultratech Cement, and Shree Cement constituted the top ten ranks.
- The top 33 companies took a long-term view of responsible business. Governance was good across both manufacturing and service sectors. Disclosures were poor, largely because sustainability reporting was weak especially in the manufacturing sector. Sustainability was given considerable importance and in particular reduction of emissions, climate change, waste management, water, and energy. However, Green Supply Chain remained a significant gap.
- Utilization of Profit after Tax (PAT) toward CSR was higher than 2% for 32% of companies, between 1% and 2% for 33% and below 1% for the remaining 35%. The government impetus on cleanliness through the Swachh Bharat program and

solar energy has enabled companies to design CSR initiatives around these focus areas.

- Emission disclosures needed more focus as less than 50% of companies surveyed reported their Green House Gas (GHG) emissions.
- Top performing companies laid greater emphasis on sustainability along with efforts to reduce emissions, waste management, and water and energy conservation.
- Companies in the energy and materials sector dominated the sustainability performance.

8 CSR and Sustainable Development Goals

The term "sustainable development" became prominent after the Rio Summit in 1992 wherein it was defined as "development which meets the needs of current generations without compromising the needs of future generations" (World Commission on Environment and Development, 1987). India is a signatory to the Rio Summit declaration and is committed to sustainability. Accordingly, it has been prominently included in the CSR policy document of the Indian government as observed from the preamble to the rules relating to the CSR law:

> the government perceives CSR as the business contribution to the nation's sustainable development goals. In essence, it is about how business takes into account the economic, social and environmental impact of the way in which it operates. (Companies Act, 2013)

PwC in their report for the Confederation of India Industry (CII) state that there is a subtle difference between CSR and sustainability as practiced in India. As part of CSR, the focus in India is on what is done with profits especially in the light of the CSR law that enjoins companies to make a 2% contribution from post-tax profits. On the other hand, sustainable development is about factoring the social and environmental impacts while conducting business—that is how profits are made. In other words, sustainable development emphasizes the means adopted while doing business whereas within the ambit of CSR, companies could be adhering to the law, and yet violate sustainability principles, for example polluting the environment without cleaning (PwC, 2013). This is reflected in India's low rank of 116 out of 157 nations on a global index that assesses the performance of countries toward achieving the 17 sustainable development goals (SDG) enunciated by the United Nations.

Majmudar et al. (2017) in their report *Responsible Business Rankings* studied the sustainability status of 220 companies and found that corporate India has increased its focus on sustainability in 2015–2016 (47% companies showed sustainability gains, 44% were unchanged, while 9% declined) as compared to 2014–2015. Their survey also revealed that in areas internal to an organization where companies had greater control namely, energy, water, waste and the product per se, the outcomes were higher (60% of sample) as compared with programs for external stakeholders (33% of sample). The segment-wise findings from their report are summarized below.

GHG Emissions The number of companies participating in carbon specific initiatives was higher than those disclosing emissions. Key carbon specific initiatives included carbon disclosure projects (78% IT companies), GHG accounting and inventory (69% energy companies), and clean development mechanism (80% Telecom companies).

Renewable Energy GoI has targeted 172 GW of renewable energy by 2022 including 100 GW of solar power to reduce carbon emissions. Solar power is the most widely deployed renewable energy source followed by wind, bio fuel, and hydro energy. Eighty-three percent of the companies surveyed use two or more sources of renewable energy.

Water Management In keeping with the National Water Mission's target to reduce 20% of water consumption by 2030, 86% manufacturing companies (79% in 2014–2015) and 52% service companies (47% in 2014–2015) had programs primarily through effluent treatment and water recycling or reuse for water conservation. Companies having zero wastewater plants also increased compared to 2014–2015.

e-Waste Management To meet the specific targets set by GoI in 2016 for waste management, wherein segregation of waste at source is the responsibility of producers of e-waste, almost 89% of IT firms are practicing e-waste management. However, only few firms have extended their knowledge to customers/suppliers.

Green Supply Chains While there was significant improvement in green supply chain initiatives by both manufacturing and service companies, only 38% of manufacturing companies gave specific targets to suppliers to reduce carbon footprints and 43% conducted environmental audits before inducting new suppliers.

Green Logistics About 92% of energy companies had program-based targets indicating that green logistics is gaining ground. The number of initiatives taken by other industries was lower, ranging from 21% by capital goods to 45% by the materials industry.

Sustainable Products and Services Overall, both manufacturing and service companies showed increased focus on sustainability—85% of companies surveyed in 2015–2016 as compared to 79% in 2014–2015. The manufacturing sector was led by utilities (100%) consumer goods (93%) and energy (92%) and service companies by IT and Consulting.

Overall Sustainability Performance Majmudar et al. (2017) have presented a trend analysis of the overall sustainability index in their 2017 report. Sustainability indices calculated based on the measurement of governance, disclosure, and stakeholders given in Table 13 indicate that the performance on the sustainability front has improved during the past 4 years.

Table 13 Trend in sustainability index of major companies in India (Majmudar et al., 2017)

Year	Sustainability index
2013	39.9
2014	40.4
2015	42.4
2016	47.3

9 Conclusion

Until 2013, CSR programs, barring a few companies, were mostly in the realm of philanthropy. With a legal mandate, there is a greater sense of direction and urgency in the CSR area. While many leading companies have crafted CSR into their business strategy, this needs to be emulated by all companies for rendering CSR outcomes more effective and efficient. During the 5 years since the CSR law was introduced there has been considerable all-round improvement in terms of absolute CSR spend and greater diversity of the spend. About 170 leading companies attained a spend of INR 8644 crores ($1250 million) in 2015–2016. Extrapolating this to the more than 5000 listed companies, about INR 22,000 crores ($3181 million) would be available for CSR activities. Every company needs to design its CSR programs around one or more of the 17 SDGs and link it with their business strategy. Further, if, implementation is handled by specialist CSR teams with outcomes-based control mechanism, the Indian corporate sector will concomitantly add business value and confer enormous social benefit that will aid in meeting sustainability development goals.

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CSR in Thailand: A Stakeholder's Perspective

Patnaree Srisuphaolarn

Abstract This chapter analyses the emergence of CSR in Thailand from the perspective of different stakeholders. Based on reviews of scholarly articles, reports, company websites, and newspapers, it asserts that the concept of CSR in Thailand is perceived differently from the way it is interpreted in the West. The differences are most prominent in terms of how and by whom CSR is conducted.

1 Introduction

Corporate social responsibility (CSR) is a concept that is widely discussed in Europe and the USA, where companies' governance and the role of business in society are questioned. As an imported practice introduced into Thailand in the mid-2000s, local Thai companies have tried to analyze the concept, figure out how to align Thai standards with international ones, and adapt them to be more practical within the Thai context. As perceptions of what "being good" means are generally subject to social norms, business practitioners have discussed how CSR should be defined—what CSR is and what it is not. Concerns of the general public include how to differentiate CSR from pseudo-CSR. In other words, they are skeptical whether it is a norm for monitoring companies' ethics or merely an "image washing" tool to justify the existence of a company.

Historically, altruism is one of the key characteristics of the Thai people and Asians in general. When Siam Cement Company, one of the early private companies in the country was established, the founder announced that one of the four credos of the company would be to emphasize the responsibilities of the company to the public. In Thailand, there is a practice of bestowing the "Garuda Mark" from the Royal Household to companies that earn tremendous trustworthiness. Responsibility seems to be one of the most important virtues for companies. Therefore, being

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regarded as a socially responsible company is not necessarily officially announced by the company but by a third party as a kind of honorary title.

Yet, the financial crisis that hit Thailand in 1997 revealed the dark side of not making "responsibility" an explicit duty of a company. Corporate governance, transparency reports, and ethical codes of conduct were reinforced in listed companies by the Stock Exchange of Thailand to protect the investors' assets. Following the crisis, companies needed to publish more comprehensive reports on company performance, the executives' remuneration, and the like to ensure greater transparency in managing companies.

With this background, when CSR was introduced in Thailand, people were confused about whether this concept was the same as corporate governance, societal marketing, and so forth. To reveal how CSR has been perceived and carried out in Thailand, the home of many multinational companies from all over the world, the author reviews the following themes: first, the background of how CSR has been introduced to Thailand and the reaction of Thai business; second, how the public views CSR; third, how Thai companies interpret CSR and why they do it; fourth, how other stakeholders, namely employees and policy makers who oversee the Stock Exchange of Thailand, perceive the effects of CSR. The chapter ends with a conclusion and discussion.

2 Introducing CSR to Thailand

Literature on CSR by Western academia suggests that companies have at least four responsibilities: first is to make a profit to fulfill their economic purpose, second is to comply with laws, third is to follow ethical conduct standards, and last is philanthropic activities designed and decided by the company (Carroll, 1999). However, it seems that the concept was interpreted slightly differently in Thailand, especially regarding their economic responsibility.

One early work that sheds light on the nature of CSR in the Thai context is by Yodpruttikarn et al. (2006). They study Thai companies and summarize the essence of CSR into two types: one is in-process CSR, and the other is after-process CSR. The former includes all the activities in the company's value chain. Everyday operations and core business activities must be carried out accountably. The latter is similar to the philanthropic responsibilities proposed by Carroll (1999), which include activities that are beyond the company's core business, e.g., donations or special projects to contribute to society such as forest restoration.

2.1 How the Public Differentiates Socially Responsible and Irresponsible Companies

As the target audience of CSR is the general public, Srisuphaolarn (2012) conducted a large-scale standard interview survey on how Thai people define socially

Table 1 Characteristics of a socially responsible company vis-a-vis a socially irresponsible company, adapted from Srisuphaolarn (2012)

Characteristics of socially responsible companies	%	Characteristics of socially irresponsible companies	%
Contribute to the society, create a better society	28.44	Take part in environmental destruction by any means	32.14
Business philosophy regarding profit making and sharing	14.56	Conducting fraud/taking advantage of other parties/lack of ethics	15.26
Company with rich resources and financial stability	13.18	Concentrating on profit-making	13.31
Showing environmental concerns	12.34	Conducting unethical/inappropriate marketing programs	12.50
Showing altruistic behavior	11.51	Being negligent of the suffering of other members of the society	9.26
Being accountable from factory to market	8.18	Being negligent of negative consequences caused by company actions	4.71
Having ethics/codes of conduct/good governance	5.13	Being negligent of employee welfare	3.73
Taking corrective action toward consequences of company actions	2.91	Do not comply with laws, rules, and regulations	3.73
(Nature of) Company's core business (e.g., not related to health and environmental destructive product like tobacco, and alcohol[a])	2.50	Improper treatment of (natural) resources	3.41
Complying with laws and regulations	1.25	Insincerity/inconsistency/failure to keep one's word	1.95

[a]Refraining from drinking alcohol is one of the five precepts a religious Buddhist must respect. Thus, on top of being destructive to one's health, alcohol is also perceived as an irreligious product

responsible and socially irresponsible companies. She found that in addition to what the socially responsible companies should do, the majority of the respondents also paid attention to those they thought should conduct CSR. They expected a company with rich resources and sound financial standing to give back to the society. Table 1 summarizes the characteristics of both types of companies.

The results reflect the hierarchical aspect of the Thai society as well as Buddhist practices that emphasize philanthropic actions on the part of those who have more for those who have less or are in need. In other words, philanthropy is a key practical representation of CSR in the eyes of the Thais. In addition, it also reflects the ideal setting of village harmony by reciprocal patronage to each other. It could also be the result of an extensive societal marketing campaign run by Japanese multinational companies in Thailand in the 1980s, which is rather philanthropic in nature. It is commonly understood in Japan that paying back to the community is one of the duties of a person. Therefore, the main idea is for foreign companies to pay back to the society that renders opportunities to do business and is home for their operations. A similar idea can be found in many Chinese merchant companies in Thailand who generally provide a proportion of their profits to education, hospitals, and religion causes. Considering the fact that historically, Chinese merchants have been and still are influential in Thai business and economic activities, this practice could be viewed as a general tendency of businessmen in this country. Paying back to society via donations and other philanthropic activities seems to be a part of the Confucian values upheld by Japanese and Chinese businessmen. Moreover, almsgiving is part of the Thai daily life. It is common to see people offering foods to the monks in the morning and donating money in the temples, hospitals, and to charity causes on their birthdays and special days.

The nature of the core business that it is not related to destructive products (from a health- or environmental-related perspective) is seen as one of the qualities of socially responsible companies. The product list includes alcohol as one of the respondents' answer. Alcohol is regarded as irreligious for Buddhists and Muslims. Thus, it is not surprising that a brewery that wanted to be listed in the Thai stock market had to withdraw and list in Singapore following mass protests (MGR Online, 2005); the protesters' view was that a "sinful" company like a brewery should not be enriched, especially not by using public capital via the stock market. Being attentive of the suffering of other members of the society is also reflected through Buddhist teachings of loving kindness and compassion. In sum, social values and religious beliefs seem to be the basic criteria for the public to evaluate the level of social responsibility of a company.

Another questionnaire survey of college students in Bangkok in 2016 illustrated a similar ranking of priorities for a company claiming to be socially responsible (Wattanasupachoke, 2017). Among the seven aspects of CSR listed, college students ranked environmental protection focus as the most relevant CSR theme for them. The other aspects of CSR included CSR with customer focus, relationship development with supplier and shareholder focus, employee focus, community development focus, public development focus, and extra employee benefit focus. In other words, young people expect the company to care for the environment, stakeholders, and communities.

2.2 *What a Company Thinks of CSR and Why?*

While it is important to consider the general public's expectations toward companies to be socially responsible, we now turn to an investigation of how companies perceive their role in the society and how they interpret CSR. Top runners in CSR programs reveal that they started their CSR activities in response to the government's call for cooperation in a project to celebrate the golden coronation of the late King Bhumibol by restoring degraded forests. It is well known in Thailand that the King allocated much of his time and energy to turning unfertile lands into fertile ones. Forest degradation is one of the factors causing the infertility of the land and negatively affects the level of moisture and water flow. Consequently, forest restoration is a practical means of supporting the King's Royal Projects.

However, after 20 years of pouring money into the project, one company learned that there might be other ways to help preserve the forests more sustainably through human resource development. They utilized the company's core competence in management to train the local community to be more proactive in solving their own economic problems, thus promoting the coexistence between the community and the forest. Another company started to promote the building of check dams by the communities living nearby the forest areas. The idea of a check dam is to preserve moisture in the soil and create a suitable environment for small trees to grow. In other words, it could help to increase the water supply in summer and water irrigation during the monsoon season. Likewise, these check dams linked local villages to sources of information, provided villagers with the necessary means to implement the project, and facilitated them through knowledge creating and sharing tools including dialogs led by professional moderators. Only by doing so could villagers realize their potential in managing their environment for both work and private life. In other words, they became more inner-oriented (having control of one's own destiny) rather than outer-oriented (things that happen in life are influenced by other forces which are uncontrollable by nature) which was the previously dominant value in the rural and poor areas of Thailand. These are two examples of companies that link corporate social responsibility to environmental restoration and rural development via human development (Srisuphaolarn, 2014). It is also interesting to note that this CSR project began as a philanthropy which then developed via learning by doing over two decades.

Through the experience mentioned above when CSR was introduced to the Thai society in 2005, these companies were in an advantageous position to guide the other companies about what should be done to contribute to the society in a strategic manner. For example, one company positioned its contribution to Thailand as a promoter of water sources restoration, and preservation. All their CSR projects related to how each community located around the company's plants could contribute to the better quality of the natural water supply. Two projects illustrate the idea. The first is a project for communities along the main river in Thailand both upstream and downstream to cooperate hand-in-hand to restore and preserve the water quality of the river. The second is the check dam project to restore moisture in the forest, hence, increasing the number of tiny natural streams that run into bigger streams and rivers.

Following their forerunners, large corporations have started planning projects that could contribute to the society as well as to convey the marketing message of their product and services. For example, one mobile phone service provider positions its service as a means to connect family members who are too busy in their daily business, thus, creating a CSR project that emphasizes family get-togethers and promotes kinship. Others utilize their management practices to help improve the operations of philanthropic foundations for better access to target audiences so as to reach their target performance, e.g., the number of organ donations to the Thai Red Cross (Srisuphaolarn, 2013).

Interestingly, most of these companies' websites do not translate CSR into Thai as corporate social responsibility but as activities to create a better society. The term responsibility could connote a negative meaning of someone who has done something wrong and has to take responsibility as a consequence. Companies opt to focus on contributing beyond their legal and ethical responsibility. They engage in these activities for the sake of the whole society, which is larger than their target market and adopt more neutral publicity rather than advertising their company directly. A comparative study of Thai multinational enterprises (MNEs) and foreign MNEs in Thailand reveals that CSR communication is the only aspect that is different between the two sample groups (Noppakhunthong & Passakornjaras, 2015). Foreign MNEs tend to directly and openly advertise what they have done to contribute to the Thai society.

We need to note here that communicating CSR activities to the public in Thailand is a sensitive issue. As the general public tends to look for hidden agendas in any marketing communication from a company, CSR managers reveal that they focus more on recruiting people to join the project rather than informing the public of what they have done. This approach is a norm in Thailand as well as in other Asian societies where being humble is considered one of the qualities of a good person. When one is doing good, it is for the sake of goodness. Consequently, there is no need to announce it to the world. As a result, CSR public relation strategies consist of two steps: first, making announcements for recruiting participants and second, word-of-mouth. After the project starts and the public has been assured that the company is really devoted to this project to benefit society, then they would help to enhance the good reputation of the company as a serious contributor to the society by word-of-mouth. Table 2 summarizes how Thai companies interpret CSR and how they turn this concept into action.

Another point to ponder is the tendency to measure CSR. Since the creation by businesses in the western world of a CSR index to gauge the level of CSR in a company, many companies are using it as criterion for suppliers or business partners. Many Thai companies view this tendency to measure their contributions as a new business norm, and rush to apply the Corporate Social Responsibility Index (CSRI) to their businesses. However, this creates negative reactions from the people in charge of CSR projects, as they find that the requirements of the index do not always fit with how local Thais view and interpret CSR. In addition, not all the components can be quantified. The West tends to rely on the dialectic idea of dividing things into two extremes, e.g., black or white, yes or no, and tend to measure things in numbers. On the other hand, the East tends to include qualitative factors into their consideration and not to separate things too distinctively. Nevertheless, there has been no serious attempt to set up a Thai-based international CSR index. All of the companies interpret CSRI as an international standard that they must accomplish to catch up with the global trends.

2.3 CSR from the Point of View of Other Stakeholders

Another key difference between the Western and Eastern minds is the purpose of CSR. While literature about CSR in the West investigates the possibility of CSR as a

Table 2 Summary of how Thai companies interpret CSR, adapted from Srisupaholarn (2013)

Key concepts	Description
The concept of CSR	1. Corporate citizenship: Paying back to society. 2. Business ethics: Extending a helping hand to the weaker. 3. Efficiency in resource management.
Concept of doing good	Doing good deeds is a personal asset, which is not to be pronounced to the world.
Concept of responsibility	Corrective action to negative consequences caused by the company.
Role of top leaders	Role model, shaping the corporate culture.
CSR initiatives	
• Sources of inspiration	Buddhism teachings, King Bhumibol's speech, the Royal Projects, current social problems from media, Company's values, company competences.
• Parties involved in idea generation	Top executives, public relations/CSR department, community members, employees, customers, and shareholders
Collaboration pattern	
• As a source of information	Government agencies, local communities, employees, and other companies
• In the planning process	In-house CSR team, company executive board, third-party consultant institute (e.g., Thai Pat Institute)
• In the implementing process	Employees, customers, suppliers/business partners, nonprofit and nongovernmental organizations (e.g., Habitat and People Development Association.), companies in the same industries/competitors, the general public
Role of public relations in CSR	"Soft sales" rather than "hard sales" of the company's CSR activities

contributor to company performance, especially in monetary value, companies in the East could not show explicitly that they invest in CSR primarily for the sake of their company's benefit. It is not the idea to give here and to take there, but to give everywhere. Giving without expecting returns is one of the virtues that good people should practice.[1] To understand this aspect of CSR, we have reviewed some papers that studied how other stakeholders, i.e., current employees in a company, new college graduates, and investors view CSR.

2.3.1 Current Employees

Interviews with executives on CSR performance usually mention a perception of better performance of their employees due to CSR, namely better cooperation and a higher sense of belonging. To verify this assertion, Srisuphaolarn and Assarut (2016) conducted a questionnaire survey. It investigated whether different combinations of CSR activities that a company conducts would affect the work engagement and

[1]Kraisornsutthasinee (2012) also mentions CSR in Thailand as a practice of Bodhi Tree, training oneself on spiritual uplifting according to Buddhist belief.

organizational commitment of their current employees. The authors found that work engagement and organizational commitment, both short-term and long-term, are higher in companies that engage in every aspect of CSR and in companies that actively contribute to solving social problems, are accountable for their products and production process, and take better care of their employees than in their counterparts. On the other hands, in companies that only fulfill economic and legal obligations, employees have the lowest level of work engagement and organizational commitment compared to other types of companies. Interestingly, employees in companies that introduced many aspects of CSR superficially, mainly to keep with the trends, have a somewhat similar level of work engagement and organizational commitment with companies that conduct philanthropic CSR. This means that employees evaluate their company based on how serious the company is, regarding CSR. Thus, CSR would affect the employee work engagement and organizational commitment only when it has been done actively and continuously. Furthermore, this finding implies that though marketing communication to the public about a company's CSR activities is important, internal communication with the employees about how the company has contributed to the society is similarly crucial.

2.3.2 Newly Graduated College Students

Companies these days are facing trouble in recruiting the right people into their organizations. One of the appropriate indicators is the fit of the core values of the person and the company. CSR reflects the values a company holds (e.g., focusing only on the economic obligation or intending to do business beyond the legal and ethical obligation to take part in creating a better society), and there are studies that investigate whether the CSR activities of a company could affect the decision making of a college graduate vis-à-vis their choice of prospect employers.

The results reveal that there are three types of correlations between personal values and organizational values gauged via CSR bundles: all positive, selectively positive, and all negative. Young talent who seek job security and meaningful work have favorable attitudes toward CSR through every form of CSR activity. Prospective employees who look for meaningful work that they can take pride in have a positive attitude toward some aspects of CSR and a negative attitude toward others. This group of people is looking for companies that conduct CSR relating to knowledge transfer to communities. Surprisingly, the authors found that young people in two of the groups regard CSR as irrelevant to how they choose their future employer. The first group is young people who are looking for job security and pride in their work. The second group is young people who seek career growth and knowledge utilization opportunities. It seems that these groups of people do not relate CSR with job security, pride in their work, career growth, and knowledge utilization opportunities. More in-depth studies are needed to explain this phenomenon. For the time being, there are two implications from the study. First, CSR does matter, but not equally to everyone. Second, CSR could be used as a screening tool to select incoming talent who hold similar values to the organization, provided that correct and timely communication is made to this specific target audience (Srisuphaolarn & Assarut, 2019).

2.3.3 Value Investors

The next group of stakeholders that could be affected by how a company implements CSR are the shareholders of the company. In the West, there are arguments whether the expenses allocated to CSR must be approved by the shareholders, as it is their wealth that is to be shared with the society. In Thailand, as far as the interview results show, companies mentioned that when they announced their CSR plan in the shareholders meeting there were never any objections from shareholders. On the contrary, Thai shareholders suggested having more plans to engage in CSR (Srisuphaolarn, 2013).

Apart from professional investors, there are also individual investors who invest mostly in the mutual funds. After CSR was promoted in many countries, key mutual fund managing companies also proposed Social Responsible Investment Funds as alternatives. A study on this group of individual investors reveals that their only criterion for selecting their mutual fund as a part of their social responsible investment is social criterion. On top of that, they neither pay much attention to information analysis nor investigate whether the fund manager is knowledgeable. In addition, their proportion of social responsible investment is less than 10% of their total investment. The investors tend to rely more on the fund managers classifying the companies as socially responsible rather than investigating the companies on their own. The study also explains that Thai investors do perceive social responsibility investment as a part of their donation-like activities. Social responsibility investment is still in its early stages and more time is needed to educate both investors and fund managers to put more effort in supporting the companies with a substantial level of social responsibility—being accountable on what the core business is designed for since the outset of the business foundation (Suthiranart, Kraisornsuthasinee, & Rompho, 2018).

2.4 Policy Maker: The Stock Exchange of Thailand

The prior section has portrayed how each stakeholder perceives CSR. This section will now elaborate how institutional actors perceive and promote CSR—this will be done using the example of the Stock Exchange of Thailand (SET). The Stock Exchange of Thailand has the duty to protect investors against nonperforming companies by setting up a thorough screening process for the companies to be listed in the market. Hence, it is in an influential position to direct the companies via rules, regulations, and guidance.

The Stock Exchange of Thailand set up a Business Development for Sustainability Center mainly to take care of corporate governance of listed companies. This can be traced back to 1995 when SET planned to introduce the concept of corporate governance into the market. However, it was the 1997 financial crisis that accelerated the implementation of the policy since poor corporate governance was raised as one of the key causes of the crisis. Consequently, corporate governance is now one of the key pillars of sustainability in the eyes of monitoring institutions such as the Stock Exchange of Thailand.

Since 2015, SET has promoted the concept of social enterprises and motivated companies to invest or engage in it for three reasons: (1) to be socially acceptable, (2) to create work pride and organizational engagement among employees, and (3) to build a better society by increasing positive and reducing negative impacts on the environment and society. SET has defined social enterprise as “a form of social impact investment. Social enterprise has clear social and environmental objectives and targets from the beginning. However, it operates as a business with financial sustainability” (SET, 2019). In a video clip to persuade investors and companies to invest in social enterprises, it clearly said that it is not a trade-off between financial benefits and social benefits, but both with financial benefits coming first, and the others as additional benefits. Via two arms, corporate governance and social (enterprise) investment, SET aims to promote sustainability development in the country. It also provides numerous courses ranging from basic to advanced ones for representatives of companies to attend to ensure that they gain the knowledge and know-how on how to run a business sustainably (the Stock Exchange of Thailand Website, 2018).

It is also interesting to see that the Stock Exchange of Thailand set up a foundation in 2006 mainly to carry out social responsibility activities. SET currently allocates one-third of profits to this foundation. The missions of this foundation include “doing good” in society, promoting religious and cultural causes, and encouraging sports and social activities (The Stock Exchange of Thailand Website, 2018). Investigating the details of the activities, the author found that SET’s view on CSR is the same as most companies in Thailand—CSR is an extra activity, which could be non-related to the core business.

3 Discussion and Conclusion

This chapter has reviewed articles and secondary data on how each stakeholder perceives the concept of corporate social responsibility in Thailand. In general, each stakeholder interprets the concept to suit their beliefs and values, especially religious ones. Companies view doing good as a means of promoting good causes and as proof of being a good corporate citizen. The general public expects companies to share their wealth and obey law. Employees feel proud of their companies if it seriously shows that they care for the society. A limited number of prospective employees try to match CSR with their choice of employers. Individual investors invest in socially responsible companies via mutual funds merely for the reason of "feeling good." The Stock Exchange of Thailand also views corporate social responsibility as the extra-mile, not as the core of their business.

Reviewing company activities in CSR, one would agree that many companies have actually borne heavy responsibilities toward society, but they do not label this as CSR. They might have considered this is a part of their company mission. One clear example is the courses SET provides to the public on how to start a business to achieve sustainable development; this is actually a good practice of CSR. There is no need to set up a foundation for the sheer purpose of doing extra activities labeled as CSR. Since the introduction of the CSR concept in Thailand 13 years ago, the myth of CSR as an "extra-mile activity" is generally understood as a fact. As a consequence, all the state-owned enterprises that are founded to provide basic needs and are considered as fairly accountable in nature, e.g., water supply, electricity, or housing, spend a good sum of money on such extra-mile CSR projects. On top of that, small and medium sized enterprises find that there are financial limitations for them to conduct CSR programs. As doing good and being good are interpreted differently in different countries and perspectives, more time is needed for all stakeholders to agree on what corporate social responsibility is and what it is not. Nonetheless, at least for the time being, in Thailand few companies are engaging in societal marketing. However, more companies are serious about long-term projects that tackle various social and environmental issues.

Given that the vocabulary of CSR is still under debate within the academic world, the study of CSR and the interpretation of this term in practice could take a few more decades before a final conclusion can be reached.

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Part III
CSR Policies and Practices in Different Countries

Mandated CSR in India: Opportunities, Constraints, and the Road Ahead

Nayan Mitra, Debmalya Mukherjee, and Ajai S. Gaur

Abstract Corporate social responsibility (CSR) endeavors have been made mandatory for certain firms in India through the Companies Act, 2013. In this chapter, we focus on the nuances of this Act as it relates to CSR and discuss possible strategic implications for the Indian firms. To this end, we analyze strategic opportunities associated with mandatory CSR and identify potential challenges. Our in-depth analysis also explores avenues for future scholarly research in this area.

1 Introduction

Corporate social responsibility (CSR) refers to "actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (McWilliams & Siegel, 2000: 117). Research on CSR has proliferated in the last three decades with a shift in the conceptualization of the firm from a solely profit-making entity to a more holistic, societal, and stakeholder value creating organization (Jamali & Mirshak, 2007; Wickert, Scherer, & Spence, 2016). With the rising levels of income inequality around the world, there is a greater level of scrutiny on the actions and choices that firms make. At the same time, there is an increasing realization that firms have to respond to a broader set of stakeholders that go beyond the shareholders, employees, and customers and include others such as the government, local communities, and the collective society (Judge, Gaur, & Muller-Kahle, 2010). The increasing influence of different stakeholders often puts competing

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demands on the residual profits of firms. With respect to socially responsible initiatives, there are arguments both in support and against a firm's engagement in CSR activities.

Some scholars argue that a firm's only responsibility is toward its shareholders and managers should pursue strategies that maximize the shareholder value in the long run (Friedman, 1970). The theoretical underpinning of these arguments lies in the agency theory, which suggests that CSR investments are primarily driven by managers' self-interest seeking motives to further their own welfare at the expense of shareholders. Thus, such investments often amount to the wastage of valuable corporate resources. Therefore, to the extent that CSR activities do not contribute to maximizing shareholders' wealth, the firm should not engage in them. This has been the dominant view under the premise of shareholder wealth maximization as the primary goal of firms in many Anglo-Saxon countries. In contrast to this, some scholars argue that firms should live in harmony with the sociopolitical environment in which they operate. To this end, firms have a duty not only to their shareholders, but also to other stakeholders including the society and the environment (Freeman, 1984; Jamali, 2008). According to this view, shareholder interests are not always supreme and firms should give preference to other stakeholders while keeping the greater interest in mind even if that results in short-term value reduction for the shareholders (Donaldson & Preston, 1995).

At this juncture, then, the question why firms engage in CSR arises. Wickert et al. (2016) delineated three main motives driving firm engagement in CSR activities. First, from an economic perspective, doing so may be more advantageous for the firm as studies have documented tangible financial benefits (Peloza, 2009), increased competitiveness, and positive reputation (Aguinis & Glavas, 2012; Szőcs, Schlegelmilch, Rusch, & Shamma, 2016) associated with CSR engagement. Such increased reputation may help firms to pursue other growth opportunities such as expansion into international markets (Gaur, Kumar, & Singh, 2014; Singh & Delios, 2017; Singh & Gaur, 2013). Second, from an institutional viewpoint, engaging in CSR may provide the firm with much needed legitimacy and acceptability in its sociopolitical environment (Aguilera & Jackson, 2003). Finally, from an ethical vantage point, engaging in CSR may be the "right thing to do" and managers may be inclined to behave accordingly (McWilliams, Siegel, & Wright, 2006).

Inherent in the aforementioned perspectives is the crucial assumption that embarking on CSR is a voluntary strategic choice that a focal firm makes. Indeed, this voluntary aspect of CSR activities is implicit in the widely accepted definitions of the phenomenon (e.g., McWilliams & Siegel, 2000; Petrenko, Aime, Ridge, & Hill, 2016). However, CSR in the context of emerging economies, where firms are often mandated to engage in CSR activities, could pose a very different set of questions and challenges (Shirodkar, Beddewela, & Richter, 2018). While the first wave of scholarly research proliferation in this area was mainly limited to prominent Western economies as research settings (e.g., Aupperle, Carroll, & Hatfield, 1985), the recent intellectual focus has shifted toward the emerging economies (e.g., Luo, Wang, & Zhang, 2017; Mitra, 2012; Shirodkar et al., 2018).

There are some distinct reasons behind this shift. First, macro-environmental changes such as the opening up of the economies around the world, the consequential increase in international trade, and global integration mechanisms (Mukherjee, Gaur, & Datta, 2013) have called for increased transparency and corporate citizenship behavior from firms (Jamali & Mirshak, 2007; Schlegelmilch & Szőcs, 2015; Singh & Gaur, 2009). Second, owing to their institutional and cultural differences, the emerging economies represent a fertile ground for understanding CSR in new contexts. There is an increasing scholarly interest in the context-specific understanding of CSR (e.g., Miska, Szőcs, & Schiffinger, 2018). Indeed, Matten and Moon (2008) opined that throwing light on why and how CSR differs across different institutional settings is central to understanding the comparative conceptualization of CSR. Relatedly, Lau, Lu, and Liang (2016) lamented the paucity of CSR research in emerging economy contexts and called for more fine-grained research.

We take a small step to fill the aforementioned void. Thus, the main focus of this chapter is to shed light on the dynamics of CSR in India, especially in the backdrop of the CSR mandate of 2013 driven by the Government of India, the Companies Act 2013, which has made CSR activities mandatory for certain large firms. The Act has come into effect from April 1, 2014. Needless to say, there is considerable debate regarding this transformation. For many scholars, a key unique feature of CSR is its voluntary nature in contrast to the involuntariness imposed by law (Carroll, 1999). In fact, Burke and Logsdon (1996) observed that the organizations allocate resources more efficiently, creating more value for the firm as well as for the society when such allocation is voluntary in nature. Nevertheless, it is evident that mandated CSR is a new area of study that has its own dynamics, and is different from voluntary CSR (Chatterjee & Mitra, 2017). Accordingly, in this chapter, we attempt to answer three interrelated research questions:

1. What was the CSR scenario in India pre-2013?
2. What are the nuances of the CSR mandate under the Companies Act, 2013 and how does it impact organizational responses?
3. What are the strategic implications of this mandate for Indian firms?

In answering these questions, we aim to fortify academic research in crucial ways. First, India as our research setting is important in understanding the nuances of CSR for several theoretical and practical reasons. As a major player among the emerging economies, it often sets exemplary ground rules for other similar economies to follow. Thus, understanding how a government mandate regarding CSR may affect domestic firms in India could be crucial for international business and strategic management researchers alike as it sheds light on two fundamental questions of these fields—How do firms behave? and Why do firms differ? These two questions are of particular interest to the researchers examining the emerging economy context (e.g., Scalera, Mukherjee, & Piscitello, 2018). Understandably, the knowledge gained in this setting could also be important to better understand similar phenomena in other comparable economies. Second, being an emerging economy, India still suffers from significant institutional voids where the product, capital, and labor markets are underdeveloped (Gaur & Kumar, 2009; Kedia & Mukherjee, 2009; Mukherjee & Kedia, 2012; Mukherjee, Makarius, & Stevens, 2018). Naturally, many Indian firms remain starved for crucial resources to succeed in domestic and international markets (Gaur & Delios, 2015; Gaur & Kumar, 2010; Scalera et al., 2018). Thus, it will be interesting to examine how the involuntary, mandatory aspect of the CSR law may affect the behaviors and other important strategic outcomes of these firms.

Our chapter proceeds as follows: First, we review the literature that delves into the dynamics of CSR activities as responses to political mandates as this is pertinent to our research setting. Next, we review the pre-2013 CSR literature and activities in India. Then we move on to explain the nuances of the CSR mandate under the Companies Act of 2013 and explore the impact of the same on Indian firms by discussing the strategic implications. The final section paves the avenue for future scholarly endeavors as they relate to this particular research domain.

2 Background

2.1 CSR and the Role of the State

The role of the state in imposing CSR laws on companies has been debated by organizational scholars (Scherer & Palazzo, 2011; Steurer, 2010). Prima facie, such involuntary impositions go against the free-market principles and especially against the neoclassical shareholder view of the firm, which advocates in favor of profit maximization while protecting shareholder interests (Friedman, 1970). According to this view, shareholders are the focal point of the company while socially responsible activities belong to the government (Van Marrewijk, 2003).

However, other scholars argue that this view of the shareholder approach is too narrow, and firms have an inherent obligation to all stakeholders involved and to the social environment they are embedded in. This gave rise to the triple bottom-line point of view (Elkington, 1997) where firm performance is evaluated along the financial as well as social and environmental dimensions (Aguinis & Glavas, 2012). This intellectual shift also coincides with the rise of corporate malpractices around the world. The collapse of the corporate giants such as Enron or Arthur Anderson, and the global financial crisis made organizational scholars, as well as governments, rethink the role of legislation in safeguarding societal interest. Consequently, the realization that such malpractices may have a detrimental effect to the society provided the impetus for increased governmental involvement to promote corporate transparency and higher accountability toward the society (Khan, Muttakin, & Siddiqui, 2013).

The problems regarding corporate accountability are more pronounced in emerging economies such as India. Emerging economies are often characterized by a weak institutional framework and heightened information asymmetry (Pattnaik, Lu, & Gaur, 2018). In such an environment, firms can often get away with malpractices by using legal and societal loopholes. However, many firms use CSR activities as an opportunity to increase their visibility and presence in public minds. For instance, Mukherjee et al. (2018) argued that emerging economy business groups often utilize CSR as an institution building mechanism, thereby enhancing their reputation and social approval—factors that are difficult to build and replicate in such environments. Thus, it will be interesting to study how CSR in India evolved before and after the mandate.

Accordingly, CSR in India can be studied through two main phases: (1) CSR in the pre-mandate period, and (2) CSR in the post-mandate period. The year 2013 was a significant time in the history of CSR in India as the Companies Act 2013 was passed substituting the 57 years old Companies Act of 1956. The Act of 2013, that became operational from the financial year 2014–2015, changed the status of CSR for certain large companies from voluntary to "mandated."

2.2 CSR in India in Pre-2013: The Background of the Mandate

CSR has a long history in India. Mahatma Gandhi envisioned corporate philanthropic activities through the Trusteeship model, which was driven by his religious values (Mitra, 2012). This was in line with the "ethical model" and had a significant impact on companies whose top leadership was influenced by Gandhian thoughts (Mitra, 2012). However, Gandhi's conceptualization did not recognize any right of private ownership of property except so far as it may be permitted (deemed harmless) by society (social organization) (Mitra, 2007). Thus, corporate India has always been proud of its strong tradition of corporate philanthropy, and the Indian society has viewed its business leaders as benevolent leaders of social development (Mohan, 2001). Broadly speaking, Kumar, Murphy, and Balsari (2001) identified four dominant CSR models that dominated the Indian corporate landscape: ethical, statist, liberal, and stakeholder models.

The evolution of CSR in the corporate culture of India can be traced back to pure philanthropy and charity during the industrialization period (1850–1914), then to social development during independence (1914–1960), and, yet, again to the "mixed economy" paradigm, bound under legal and regulatory framework of businesses, activities, and the emancipation of public sector undertakings (1960–1980) and finally to a globalized world in a "confused state," characterized partly by traditional philanthropic engagements and partly by steps taken to integrate CSR into a sustainable business strategy (1980 until the present) that came to stay (Mitra & Schmidpeter, 2016). The CSR mandate, applicable to certain companies under Section 135 of the companies Act, 2013 (Appendix 1), and undertaken by the Government of India, aims to provide more structure to this dynamics and strives to positively contribute to the nation's development.

2.3 The CSR Mandate Under the Companies Act 2013

India has its own challenges as an emerging nation. On one hand, it is the second most populous country in the world with unique human capital advantages associated with a young working population, good English language skills, a vigorous financial sector, and strong democratic institutions (Scalera et al., 2018). On the other hand, it lags behind in various human development indices such as lower life expectancy and per capital income that indicate toward more opportunities for the corporate sector to play a positive role in improving the lives of the people.

Moreover, the environmental regulations in India lag behind similar regulations in member countries of the Organization for Economic Cooperation and Development (OECD) (Chatterjee & Mitra, 2017; Mitra & Schmidpeter, 2016). Hence, India needs to work on not only its socioeconomic, but also its environmental indicators to transition into a developed economy. The mandate was propelled by the feeling that the past structure of voluntary, sporadic CSR did not prove beneficial for the national development. Consequently, the CSR mandate in India was formed. This mandate was built upon 13 broad principles (Chatterjee & Mitra, 2016b):

1. CSR expenditures must be quantified.
2. Specific CSR projects must be declared.
3. Accountability for CSR must be assigned to specific people.
4. A CSR budget must be assigned.
5. The CSR budget must be aligned to Schedule VII.
6. The CSR implementations must be outcome oriented.
7. The CSR implementations must go beyond the pure legislative duties of the company.
8. CSR itself cannot be the core business of the company.
9. The strengths of the corporate sector should be harnessed.
10. CSR implementation guidelines must be elaborated.
11. CSR reporting guidelines must be elaborated.
12. The organization's CSR activities must be audited.
13. The organization's CSR activities must be measured.

2.4 The Scope of the Mandate

Accordingly, Section 135 of the Companies Act 2013 stipulates that every company incorporated in India, whether it is domestic or a subsidiary of a foreign company, which is covered by the inclusion criteria of net worth of INR 500 crores[1] ($72 billion[2]) or more, or an annual turnover of INR 1000 crores ($144 billion) or more, or a net profit of INR 5 crores ($720,000) or more should spend at least 2% of their average net profit in the previous three years on CSR activities. The Schedule VII of the Act delineates the priority areas for CSR resource allocation. Moreover, to ensure that such actions are carried out with utmost sincerity and transparent corporate governance practices, the Act recommends the formation of CSR committees

[1]INR 10,000,000 = 1 crore.

[2]The conversion rate for the whole chapter is based on data from April 15, 2019. The values in US Dollars are rounded accordingly.

comprising of three or more directors (with at least one independent director) to drive the focal company's CSR-related policies and to monitor the related expenses.

The law also provides information about when the CSR activities will not be considered as such: (1) if they take place outside of India, (2) if the activity is undertaken in pursuance of the organization's normal course of business, or (3) they benefit only the employees of the company and their families, or (4) are contributions of any amount directly or indirectly to any political party (Chatterjee & Mitra, 2016a).

2.5 *Comply or Explain*

Additionally, the law is based on the principle of "comply or explain," where Section 135 also makes reporting on the respective template mandatory (Chatterjee & Mitra, 2016a). This means that although a company should spend 2% of its net profit on CSR projects and programs, if, in a financial year, it does not do so, it is called upon to provide an explanation on its website and also in the annual report. Quite clearly, this provides accountability since the company has to provide a credible explanation for the shortfall in its CSR spent before the public at large. However, the explanation provided is entirely the company's choice. The government does not stand in judgment on the quality or the validity of the explanation (Chatterjee & Mitra, 2016a).

Nonetheless, if the company fails to both comply with the 2% norm and to provide any explanation, then it stands to be held accountable under Section 134 of the Companies Act 2013, which provides for stringent punitive measures (Chatterjee & Mitra, 2016a). Furthermore, the Act recommends that such CSR activities should be fully integrated with other corporate activities and become part of the focal firm's value creation process. Moreover, "it should be operated like an ongoing continuous twelve month rolling project and contain (among other things) a need-based assessment, a baseline survey or study, a clearly identified time frame, specific annual financial allocation, clearly identified and measurable milestones and objectives, robust and periodic review and monitoring, and it should be evaluated and assessed by or together with a third party where possible" (Isaksson & Mitra, 2019). It is argued that this CSR mandate has been created keeping in mind the unique Indian context and that it is linked to the national development agenda (Chatterjee & Mitra, 2016b). Table 1 summarizes the why, what, and how of the mandate.

2.6 *CSR in India in the Post-mandate Period: The Key Trends*

The mandatory nature of CSR spending was faced with mixed reactions. While the Chambers of Commerce and Industry of national presence as well as in the regional

Table 1 The why, what, and how of the CSR mandate India 2013

Why (motivators)	What (nuances)	How (implementation)
• Abundance of human capital. • Lagging social indicators. • Lagging environmental regulations. • Income inequality.	• The CSR mandate passed under Section 135 and Schedule VII of the Companies Act, 2013. • Section 135 formalized document, brought CSR from the "backroom to the boardroom." • Schedule VII helps prioritize the areas of intervention for the most rapid developmental results.	• Via a registered trust/a registered society/a company established by the focal firm or its holding/subsidiary/associate company. • If aforementioned entities are not established, the focal company must have proven credentials of undertaking 3 years of similar CSR activities. • Specifics of CSR activities, related expenditures, and monitoring/reporting processes must be specified by the focal company. • Collaboration with other companies to carry out CSR programs is allowed.

states welcomed the new legislation, calling it a "milestone" and "necessary for the sustainability of the business" (Mitra, 2015), some others like Karnani (2013) argued that the proposed law is a bad idea from all viewpoints. In fact there are companies that have acted proactively toward the CSR mandate, realigning their already existing CSR framework to the mandate, like that of ITC Limited that updated their sustainability report to align their CSR interventions along the lines of Schedule VII; there are also other companies, that have been defensive in their approach, testing the water and trying to find out the "what ifs" of CSR spending, usually coupled by tokenism and a high emphasis on marketing communication (Mitra & Schmidpeter, 2016). The latter are mostly the companies that have neither expended nor reported their CSR interventions in their annual reports.

The data gained from the annual reports is collated annually by the Indian Institute of Corporate Affairs (IICA)[3], under the aegis of the Ministry of Corporate Affairs (MCA) and can be analyzed variously at both micro and macro level. From one of the first accounts after the mandate based on the Director's Report filed on MCA-21 Portal as on January 31, 2016, the following can be analyzed. No modifications whatsoever have been done while compiling the data (Indian Institute of Corporate Affairs, 2016):

- Out of 10,475 eligible companies, 7334 (70%) have reported on CSR as of January 31, 2016, out of which only 3139 (about 43% of reporting companies) have done some expenditure on CSR; the remaining 57% did not spend their CSR budget at all.

[3]The Indian Institute of Corporate Affairs (IICA) is the institution, which is at the forefront of the CSR initiative of the Government of India, being the think tank as well as the arm of dissemination of the Ministry of Corporate Affairs, and has a role of considerable significance to play.

Table 2 CSR spending trend in companies (Indian Institute of Corporate Affairs, 2016)

CSR expenditures	Companies number	Companies %
More than prescribed	1110	15
Exactly as prescribed	548	8
Less than prescribed	1481	20
Zero CSR expenditure	4195	57
$\sum$	7334	100

- Out of the total prescribed expenditure of INR 11,883 crores ($1718 million) by these 3139 companies, INR 8803 crores ($1273 million) (74%) have actually been spent.
- The top 10 companies' CSR expenditures account for 32% or INR 2783 crores ($402 million) of the total amount spent; whereas the other 3119 companies have spent the remaining INR 6020 crores ($870 million).
- It was observed that only 37% Public Sector Undertakings did not incur CSR expenditure, vis-a-vis 58% of the Non-PSUs that did not incur any CSR expenditure.
- Five hundred eighty six companies (about 19% of reporting firms) failed to mention any reason for not spending.

Table 2 illustrates the trend of CSR expenditure as reported until January 31, 2016.

Yet another revelation from the same report is the developmental area in which this CSR expenditure has been made. It was found (Fig. 1) that the three most important areas in which CSR was spent are the following:

- 1898 companies spent on education.
- 1509 spent on health and sanitation.
- 565 companies spent on environment.

However, the least is spent on slum development (29 companies) followed by involvement in the Clean Ganga Fund (22 companies) and lastly the contribution to corpus (11 companies).

2.7 *Explanations Given for Not Spending on CSR*

The reasons for not spending on CSR, as put forward by the companies, are varied; some of them are as follows (Indian Institute of Corporate Affairs, 2016), to name a few:

- Budget advanced to implementation agencies, but has not been spent.
- Multiyear projects, hence full amount not spent in the first year.
- No suitable implementation agency found.
- No suitable projects found.

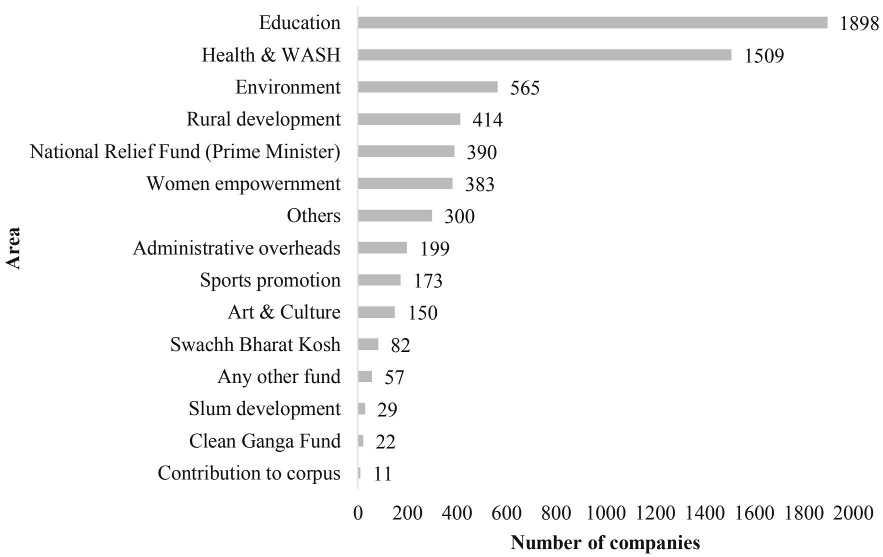

Fig. 1 CSR spending areas by number of companies (Indian Institute of Corporate Affairs, 2016)

- Financial restructuring.
- Board approval for projects delayed.
- Technical and procedural difficulties.
- Location of projects could not be finalized.
- The company was primarily focused on creating the suitable organizational capacity to identify and undertake appropriate CSR programs/projects.
- Very few resources to execute CSR activities.
- Projects were approved by the CSR committee at the end of the financial year.
- The CSR committee deferred expenditure on CSR.

Among the companies that spent on CSR in this phase, the implementation mode was found to be 53% that spend directly, followed by 39% that spent through a society, trust, or Section 8 company and 4% each spending by companies' own foundation and in partnership with other organization.

However, the next assessment of CSR expenditure by the MCA of 5097 companies for the financial year 2015–2016 that have filed their annual reports until December 31, 2016, revealed CSR spent of INR 9822 crores ($1420 million) where the first ten companies in terms of their CSR spent are INR 32,071 crores ($4637 million) (33% of total spent) as is evident from Table 3. The remaining 67% of the spent has been done by 2681 companies. 2406 companies (47%) do not spend on CSR at all.

This same report revealed that the development sector-wise CSR expenditure in the lines of the then prevalent Schedule VII is shown in Table 4.

Therefore, we can derive from the two reports based on January 31, 2016, and December 31, 2016, that although the number of companies reporting on CSR has

Table 3 The 10 Indian companies with largest CSR expenditures in the financial year 2015–2016 (Ministry of Corporate Affairs India, 2015–2016)

Rank	Company	CSR expenditures	
		INR crores	$ million
1	Reliance Industries Limited	6520	943
2	NTPC Limited	4918	711
3	Oil And Natural Gas Corporation Limited	4210	609
4	Tata Consultancy Services Limited	2942	425
5	South Eastern Coalfields Limited	2709	392
6	ITC Limited	2475	358
7	Central Coalfields Limited	2128	308
8	NMDC Limited	2101	304
9	Tata Steel Limited	2045	296
10	Infosys Limited	2023	293
	∑	32,071	4637

Table 4 CSR expenditures of the different developmental sectors in the financial year 2015–2016 (Ministry of Corporate Affairs India 2015–2016)

Rank	Developmental sectors	CSR expenditures	
		INR crores	$ million
1	Health; eradicating hunger; poverty and malnutrition; safe drinking water; sanitation	3117	451
2	Education; differently abled; livelihood	3073	444
3	Rural development	1051	152
4	Environment; animal welfare; conservation of resources	923	133
5	Swachh Bharat Kosh (Clean India)	355	51
6	Any other fund	262	38
7	Gender equality; women empowerment; old age homes; reducing inequalities	213	31
8	Prime Minister’s National Relief Fund	136	20
9	Encouraging sports	95	14
10	Heritage art and culture	90	13
11	Slum area development	9	1
12	Clean Ganga Fund	3	0,4
13	Other sectors (technology incubator, benefits to armed forces, administrative overheads and others)	497	72
	∑	9822	1420
	Number of companies for which data is compiled	5097	

decreased from 7334 to 5097 companies and those expending on CSR from 3139 companies to 2691; there is an increase in the total CSR spent from INR 8803 crores ($1273 million) to INR 9822 crores ($1420). The top ten companies have an incremental increase in their spending from INR 2783 crores ($402 million) to

INR 32,071 cores ($4637 million). 57% reporting companies on January 31, 2016, did not spend on CSR vis-a-vis 47% companies in December 31, 2016. However, CSR spent on education went from the first position in January 2016 to the second in December 2016 while that on health went up from the second position in January 2016 to December 2016; Clean Ganga and slum development still remain the least spent projects.

3 Discussion: Mandated CSR—Opportunity or Constraint?

In this chapter, we set out to understand the nuances of the CSR mandate in India and the effect of this legislative action on Indian firms. We observed that this Act had a differential impact on the companies in terms of CSR spending, related disclosure, and compliance. Therefore, at this point, it is important to understand the theoretical and practical implications of this mandate. It is clear that some companies see the mandate as an opportunity while others treat it as an unnecessary hindrance. Consequently, our discussion on the implications of this mandate for Indian firms will revolve around the themes of treating CSR as an opportunity (perceived strategic benefits from CSR activities) and as a constraint (perceived strategic disadvantages from CSR activities). In the following section, we discuss three crucial issues related to each theme.

3.1 CSR as an Opportunity

3.1.1 Complementing the Internal Market

As we have argued at the outset, the mandatory aspect of this CSR act makes it relatively unique. Scholars have found that in weak institutional environments, the apparent benevolent deeds such as CSR activities are often associated with the building of internal markets to fill institutional voids. For instance, Carney (2008: 598) observed that in emerging market firms often engage in various developmental activities "by internalizing public infrastructure in regions where the provision of public goods is poor". He noted that many of India's business groups invested extensively in building industrial cities with self-sufficient infrastructural facilities such as roads, electricity, telecommunications, schools, and hospitals. Such a strategy offers access to low-cost factors of production (i.e., land and labor) and in turn catalyzes economic development in the surrounding area. Thus, firms can use their CSR endeavors as strategic investments for a complementary form of governance to make up for institutional weakness. As such, the CSR Act may present an opportunity for some firms to use it to their advantage. One of the many examples is that of the Tata Housing Development, a closely held Public Limited Company with

99.86% ownership of Tata Sons, that aims to volunteer its resources to the extent it can reasonably afford, to sustain the environment and to improve the quality of life of the people of the area in which it operates (Mitra, 2016). Its project Sparsh, among other things, provides development in and around their project sites in terms of construction, renovation, or development of community halls, roads, canals, playgrounds, cremation grounds, and hospitals and ensures that the common people benefit from these interventions (Tata Housing, 2018).

3.1.2 Building Reputation

Firm reputation is defined as an intangible asset, which is based on the public recognition of a firm's quality of its activities, outputs, and prominence (Mukherjee et al., 2018). The institution-building mechanisms mentioned above are likely to boost firm reputation, visibility, and legitimacy (Mitra, 2011). For example, organizations often build academic institutions and research centers for this purpose (Carney, 2008). In fact, the Indian Institute of Technology, Madras, an autonomous statutory organization functioning within the Institute of Technology Act, has reported in their Annual Giving Report 2016, that they have 25 CSR projects underway and the average funding per CSR project was approximately INR 5 million (Verma, 2017). Such credible commitments to society by firms may signal honest intentions and increase the visibility and reputation (Mukherjee et al., 2018). In fact, Mitra, Akhtar, and Gupta (2018) showed that CSR initiatives can be used strategically by large companies to induce better intangible firm performance by utilizing CSR communication efficiently and effectively, especially with respect to India in the post-mandate period. Indeed, the literature stream exploring the linkage between CSR and corporate reputation has consistently found a positive relationship (Waddock & Graves, 1997). More specifically, Aguinis and Glavas (2012) noted that CSR activities increase firm-level reputation through increased customer loyalty, positive evaluations of the company by the consumers, and enhanced goodwill with the external stakeholders. Thus, companies that are well positioned to integrate CSR actions in their strategy will be able to reap substantial reputational benefits.

3.1.3 Springboarding Internationalization

Finally, CSR activities may also help Indian firms in spreading their wings for international expansion. The internationalization of emerging economy companies is a fertile and quickly expanding research domain (Mukherjee, 2016). It is widely argued that emerging economy firms such as those from India are often resource poor (Gaur & Kumar, 2010; Jain, Hausknecht, & Mukherjee, 2013), especially when compared to Western firms. Additionally, they also suffer from higher liabilities of foreignness owing to their country of origin (Gaur, Kumar, & Sarathy, 2011). CSR activities can help Indian firms in their internationalization in two ways. First, firms with an active CSR portfolio may attract multinational corporations (MNCs) as their potential partners. This is because it is well documented in the foreign entry literature that MNCs prefer domestic partners who are evaluated favorably in that particular environment. From a theoretical perspective, being associated with such partners may alleviate MNCs from their concerns associated with behavioral uncertainty as well as provide the MNC with legitimacy in the host market (Stevens, Makarius, & Mukherjee, 2015). Second, a solid and favorable reputation in the domestic market, built via proactive CSR, may help Indian firms to make their case in foreign markets. External stakeholders in foreign markets may prefer new entrants from the emerging economies that are known to do good.

3.2 CSR as a Constraint

Recent empirical findings (e.g., Kansal, Joshi, Babu, & Sharma, 2018) and a quick look at the national data suggests that the mandatory nature of the CSR act also poses significant challenges to the companies. In terms of Indian firms being CSR ready, we would like to highlight three aspects that may play a crucial role in determining organizational readiness.

3.2.1 Buying in of the Top Leadership

The role of top leadership in this issue could be vital. While top leadership plays an important role in determining the strategic direction of the company in all settings (Carpenter, Geletkanycz, & Sanders, 2004), the effect may be more pronounced in emerging countries such as India. Top leaders are often closely connected to the political leadership as well as to the social elites and intellectuals. The resulting impact of this nexus is so powerful that it can very well maneuver the collective sentiment of the country in a given issue. Thus, it is imperative that to successfully integrate CSR in corporate agenda and the subsequent behavior of a given firm to implement CSR activities will hinge on the strategic intent of its top leadership. For that to happen, the business case for CSR needs to be wholeheartedly accepted by the top leadership of the companies that are either not ready to embrace it owing to resource challenges, or are not convinced about the moral aspect of the issue. The leaders of the leading companies and social activists may play a vital part in paving the moral path for such hesitant followers.

3.2.2 Changing the Organizational Culture to Integrate CSR

Second, even if top managers are convinced about going beyond CSR compliance, a change in organizational culture is needed. Research shows that crucial changes in strategic directions need to align well with the organizational culture (Johnson, 1992). Studies in the realm of organizational change management point toward the importance of fit between top leadership strategy and culture (Kavanagh & Ashkanasy, 2006). For example, it has been shown that when the employees can identify more with the organizational values, it is easier to implement strategic changes (Aguilera, Rupp, Williams, & Ganapathi, 2007). The mindset that business and philanthropy are mutually exclusive, and that the former mostly pertains to the professional domain whereas the latter is limited to someone's private life, may be difficult to eradicate without a conscious effort in changing the culture of the organization.

3.2.3 Building Capability for CSR

Firm-level capabilities refer to unique bundles of resources, tacit knowledge, and skills that help leverage other important resources (Ray, Barney, & Muhanna, 2004). Thus, capabilities are by definition rare and not easily replicable by other firms (Scalera, Mukherjee, Perri, & Mudambi, 2014). Because of their path-dependent nature, capabilities take a long time to develop and are often very context-specific (Karna, Richter, & Riesenkampff, 2016; Lahiri, Kedia, & Mukherjee, 2012; Mudambi, Mudambi, Mukherjee, & Scalera, 2017). CSR capability is "an organization's knowledge, skills, and processes relating to the planning, implementation, and evaluation of CSR activity" (Lee, Park, & Lee, 2013: 1718). A rich stream of literature examining the impact of regulations on firms suggests that it often takes considerable time for firms to understand the nature of a given regulation and process a suitable response strategy (Shaffer, 1995; Sharma & Vredenburg, 1998). Such response strategies also involve the emergence of unique capabilities that help firms alleviate the uncertainties and propel ahead (Roy & Karna, 2015; Sharma & Vredenburg, 1998). Thus, it is understandable that to properly integrate CSR in its planning, implementation, and evaluation process and to develop capabilities associated with CSR, it will be imperative for the Indian companies to understand the nuances of compliance cost, perceived benefits, and also find suitable human capital to execute this strategy. Indeed, research also finds that higher level capabilities such as stakeholder management, shared vision, and strategic proactivity are important in the context of proactive CSR (Torugsa, O'Donohue, & Hecker, 2012). This explains why the existing CSR leaders in India are mostly companies (e.g., Tata or the Reliance group) that have been around for long and had sufficient time and adequate global exposure to accumulate such capabilities. We expect many other Indian companies to "catch up" in terms of developing CSR capabilities as they continue to mature (Kumaraswamy, Mudambi, Saranga, & Tripathy, 2012).

Based on our discussion above, we aim to capture the possible types of CSR responses by mapping them onto a framework, with organizational readiness (constraint) on one axis and perceived strategic benefits from CSR (opportunity) on the other. Our typology is consistent with the highly impactful Reaction–Defense–Accommodation–Proaction framework by Carroll (1979). In quadrant I are companies that either avoid or are not ready yet to embark on CSR activities. In quadrant II are companies that ceremonially adopt CSR. They are ready and have the

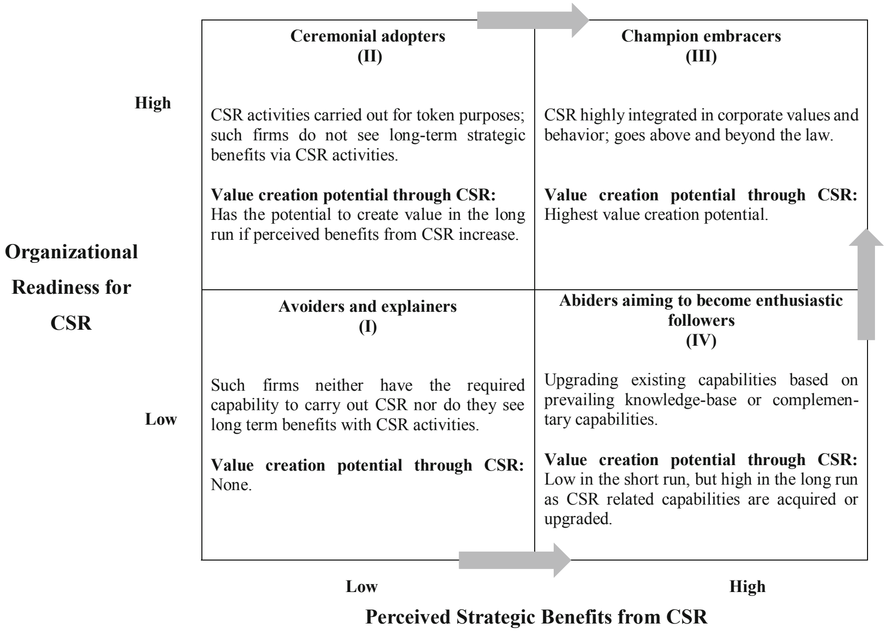

Fig. 2 Different types of CSR responses

capabilities to invest in it; yet, they do not see any strategic value associated with CSR. Thus, they tend to do bare minimum. In quadrant III we have companies that are champion embracers. These companies are ready and have been proactive in integrating CSR as they see considerable value in doing so. Finally, in quadrant IV are companies that have low readiness currently but foresee significant benefits in investing in CSR activities. We refer to them as abiders aiming to become enthusiastic followers. We must say that the typology is not static and firms from different quadrants may move to other quadrants if they see more perceived opportunities in CSR as well as they continue developing capabilities that would allow them to adopt more meaningful CSR activities. Accordingly, the arrows integrated in Fig. 2 show these possible development paths.

4 Going Forward: Future Research Agenda

Research on CSR has grown into a thriving stream across all business disciplines. However, scholarly attention toward the emerging economies is very recent. Indeed, we have rarely seen papers related to emerging economy CSR in top business journals (except for the *Journal of Business Ethics* and a *Journal of International Business Studies* special issue). Additionally, we are still witnessing a straightjacket approach by the scholars where Western theories of CSR are being tested in the emerging economy context. Thus, time is ripe for paving new ways for future research in this field. For the sake of brevity and parsimony, we will focus on the broad questions (summarized in Table 5) related to the six factors associated with opportunity and constraints of mandated CSR in India that may capture future scholarly interest.

First, in a recent paper, El-Ghoul, Guedhami, and Kim (2017) found that CSR initiatives convey signals of credibility in countries with weaker formal institutions. Consequently, CSR more pronouncedly affects organizationally valued outcomes in these environments with institutional voids by reducing transaction costs in exchange relationships. This is in line with the findings that the value of CSR "lies in the creation of strong relationships between the firm and other economic actors that translate into better access to resources" (Doh, Rodrigues, Saka-Helmhout, & Makhija, 2017: 301). Thus, CSR activities may prove to be a complementary form of governance where market forces are weaker (Marano, Tashman, & Kostova, 2017; Scherer & Palazzo, 2011). In countries such as India, political ties of firms matter even more (Kedia, Mukherjee, & Lahiri, 2006). The firm–government nexus may jointly determine some of the CSR initiatives to correct for the institutional voids. Thus, future scholars may endeavor to understand the nature of the nexus between companies and the government in carrying out institution building CSR mechanisms that complement market weaknesses. Additionally, the performance implications of such CSR actions also need to be understood using conventional research design (e.g., rigorous surveys).

Second, mainstream research on CSR has called for closer examinations of contexts in which firms can use institutional voids as "opportunity spaces" (Doh et al., 2017: 302) to create suitable intangible resources in the pursuit of competitive advantage. Reputation is one such resource, and it has been conceptualized as an important meta-factor in determining social approval and legitimacy (Gao, Zuzul, Jones, & Khanna, 2017; Mukherjee et al., 2018). Studies in the realm of CSR and reputation in Indian context demonstrated that the public in India has social development-related expectations from the corporate sector. Firms utilize this opportunity to build up reputation via "nation building" mechanisms (Mitra, 2011, 2012). How can future scholars enrich this literature stream? It has been proposed that the quality dimension of firm-level reputation has two components: capability/competence and character (Mishina, Block, & Mannor, 2012). It will be interesting to explore how mandated CSR activities affect these different types of reputation. Does more CSR (going above and beyond the mandated law) in environments with institutional voids make up for lack of firm-level competence? These are some important questions as research has found that in environments fraught with uncertainty, stakeholders often accept credible character-related signals as a substitute for firm competence, which implies mandated CSR activities may help firms boost up organizationally valued outcomes.

Third, to what extent do CSR activities in the domestic market help companies for their internationalization? This is a broad yet important question for two reasons. First, as CSR in India is not voluntary anymore, it will be interesting to see how such activities are evaluated by foreign stakeholders when Indian companies attempt to

Table 5 Broad future research areas of mandated CSR in India

Internal markets	Reputation	Internationalization	Top management support	Organizational culture	Capability building
1. What is the nature of the nexus between companies and the government in carrying out institution building CSR mechanisms that complement market weaknesses? 2. What are the performance implications of internal market building CSR activities?	1. How does CSR affect different types of reputation? 2. Do CSR activities compensate for a lack of competence-based reputation?	1. To what extent do CSR activities in the domestic market help companies in their internationalization? 2. What type of CSR activities contribute more to internationalization?	1. Why are some top management teams more enthusiastic about integrating CSR than others? 2. What are the individual and group level antecedents of such top management teams' attitude to-ward CSR?	1. What kind of organizational culture is best suited for embracing CSR in the Indian context? 2. How should the change in organizational culture be managed if there is resistance or inertia in adopting CSR activities?	1. What kind of unique capabilities are needed to better integrate CSR in the corporate ethos? 2. What are the respective kinds of firm-/context-specific building blocks of such CSR capabilities?

venture abroad. It is possible that without the altruistic intent associated with voluntary CSR, such activities (mandated CSR) may not be evaluated as favorably as they should be as the signals do not carry the same credibility (Stevens et al., 2015). Second, and relatedly, there is an alternative argument. Domestic CSR may help companies invest in forging crucial local ties that are key to access resources. It has been found that such ties are often used as springboards for internationalization when the opportunity arises (Luo & Tung, 2018). Moreover, future research may also reflect more on which type of CSR activities will transfer best during internationalization. For example, it is possible that nation-building efforts, due to their narrow domestic nature will transfer rather poorly when compared to a company's effort in minimizing carbon footprints because of the latter's broader global appeal.

Fourth, it would be interesting to explore why some companies do more than others and what top management team (TMT) characteristics facilitate CSR activities. As we have argued, top rung leaders play a more important role in emerging economies. Thus, examining what factors predict their attitude toward CSR activities should enrich future scholarship. Relatedly, the questions such as what type of organizational culture facilitates or impedes CSR adoption should also fortify scholarly research. This is particularly important as extant research hints at the alignment between strategy and culture during the implementation of strategic changes (Aupperle, Acar, & Mukherjee, 2014). Finally, the identification of context-specific capabilities (Mukherjee, Lahiri, Ash, & Gaur, 2017) unique to the Indian setting that would allow companies to better integrate CSR should be investigated. For the convenience of our readers, we have summarized the aforementioned points in Table 5.

5 Conclusion

It is evident from our analysis that India has indeed come a long way in transforming from voluntary CSR to mandated CSR. India, with its diversities, makes it possible to assemble almost any picture of the pitfalls and promises of emerging markets. Thus, Indian companies have a very important yet difficult role to play in the country's economic, social, and environmental development. In fact, on one hand, being latecomers in the global arena, they are still trying to catch up with their developed country counterparts. On the other hand, they have to successfully connect with their home country environment to maintain legitimacy and create value. Balancing these two objectives is not straightforward. However, the transformation has begun. After all, this is a symbiotic relationship. As the state progresses, so do businesses and vice versa. We expect that this chapter will stimulate more scientific inquiries to achieve an enriched understanding of these dynamics.

Appendix 1: Section 135 of the Companies Act 2013

1. Every company having a net worth of INR 5 billion or more, or a turnover of INR 10 billion or more, or a net profit of INR 50 million or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.
2. The Board's report shall disclose the composition of the CSR Committee.
3. The Corporate Social Responsibility Committee shall:
   - Formulate and recommend to the Board a CSR policy, which shall indicate the activities to be undertaken by the company as specified in Schedule VII.
   - Recommend the amount of expenditure to be incurred on these CSR activities.
   - Monitor the CSR policy of the company from time to time.
4. The Board of these companies that shall:
   - After taking in account the recommendations made by the CSR Committee, approve the CSR policy for the company and disclose the contents of such policy in its report and also place it on the company's website, if any, in such manner as may be prescribed.
   - Ensure that the activities are included in their CSR policy and are actually undertaken by the company.
5. The Board of these companies, shall ensure that the company spends, in every financial year, at least 2% of the average net profits of the company made during the three immediately preceding financial years in pursuance of its CSR policy.

Moreover, the Section 135 also provides a direction to these companies to give preference to the local area and areas around it where it operates, for spending the amount earmarked for CSR activities. However, the law also states that if the company fails to spend such amount, the Board shall, in its report, specify the reasons for not spending the amount.

Source: http://www.mca.gov.in/SearchableActs/Section135.htm

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CSR in Government-Owned Enterprises in India: A Principal–Agent Perspective

Monika Kansal, Nava Subramaniam, Shekar Babu, and Suresh Mony

Abstract This chapter describes the unique setting in India's corporate sector, where CSR is mandated for companies that meet a certain size threshold. The main focus is on central public sector enterprises through the lens of principal–agent relationships. Four propositions are developed and evaluated with the help of a qualitative study involving managers of such enterprises.

1 Introduction

Rapid industrialization and economic growth have placed unprecedented pressures on natural, human, and technological resources with numerous high profile industrial and environmental disasters raising the question of quality of corporate social responsibility (CSR) in developing economies (Hsu, Liu, Yang, & Chou, 2013; Ipe, 2005). Although a voluntary approach to CSR is traditionally dominant, some developing economies have taken a more mandatory stance toward CSR as a way to address the pervasive institutional voids and increasing activism for better CSR. For example, Indonesia, the Philippines, and India have legislated CSR activities to be mandatory (Gowda, 2013; Republic of the Philippines, House of Representatives, 2013;

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Waagstein, 2011). Of these, the developments in India are particularly notable and unique in that India became the first nation to legislate CSR through the Companies Bill in 2013. In fact, the foundational steps toward a mandated CSR in India were already set in 2010 where all government-owned firms (meeting the set size thresholds) were required to institute CSR and spend on average 2% of their net profits on such activities.

However, criticisms on the inefficacy of the social outcomes indicate that having a mandatory policy in itself does not lead to efficient and effective CSR (Gowda, 2013; Mukherjee, Bird, & Duppati, 2017). For example, the Commercial Audit Report of 2009–2010 (Comptroller and Auditor General of India, 2010) highlights deficient social performance by public sector entities. Empirical evidence within this context remains scant with a few exceptions, such as by Waagstein (2011) and Subramaniam, Kansal, and Babu (2017) who argue that even if CSR is mandated, it still needs a clear system of implementation and verification of impacts.

State ownership is a significant feature in developing markets as over 10% of the world's largest firms are state owned, with their total sales touching $3.6 trillion in 2010–2011 and state-owned enterprises (SOEs) contributing around 15% of the total GDP in Africa, Asia, and Latin America and hence merit particular attention (Kowalski, Büge, Sztajerowska, & Egeland, 2013). The Indian corporate sector faces a unique regulatory setting where CSR is mandated, a minimum level of expenditure on CSR specified, and the use of external outsourced agencies advocated as the preferred mode of CSR implementation. The government-owned central public sector enterprises (CPSEs) have a societal orientation, and ever since their inception in the 1950s have been at the forefront of CSR. The effectiveness of their contribution to societal development and the challenges encountered in implementing CSR are critically assessed in this chapter based on a principal–agent perspective to serve as a guide for SOEs through the world.

Following this introduction, the Indian institutional backdrop including CSR policy development is described, followed by a delineation of the agency risks faced by CPSEs and the Department of Public Enterprises (DPE). In the subsequent section, insightful findings are provided on the attitudes of senior managers of CPSEs toward CSR and the implementation challenges faced by them.

2 Indian Institutional Development, CSR Policy, and CPSEs

2.1 The Structure of CPSEs

India, since its independence in 1947, opted for a socialist governance structure with most of its industries and enterprises controlled by the state. In particular, a more statist view (i.e., government or state ownership) came into play during the 1950s, which had a strong bearing on corporate thought and approaches to social responsibility and heralded the role of government as a central force (Jain, Gupta, & Yadav, 2014; Kumar, Murphy, & Balsara, 2001). CPSEs emerged, with government-led industrial policy strongly favoring preference for the public sector in many areas. However, the economic crisis in the late 1980s saw India adopt a more liberalized stance on economic development and opened its doors to globalization and privatization (Mukherjee et al., 2017). Further, with a developing capital market, there was an increasing pressure from investors and the public for Indian corporations to demonstrate financial performance and accountability toward the environment and society, what called for a more liberal and stakeholder-focused approach to CSR.

The nodal government regulatory agency overseeing the CPSEs is the DPE,[1] which is part of the Ministry of Heavy Industries and Public Enterprises, and is headed by the Secretary to the Government of India (GoI). The DPE develops policy guidelines on the management and organizational performance evaluation including financial, investment, and human resource matters. This includes the oversight of CSR implementation, which forms part of the memorandum of understanding (MoU) covering performance targets of CPSEs drawn up annually by the DPE. While CPSEs are seen as critical strategic vehicles to accelerate and strengthen core sectors of the economy, generate employment, and serve the public interest, there has been increasing pressure on them to be profitable for which they have been given requisite autonomy including performance incentives built in for senior management of the CPSEs. Given this contextual setting, we propose that the use of a principal–agent framework will be relevant and appropriate to assess the efficacy of the GoI–CPSE relationship within the Indian CSR mandated regime.

2.2 The CSR Ecosystem in CPSEs

In 2010, the DPE mandated all profit-making CPSEs to institute CSR with formal annual spends. Subsequently, the scope and coverage were expanded with mandated CSR expenditure at a minimum of 2% of profit after tax for all Indian registered companies through a statutory provision in the Companies Act, 2013 (Ministry of Corporate Affairs India, 2018). The Act advocated the utilization of the services of nongovernmental organizations (NGOs) with a track record for implementing CSR on behalf of companies. Various concerns were raised over the national CSR policy specifications by the implementing agencies, NGOs, and other community groups, which include payment delays and continuously changing service goals and plans (NGOs India, n.d.). Empirical findings by Subramaniam et al. (2017) as well as anecdotal evidence in the media (Acharya, 2017; Gowda, 2013) indicate that CPSEs were highly critical of the national CSR hub and held strong reservations on their service quality. Furthermore, many NGOs were found to be at the mercy of corporates where the CPSE tended to have greater bargaining power in negotiating the

[1]The DPE sets policy guidelines on performance improvement and evaluation, financial accounting, personnel management, and as well as annually collects, evaluates, and maintains information on their performance.

contract and in setting service delivery terms and conditions including truncated payment schedules. Likewise, Joshi, Sidhu, and Kansal (2013) and Kansal, Joshi, Babu, and Sharma (2018) raised concerns on CSR initiatives vis-à-vis sustainability and environmental protection. Multiple reports document the inability of companies to meet their CSR budgets (Gowda, 2013; The Times of India, 2018). CRISIL (Credit Rating and Information Services of India Ltd.), for instance, reported that the actual CSR spending for the financial year 2016 was INR 1835 crores ($265 million[2]) which was short of achieving the mandated 2% after tax profit target (CRISIL, 2016). However, the past studies do not provide insights into the governance issues within a mandated CSR ecosystem where multiple private and public sector actors face challenges imposed by divergent goals and complex, politicized relationships. Consequently, there is a need for a more integrated approach that not only recognizes the political implications but also blends institutional and individual level issues into the analyses, which is the focus of this chapter.

2.3 State Ownership and Principal–Agent Relationship

Firm ownership is a critical factor in understanding the nature and severity of different types of agency risks and costs (Bertelli & Smith, 2009; Eisenhardt, 1989; Lee & O'Neill, 2003). Much of the literature in the private sector on firm ownership and control can be traced to the seminal work by Berle and Means (1932) who proposed that the separation of ownership and day-to-day management and diffused ownership will give rise to information asymmetry and goal incongruence between owners and managers. The presence of such information asymmetry between the principal and agent assumes that firstly, agents generally know more than the principal, and secondly the agents' self-interests predominate decision-making at the cost of the principal, giving rise to three major types of agency risks or costs: goal incongruence, adverse project selection, and opportunity costs (Eisenhardt, 1989; Jensen, 1983). To counter these risks, the principal can expand resources to align managerial behaviors with organizational goals through incentives or through monitoring (Subramaniam, 2018).

State ownership of businesses adds one more dimension to agency risks and costs derived from political interests and influence of government ownership, affecting the design of firm control and management (Arrow & Lind, 1978). Yet, there is limited evidence to date on how SOEs deal with agency risks. Bruton, Peng, Ahlstrom, Stan, and Xu (2015) argue that SOEs have evolved to be hybrid organizations that take on multiple logics, necessitating a better understanding. In particular, they highlight that state ownership does not mean that the firm's management and control are totally dominated by the government, but that there can be varying degrees of administrative power and oversight. As highlighted by Bruton et al. (2015: 3),

[2]The conversion rate for the whole chapter is based on data from April 15, 2019. The values in US Dollars are rounded accordingly.

> the rich contextualization of important aspects of management, including aspects of firm strategy and corporate governance, need to be better understood under such varying conditions of state ownership and control.

The ownership of CPSEs by the GoI brings forth an added dimension of administrative, bureaucratic, and political pressures to CSR governance, which at times can be detrimental to the firm (Van Slyke, 2006). Governments are essentially political and tend to be voter driven, seeking publicity and societal legitimacy, making the dynamics within the CSR ecosystem even more complicated, particularly in project selection and resource allocation (Frynas & Stephens, 2015). Past studies on state ownership have identified concerns over the political power and influence principals may have over the agents' activities and behavior (Nguyen & Crase, 2011; OECD, 2004). For example, studies on Chinese SOEs have identified the pressure on management to favor political goals over the long-term business interests of the firm itself (Tian, 2005; Xiaodong & Xiaoyue, 2003). Song, Wang, and Cavusgil (2015: 691) found in their study of Chinese SOEs that "the dominant state and minority non-state shareholders may impose important limits on corporate priorities and behavior in different directions". Chen and Al-Najjar (2012: 834) found that managers of SOEs in China often lacked financial incentives compared to private sector firms, and that "an absence of a direct link between the agents (managers) rewards and the financial performance of the companies they oversee" may be an impeding factor. However, it is unclear if political influence and managerial behavior impact similarly on SOEs in the UK, Africa, or Asia where the political economies vary vastly.

2.4 Principal–Agent Framework in a Mandated CSR Ecosystem

Typically, the principal–agent relationship comprises a number of basic assumptions, which have implications for the dynamics between the two parties (Awortwi, 2012; Eisenhardt, 1989; Jensen & Meckling, 1976); it is assumed that:

- Goal incongruence exists between the principal and agent as the principal will aim to obtain better services that cost less from agents, while the agents' objectives revolve around minimizing effort and maximizing remuneration from the principal.
- Adverse selection can occur in circumstances when the agent has more information about the attributes of the service than the principal and the agent who is presumably more risk averse than the principal, will choose easier or safer options to meet minimum performance criteria. As a result, the less informed principal runs the risk of accepting services of lower quality from the agent when information asymmetry is high.
- Opportunistic behavior may also be displayed by the agent who has more information than the principal, and uses information and expertise to act in self-interests.

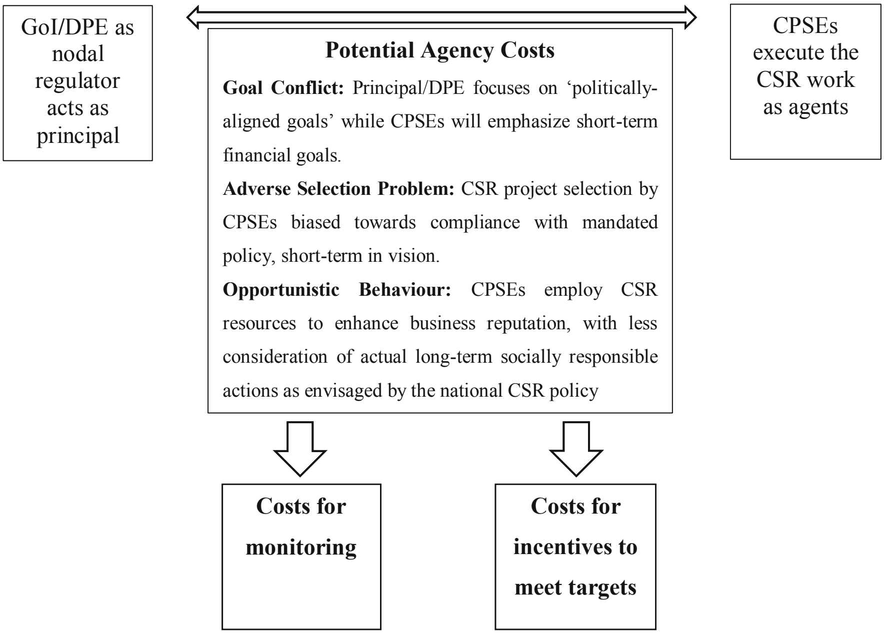

Fig. 1 CSR agency risk framework for Indian CPSEs (own elaboration)

According to Kettl (2011), "in contractual exchange, a series of questions must be answered that flow from the conflict-of-interest and the monitoring problems". These questions relate to defining the job, choosing the contractor, selecting incentives and sanctions, and monitoring performance. It is also contended that

> when risks of agent opportunism are high, the contracting organization engages more in pre-contract preparation and post-contract oversight that leads to high transaction costs. (Awortwi, 2012: 888)

Based on the preceding discussion, a risk framework in the Indian context is presented in Fig. 1. The risk control mechanisms include behavior-based (where observable actions or behavior of agents can be monitored) and outcome-based mechanisms through targets or incentives (aimed at aligning agent's behavior with the principal's interest) (Eisenhardt, 1989).

3 Risk Propositions that Impact CSR Effectiveness and Outcomes in CPSEs

3.1 *Performance Evaluation of CPSEs*

Since 1986, the DPE monitors CPSEs through an annual performance contract included in the MoU where specific performance indicators such as sales, growth in sales, return on capital employed (ROCE), earning per share (EPS), and dividend payout are included. Targets for the year are agreed upon at the start of a year and evaluated at the end of the period (Department of Public Enterprises, 2018). Although they now have greater autonomy than in yester years, unlike firms in the private sector, CPSEs are subject to political influence. In addition, they face the expectation challenge within a mandated CSR ecosystem of having to satisfy the interests of a wider stakeholder group including external implementing agencies and political entities. That adds to the complexity of achievement of performance targets by CPSEs.

The current Prime Minister, Narendra Modi envisions CPSEs as a "'profit and social benefit generating enterprise' which works not only for shareholder profits but also generates benefits for the society" (Modi, 2018). Accordingly, GoI urged CPSEs to align their operations and priorities with the broad vision of "New India 2022" to achieve the social, economic, and nation-building goals. Many of the CSR activities recognized as acceptable under the national policy are, in fact, grounded in nation-building concepts that include eradicating hunger, poverty and malnutrition, promoting preventive healthcare, education, and gender equality, reducing inequalities faced by socially and economically backward groups, ensuring environmental sustainability and ecological balance, and contribution to the Prime Minister's national relief fund. The CPSEs are required to contribute to the social and community developments through Schedule 7 of the Corporations Act 2013 (The Companies Act, 2013). For example, since 2014, the CPSEs have been driving several significant schemes of GoI such as cooking gas connections to households, electrification of the villages, and building toilets in schools. In August 2016, the DPE issued an advisory (not a directive) requesting CPSEs to deposit unspent CSR funds into the Swachh Bharat and Ganga Rejuvenation, a national "clean-up India" scheme, strongly promoted by the GoI (Ministry of Drinking Water and Sanitation India, 2018: 37).

CPSEs are constantly under scrutiny on their financial performance. Although their performance has greatly improved in recent years, yet in 2016–2017, there were 82 loss-making units out of the 257 operating units (Standing Conference of Public Enterprises, n.d.). Since 1986, their accountability has increased through financial targets in MoUs that exert high pressure to achieve the predetermined MoU financial targets and to improve the current and future financial performance (Department of Public Enterprises, 2018). Further, the GoI has been aggressively pushing the disinvestment agenda via the public listing of the CPSEs shares and sale of a minority shareholding since 1999–2000 (Department of Investment and Public Asset Management India, 2019), which has escalated the pressure on CPSEs to demonstrate higher productivity and profitability. The agent who tends to be more risk averse (Eisenhardt, 1989), would tend to yield to the pressure of financial performance gains as opposed to long-term projects that are riskier and less certain in outcomes. Thus, the GoI as principal emphasizes and values the success of nation-wide, impactful social outcomes but in practice, the CPSEs as agents are likely to focus more on financial goals to achieve the MoU targets, which ensure higher investments thresholds, expansions, and enhanced autonomy to CPSE managers. This leads to the first proposition:

Proposition 1 CPSEs are likely to place greater emphasis on initiatives that enhance firm performance rather than those involving wider, longer term social impacts.

3.2 Sub-Optimal Selection of CSR Projects

CPSEs are required to report to the DPE, MCA (Ministry of Corporate Affairs India, 2018), and Comptroller and Auditor General (CAG) on a regular basis, and are often required to provide multiple updates on their performance, including CSR activities. GoI is dependent on the CPSE's baseline surveys and recommendations of their CSR committee with regard to vetting and choosing CSR projects and the external implementing agency. Generally, principals know less than the agents who have to deal with day-to-day operational problems and challenges, and the GoI leaves the selection of projects to CPSEs. Many are risk averse and select short-term projects that are easier to monitor and report than longer term projects, which can be arduous and less suitable from an annual compliance perspective, yet may have a greater social impact in the long run (Subramaniam et al., 2017).

The 2016 CRISIL report on India's listed companies notes that the boardroom discussion has shifted from "what we do or potential impacts" to "what counts as CSR and does it meet the legal requirements" (Balch, 2016). Long-term, high impact projects may not attract funding if these projects fall beyond the key focus area or if they did not find a clear mention in the CSR rules. Acharya (2017: 4) states that

> because of frantic efforts by CSR departments to distribute funds on time, those grants have not been delivered in a way that was either transformational or led to scale. Nor have they been used to drive policy change or strengthen the development sector overall.

Thus, sub-optimal selection of projects by CPSEs is possible given the complexity and uncertainty of CSR project outcomes leading to:

Proposition 2 CSR project selection by CPSEs is likely to be biased toward projects amenable to meeting compliance requirements of the mandated CSR policy, short term in vision, and easier to complete rather than those involving wider, longer term social impacts.

3.3 Opportunistic Behavior

Many CPSEs, particularly those involved in oil and gas operations are geographically dispersed. Since the DPE guidelines advocate preference for local areas of operation for CSR projects, enormous local political pressure is exerted on CPSEs. Gaining legitimacy with the local communities is crucial, particularly the sensitive panchayats and local councils. Such CPSEs face pressures in getting societal buy-in and legitimacy, which may be at conflict with the social goals of the principal. For example, CPSEs may select low-cost projects based on lowest bid acceptances, of which the quality of service capability of implementing agencies can be expected to be poorer, resulting in adverse CSR outcomes. This leads to the third proposition:

Proposition 3 CPSEs are likely to implement CSR projects with the predominant intent of gaining legitimacy and operational efficiencies, so as to promote the interests of the firm rather than maximize wider, longer term social impacts.

4 Evaluation of the Research Propositions

The authors employed a qualitative research approach (Healy & Perry, 2000) to explore the complex GoI–CPSEs dynamics on CSR implementation with respect to the three research propositions. Primary data was collected through semi-structured interviews from managers leading CSR activity in CPSEs, and secondary data through documentary analysis of media and relevant government agency reports. The semi-structured questionnaire was developed guided by a literature review of past CSR implementation studies (Subramaniam et al., 2017; Waagstein, 2011) as well as studies on service purchaser–provider undertaking a principal–agent theoretical lens (Awortwi, 2012; Chen & Al-Najjar, 2012). A total of 21 CPSEs were contacted through telephone and email with the first point of contact being the Chief Executive Officer, the Managing Director (MD), or the Chairman and Managing Director (CMD) office and the second point of contact being the CSR office. Out of 21 CPSEs, 13 accepted the invitation to participate. Reasons offered for nonparticipation included heavy workload, lack of interest, or out of town for interviews. Table 1 gives an overview of the relevant CPSEs. It presents profiles of the sample organizations based on web-based resources and latest available annual reports. A typical CPSE had an average of 10,150 regular employees and a CSR budget of INR 83 crores ($12 million) in the period 2014–2015.

Interviews were conducted from April to December 2014, and the perceptions of the participant managers recorded with respect to principal–agent concerns such as goal alignment, project selection risks, opportunistic behavior, and monitoring and feedback processes. While maintaining strict confidentiality, the preset interview questionnaire provided a guide to the scope of questions, enabling a free-flowing interview leading to the identification of emergent themes and perspectives peculiar to the Indian CSR regulatory environment. Two members of the research team independently vetted the interview response data to ensure their completeness. Thus, the coding framework was grounded in the interview data, which is more suitable for exploratory studies rather than “a priori” coding framework. First, data was arranged by primary constructs on the basis of concerns raised and examples, incidents, or stories narrated by the participants. These first-order constructs or themes were classified into risks, challenges, and positive and negative viewpoints raised by the participants. Next came the development of second-order constructs, which involved recategorizing the selected quotes using an agency theory lens such as goal conflict or incongruence, adverse selection risk, and opportunistic behavior.

Table 1 Profile of sample CPSEs 2014–2015 (data from authors' study)

	Designation of the interviewee	Regular number of employees	CSR budget INR crores	CSR budget $ million	Foundation
CPSE1	General manager	<5000	7.9	1.14	1974
CPSE2	Senior manager	<5000	4.2	0.61	1957
CPSE3	Director	<5000	0.5	0.07	2004
CPSE4	Chief manager	<5000	1.2	0.17	1965
CPSE5	General manager	<5000	4.1	0.59	2001
CPSE6	General manager	>5000	283.5	40.99	1975
CPSE7	General manager	<5000	24.9	3.60	1988
CPSE8	Chief manager	>5000	288.2	41.67	1989
CPSE9	Director	<5000	2.3	0.33	2000
CPSE10	Chief manager	>5000	81.9	11.84	1959
CPSE11	General manager	<5000	117.5	16.99	1986
CPSE12	Manager	>5000	101	14.60	1959
CPSE13	General manager	>5000	165	23.86	1964

5 Findings and Discussion

5.1 Goal Conflict

In general, while the spirit of the national CSR goals is acknowledged as important by all participants, their responses emphasize financial performance and outcomes as being a more dominant concern compared to envisaged social outcomes through CSR initiatives. The majority of interviewees did not see CSR policy as a vehicle for social development as intended by GoI. Some CPSEs managers viewed CSR as extra work, as noted by the following views from three participants:

> Unnecessarily they [GoI] are giving extra work to all the companies, and he [CPSE manager] would prefer to pay CSR tax rather than follow complex procedures to execute CSR construction projects. (Participant of CPSE3)

> Our job is business. CSR is not a mission-critical item. So we would not like to spend too much of our own resources on that [CSR]. (Participant of CPSE8)

> The CEOs are practising professionals. They are always linked to the profitability and productivity of the company, which is their core area of work. I have been in this profession for 17 years. (Participant of CPSE1)

Further, the prevalent belief among the participating managers is that a CSR role is not a career advancing position, compared to formal roles in human resource management, engineering, and business development, which are perceived as having direct impacts on career advancement. The CPSE managers are more concerned with underachievement on their "main jobs" as underperformance in the business functions was perceived as having a negative impact on their performance evaluation compared to sub-optimal performance on the social front.

> We need some consultant's help [for CSR]. We all are doing our own jobs in the company. If I go beyond this, I will forget my **main job** [emphasis added]. (Participant of CPSE2)

> The person who is looking after CSR part-time is not threatened. But he is threatened by other deliverables under him, HR personal relations, business development. (Participant of CPSE7)

The variable performance related pay (PRP) for the executives of CPSEs is based on MoU scores and ratings (0% eligibility for poor rating to 100% of eligibility for excellent rating), and accordingly, it may influence them to be biased toward business or respective financial performance at the cost of social performance. A CPSE manager shares how his/her bonus is shaped by his company's MoU scores and rating performance.

> It [MoU] states the specific target to be achieved, and ranking will be based on that. The 'bonus' of individuals also depend on this. For example, I am ranked by three dimensions; how my company is ranked by the government? How my department is ranked by the Directors? And how well is my personal performance? Those who score more than 90 % will get the full bonus. (Participant of CPSE10)

Thus, in the unique Indian public sector CSR context where outcome-based evaluation is the norm since 1986, a strong economic mindset appears to have grown as opposed to social development in the pre-MoU era. At the CPSE level, wisdom lies in achieving the MoU targets so that the firms can gain and retain access to higher economic and reputational benefits in the form of organizational status and awards. For instance, the CPSEs' economic performance can be rewarded by the DPE through conferring various "excellency" awards, and exalted organizational status such as Maharatna, Navratna, and Miniratna.[3] Conferment of these status titles

[3]Criteria for classification of Maharatna, Navratna, and Miniratna:

Maharatna

- Three years with an annual net profit of over INR 5000 crores ($723 million) or net worth of INR 10,000 crores ($1.45 billion) or turnover of INR 20,000 crores ($2.89 billion).
- Free to take decisions on investment up to 15% of net worth or $145 million to $723 million.

Navratna

A score of 60 (out of 100), based on six parameters that include net profit, net worth, total manpower cost, total cost of production, cost of services, PBDIT (Profit Before Depreciation, Interest and Taxes), and capital employed.

Miniratna Category I

- Continuous profits for the last three years or a net profit of $4.3 million or more in one of the three years.
- Free to decide on investments up to INR 500 crores ($72 million) or equal to their net worth, whichever is lower.

Miniratna Category II

- Have made profits for the last three years continuously and should have a positive net worth.
- Free to decide on investments up to INR 300 crores ($43 million) or up to 50% of their net worth, whichever is lower.

brings economic benefits to a CPSE in terms of higher investments, expansions, and autonomy, to both the organization and individual senior management.

The financial and social performance report of CPSEs provides further data to reinforce the above arguments. Since 1986, sales and profits after tax of CPSEs have grown at compounded rates of 12.09% and 16.52%. However, 121 CPSEs spent only INR 2443 crores ($353 million) against the target of INR 3479 crores ($503 million) in 2014–2015 (Department of Public Enterprises India, 2016); and only 43% of companies spend 2% or more (CRISIL, 2016). During the 5 years since CSR was made mandatory for CPSEs, only 67% of the targeted spend has been achieved spent as compared to 83% by private sector companies (CRISIL, 2016). This reinforces the finding of reluctance by CPSE managers in spending time and effort on CSR projects, thereby leading to the conclusion that there is a conflict to goal incongruence between GoI and CPSEs, signaling support for Proposition 1.

5.2 Sub-Optimal Project Selection Risk

Adverse selection leads to sub-optimal projects with respect to social coverage and outcome. Project selection in terms of CSR project type, size, and implementation agency choice is largely scoped and decided by the CSR selection committee of the CPSE and shaped by operational rather than strategic concerns. Short-term projects are preferred and justified as the organization itself gets evaluated on six monthly CSR targets.

> An MoU is there which states that every 6 months they will be monitored by the government official to review objectives. Marks and grades are given based on the targets fulfilled. All our projects are planned to complete in one year. We will not engage in projects which go beyond a year. (Participant of CPSE9)

Prior studies also evidence how CPSE managers are tempted to select less demanding and convenient infrastructure projects and avoid economically impactful projects. For example, Subramaniam et al. (2017) found that CPSEs commit to easily manageable CSR projects to escape bureaucratic government reviews and strict monitoring processes. Similarly, as noted by the participant from CPSE6: “80% of the projects are infrastructure-based. Revenue-based projects are discouraged.”

Further inquiry revealed that infrastructure projects are preferred as they entail lower monitoring costs, and in the case of the participant manager, building infrastructure was seen as being directly linked with personal career progress. Most infrastructure projects are less demanding to monitor and have high visibility and tangibility of outputs. On the other hand, economically impactful projects that may be more sustainable are neglected as they are difficult to justify for annual compliance purposes.

Several participant managers opined that their role is to perform well on the MoU scores and ratings, and somehow ensure they are not penalized due to noncompliance with the CSR mandate and hence choose projects that perform just well enough in meeting the policy requirements. Consequently, they tend to prefer projects that have easier compliance requirements and involve minimum reporting and monitoring costs. Other reasons for selecting non-impactful CSR projects emanate from a shortage of personnel with requisite CSR skills resulting in cases where managers with engineering or technological skills and inadequate social project management skills are entrusted with CSR projects. Besides, several managers reportedly have taken the easier route of doling out donations that is philanthropy with little concern for real social impacts, in other words, comply with the CSR regulations in letter rather than in spirit. CPSE11 manager, for instance, preferred to donate the CSR funds: "We have given equipment to disabled persons. . . one more is some educational awards, for kids. . . just conduct a competition and give awards. We give money [instead]."

Some managers held a risk-averse attitude to inherent community engagement problems. Smaller and short duration CSR projects are less challenging for reporting and evaluation whereas large, long-term, impactful projects have associated reputational risks and uncertainties. It is thus, not surprising that CPSEs may be oriented to achieve the compliance agenda by committing to less complicated projects with minimal concerns for larger CSR socially impactful projects.

> If you are not making a profit, then you cannot [continue funding CSR projects]. The problems are larger when you started some activities, and the profit dips. (Participant of CPSE12)

Thus, evidence of risk-averse behavior by CPSE managers was abundantly clear, supporting Proposition 2.

5.3 Opportunistic Behavior of CPSEs

The opportunistic behavior of CPSEs was not directly observable and was largely inferred from the participant managers' responses to various interview questions and prompts. In one case, the CPSEs were more concerned about their bottom line and did not want to take on managing a CSR project despite having the expertise. It appeared that the outsourcing option was preferred in another case to avoid adding to their human resource demands. For instance, the manager of CPSE13 noted:

> Our manpower cost is very high. We have 40 people; we consider it is very high. We want to minimize that number and outsource the project to somebody.

Subramaniam et al. (2017) reported how corporate governance is a missing link in CSR in CPSEs. Several managers in the present study seemed doubtful of the leadership of their CSR committee and cited inadequate support from top management, and the board and their unwillingness to commit high-quality human resources to this end. Lack of effective leadership led to sub-optimal impact in one case despite a sizable CSR budget being available. The following quote exemplifies the frustration with CSR leadership:

> Only [name of CPSE] have an executive director (ED) for CSR. Most CPSEs are reluctant to create the post of Executor Director because they do not understand the accountability and impact and reach of the man (Participant of CPSE4).

> These committees are only facilitating agencies, and sit once a month or once in 6 months. It is happening half-heartedly. Honestly, nothing happens. They are reluctant to get the CSR position… (Participant of CPSE5)

Notwithstanding the above cases, evidence for Proposition 3 appears to be limited.

6 Discussion of Results

A central issue in the principal–agent relationship is an alignment of the goals of the two parties, and a principal may use a mix of outcomes reinforced by incentives and monitoring. In SOEs, the government has substantial power to monitor and scrutinize the actions of agents but may lack the political will and resources (Song et al., 2015; Van Slyke, 2006). The GoI has set various requirements through the CSR policy and its MoU agreements with the CPSEs. This process can be helpful for the principal to structure contractual relationships where service delivery targets and quality are clearly articulated, and performance assessment procedures and adequate incentives are agreed upon. On the other hand, while the MoU parameters are generally activity- or outcome-based often reflected by business performance metrics such as sales targets, growth in sales, profitability, return on capital employed, and dividends, CSR projects are judged by the GoI on input metrics, e.g., usage of funds rather than social impact. Hence, the quality of CSR outcomes of CPSEs remains largely opaque to date.

Further, there are costs associated with monitoring for both the principal and the agent, which can be more expensive in SOEs. The mandated CSR policy's fairly detailed requirements for feedback on activities and budget spend through formal processes adds to the burden of bureaucracy, scarce resource availability for agents. As such, monitoring can be an intensive and costly process, both for DPE and CPSEs.

At present, the evaluation system for CSR focuses on monitoring through frequent and elaborate reporting and sanctions on nonfulfillment, emphasizing a compliance mentality rather than outcome orientation. We suggest that to minimize the agency risks and to align the interests of the CPSEs (agents) with interests of the GoI (principal), the MoU must incentivize the CPSEs at the organizational level and managers at the individual level by embedding the social performance into the formal MoU contracts.

7 Conclusion

The involvement of government in CSR results in a more complex ecosystem entailing complex stakeholder relationships with the potential for political ideologies to influence and bias the choice of CSR activities and the manner in which they are implemented. Consequently, the success of CSR is not just a simple act of adherence to a given set of mandated policies and guidelines but one where accountability for social impacts (rather than outputs alone) needs to be demonstrated.

The study on CPSEs in India employing the principal–agency framework provided an understanding of key issues affecting social outcomes from a unique regulatory setting within SOEs. Based on primary data from interviews of senior management leading CSR in CPSEs, insights into agency risks and costs encountered by GoI and CPSEs were obtained and threats to goal alignment and optimal project selection were seen to be related to sociopolitical, institutional, and national CSR policy requirements. Goal incongruence is visible as political goals and outcomes are central to GoI whereas CPSEs work toward the achievement of financial goals. Further, CPSEs tend to select short-term and potentially less impactful projects to meet the demands of the evaluation process with biannual targets. While opportunistic behavior by CPSEs is less evident, it is an issue that calls for rigorous examination. Based on the findings on the three propositions there is a felt need for CPSEs and GoI to work hand-in-hand to resolve the issues by shifting to an outcome-based control mechanism like in the case of business as opposed to the current behavioral monitoring, in order to meet the social goals of the nation.

The exploratory findings of this study provide a critical foundation for developing further knowledge and understanding of the efficacy of the Indian CSR ecosystem.

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Sustainable Public–Private Partnership (PPP) Projects in Colombia

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Abstract This chapter presents a conceptual model of the sustainable system approach in public–private partnership projects of infrastructure based on the literature overhaul for understanding PPP projects, risk mitigation, and social responsibility. A case study from Colombia gives indications that PPP projects are an effective means of funding infrastructure projects as well as a good illustration of collaboration between governance and the private sector, stating that corporate social responsibility or respectively business ethics is an important issue to avoid bribery.

1 Introduction

Infrastructure projects that attract investors able to provide large-scale financial investments are important in the development of a country's infrastructure. As dynamic systems, infrastructure projects have different possible phases, e.g., the contract negotiation phase; the design, construction, operation, and maintenance phases; and the phase of returning assets to the public sector at the end of the project. All elements such as pricing, procurement, stakeholder interactions, and delivery of material are interdependent. Minor changes in phases and project elements have the potential to affect the entire system (Beer, 1995). For example, unexpected changes during the project construction phase can affect the whole project and the resulting financial difficulties can cause delays and create huge risks for investors and other stakeholders. Public–private partnerships (PPPs) provide options for both risk sharing and cofinancing. Moreover, infrastructure projects are complex and dynamic, and contain complicated, uncertain, potentially elevated risks with profound impact on environment, economy, and society. Therefore, the perspective of corporate social responsibility (CSR) plays an important role within PPPs as it incorporates social and environmental concerns into business decisions and stakeholder interactions to create positive influences on these spheres (Commission of the European Communities, 2001).

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The PPP system is responsible for the social, environmental, and economic concerns of stakeholders including local communities, nongovernmental organizations (NGOs), general public, governments, operators, contractors, designers, suppliers, and employees (Zeng, Tam, Deng, & Tam, 2003). Issues concerning corporate social responsibility must be evaluated in advance according to business ethics, international standards, and local standards in order to avoid corruption. Moreover, the allocation and mitigation of risks in the whole project life cycle should be analyzed from the beginning, as investors in a PPP might be worried about risk exposure or legal costs coming up during the life cycle of the project. This chapter aims to understand the relationship between social responsibility and sustainability, risk allocation, and projects of infrastructure; specifically, the analysis covers public–private partnerships, which can be important alliances to facilitate financial investments and the allocation of project risks. The methodology for this research is a literature overhaul and analysis for understanding PPP projects, risk mitigation, system dynamics, and corporate social responsibility as well as the development of a conceptual model of sustainable PPP infrastructure projects; in this process, a case of study from Colombia is taken into consideration.

2 Part I: Understanding Infrastructure PPP Project Complexity

A PPP is a mechanism for cooperatively developing and financing an infrastructure project. Typically, public entities such as local governments or state agencies provide the opportunity for collaboration with private companies who manage the project. Governments, under this approach, invite tenders for a project and then award a company a long-term concession to finance, design, build, and operate an infrastructure asset. This is expected to lead to collaborations where both public and private sectors bring in their complementary skills, supporting each other. This mechanism of cooperation has often been adopted in international projects, particularly in developing countries although PPP is also used in developed countries, e.g., the UK, Austria, and Colombia. There is also the possibility that not only one but several private companies partner up with the public sector, building a private consortium. This is a joint venture of several organizations as facility managers, banks, investors, and suppliers, which hold a concession contract. As such, the private consortium is a vehicle that uses secondary contracts to finance, design, build, operate, and maintain an infrastructure project during the concession period, after which the project is transferred to the government (Ng & Loosemore, 2007).

Such a private consortium is expected to obtain the appropriate profit and return the asset to the government at the end of the consortium period. PPP vehicles are complex and dynamic systems, consisting of multiple interdependent elements; for that, they involve multiple feedback processes, nonlinear relations, and both soft and hard data (Sterman, 1992). During the construction phase, slight changes in the project can affect the entire system. For example, delays and cost overruns have significant impacts that result in problems with schedules and budgets. Such increasing costs of course lead to decreasing returns. Cost overruns of 100% to 200% are common and are reflected in low profitability, loss of market share, loss of reputation, costs of rework, increased turnover of managers and work force, lower productivity, and extra costs for litigation (Sterman, 1992).

Due to high risk in infrastructure projects, managers' decisions can decrease or increase project complexity: Problems can occur when managers operate by intuition, using subjective, unsophisticated management methods (Ng & Loosemore, 2007). When infrastructure projects are well managed, they both play an important role in the respective country's development and attract investors (Ng & Loosemore, 2007). In contrast, poor management on infrastructure projects potentially leads to problems. Moreover, those projects have long life cycles: Many PPP projects have concessional durations of about 30 years and high complexity. Due to that, setting up an appropriate concessional contract is crucial.

All investors who apply compete for best offer, best price, and best return. The project proposal should have an appropriate concession price: If the proposal is too high, other proposals are considered; if it is too low, the proposal represents losses for the contractor. The complexity of the tender arrangements and negotiations is the result of large numbers of stakeholder interactions, complex financial structures, and optimistic contracts. This can also lead to high transaction costs, necessary reworks, and significant time losses. In addition, there sometimes is a lack of both transparency and controlling for corruption during the negotiations. An example for the consequences is illegal payments to help a contractor win a certain project. In this case, ethics and norms/laws decrease the PPP system complexity and international principles can help to control corruption and bribery (Aei Agenzie Europea, 2011). Two specific risk areas, namely finance and stakeholders, are described in more detail in the next sections.

2.1 Risk Area: Finance

One specific risk of infrastructure projects, especially of civil infrastructure, is that they end in tremendous cost and time overruns representing an extremely significant danger for investors. There are several phenomena favoring such developments: knowledge decrease due to the "lower price principle," high expenses for claim and anti-claim management, growing number of disputes, distrust between clients and contractors, dissatisfied clients, low rates of return, and considerable risks of business failure for contractors (Riemann & Spang, 2014). In addition, during the project execution, sometimes the relation between the client and contractor is not cooperative, and the partners do not work together. Another complex problem of infrastructure project is that the expenditures might be too high for the private sector; this together with the risk of lower returns may lead to the need for the public sector to guarantee minimal returns (Ng & Loosemore, 2007).

2.2 Risk Area: Stakeholders

Additionally, complex situations within infrastructure projects might arise from difficult interactions between stakeholders and other actors; this has been reported as a main reason for project failure (El-Gohary, Osman, & El-Diraby, 2006). One way to decrease this complexity of the project is balancing the interests and involving all stakeholders in the decision-making process. Normally, the stakeholders (e.g., governments, operators, contractors, designers, suppliers, employees, investors, customers, and communities) are the actors who have direct or indirect relationships with the project; thus, solving their needs and demands is crucial to increase the probability of success in a project. The stakeholder concept became popular in management literature at the Stanford Research Institute in 1963; from the perspective of sustainability and corporate social responsibility, it is relevant to balance the interests of multiple stakeholders (Friedman & Miles, 2006). Corporations have obligations to both stakeholders and the society in which they operate (Hoffman, Frederick, & Schwartz, 2001).

According to the European Commission, sustainability is "when companies decide voluntarily to contribute to a better society and a cleaner environment" (Commission of the European Communities, 2001: 4) by integrating "social and environmental concerns in their business operations and in their interaction with stakeholders" (Commission of the European Communities, 2001: 6). Project managers should try to make the right decisions rather than making the easy decisions when they face situations of dilemmas in their decision-making process (Hoffman et al., 2001). The complexity of a project of infrastructure, especially organizational and environmental issues, brings challenges for sustainability and responsibility (Miller & Hobbs, 2005). Business ethics is a good framework for acting right, bringing transparence, and avoiding corruption in the decision-making process (Hoffman et al., 2001).

3 Part II: Colombian PPPs and the Conceptual Sustainable Model

Corporate social responsibility is gaining importance among corporate operations: a tendency of an organization to incorporate social and environmental considerations in its decision-making process and in the relation with the stakeholders (International Organization for Standardization, 2010). The stakeholders in PPP projects include NGOs, governments, operators, contractors, designers, suppliers, employees, investors, banks, insurers, and the general public (Zeng et al., 2003). These are multiple interdependent actors and can affect the entire systems' and the subsystems' dynamic at any time. It is an error to think that one element can be isolated. Complex systems have increasingly become a part of executive debate and dialog to help avoid judgment biases and systematic errors in business management decision-making (Senge & Sterman, 1994).

The World Commission introduced the first and most used definition of sustainability or sustainable development with the Brundtland Report in 1987: to fulfill the needs of the present generation without compromising the ability of future generations on meeting their own demands (World Commission on Environment and Development, 1987). The purpose of the World Commission was to address concerns about the deterioration of environmental and natural resources due to economic and social developments. Moreover, business decision-making processes sometimes open space for bribery, to which CSR frameworks can bring mechanisms of control and transparence to avoid corruption (Hoffman et al., 2001). There are many scandals about corruption in infrastructure projects: for instance, a scandal of the Brazilian construction company Odebrecht in 2017 in the Colombian infrastructure project Ruta del Sol, Sector 2, involving commission payments (Semana, 2018). CSR may help to prevent a disaster, to mitigate the risk, to control the pollution, and to create mechanisms of anticorruption (Crowther & Aras, 2008).

3.1 PPP Infrastructure Projects in Colombia

Colombia's PPP program, begun in 2010, is likely to start a new era of innovatively funded infrastructure projects (Gagan & Buendía, 2012). PPP projects are helping the country to develop infrastructure and to attract investors. Colombia utilizes some ideas from the UK in the creation of PPP projects. The British government, the second largest overseas investor in Colombia, has had extensive experience in PPP projects since the 1990s, including complete or partial privatization and joint ventures. In terms of financing, PPP contracts in the UK are made between public sectors and a special purpose vehicle, which brings together a group of private sector companies (often from the construction industry), including facility managers and financers. Financing is typically composed of 90% debt and 10% equity provided by the member companies. Bank financing is more common for small projects, and bonds issued with AAA rating are more common for big projects. In the PPP, the private sector provides better defined contracts, contract management, and design innovation, as well as long-term supervision of contractors (Spackman, 2002). A 2005 survey of risk allocations for UK PPP construction projects showed that macro- and microlevel risks usually are retained in the public sector or shared with the private sector, while the middle-level risks should be allocated to the private sector. However, there are some risks where the unilateral allocation is difficult to determine (Bing, Akintoye, Edwards, & Hardcastle, 2005).

The land area of Colombia has a surface area of 1.14 million km^2, approximately five times the size of the UK, and includes high mountainous areas (Gagan & Buendía, 2012). These factors impact the planning and design of infrastructure projects. Despite some security problems during the 50 years of conflict prior to the signing of the 2016 peace agreement, the country has had good infrastructure development. Since 2010, there have been important developments in the infrastructure sector, e.g., in 2010, the country passed a $90 billion measure to build infrastructure projects (Rodriguez, 2014). In 2011, Colombia initiated the fourth generation (4G) program to develop infrastructure. In 2017, the government awarded a concession for construction of La Linea, a tunnel connecting cities on the east and west sides of the Andes Mountains according to the Chamber of Infrastructure of Colombia. During the coming years, additional 46 concession projects using the PPP vehicle will be financed jointly by governments and private investors (Rodriguez, 2014). Building of infrastructure development will be a key driver in the next step of economic development. The Colombian economy, designated as a good performer, grew by 4.9% in 2013, with similarly robust growth forecast over the next 5 years (World Bank, 2017). Furthermore, Colombia is incorporating high policy standards for infrastructure, human rights, and investments. Since May 2018, Colombia is part of member states of the Organization for Economic Cooperation and Development (OECD) (OECD, 2018) In that way, Colombia is showing to the world that the country has high international institutional, economical, and social standards that give trustworthiness for foreign investors (Gomez, 2018).

Colombia has a well-defined scheme of national infrastructure PPPs. For instance, in the approval process for technical projects the Agency of National Infrastructure (ANI), a government agency, which is part of the Ministry of Transport and in charge of concessions through public–private partnerships, for the design, construction, maintenance, operation, and administration of the transport infrastructure in Colombia, has clear responsibility for risk valuation, monitoring of payments, and others. The agency works collaboratively with the Department of "Planeación Nacional" (National Planning) and the Transportation and Finance Ministries, which have responsibility for managing contingency funds and conducting tax analysis (Rodriguez, 2014). In terms of legislation, the Colombian government has developed new laws governing PPP infrastructure projects: Law 1508 regulates PPPs, presenting on 10 January 2012 an integral framework for PPP and establishing that a contract only can last up to 30 years, including extensions (Rodriguez, 2014). Table 1 gives an overview over the different regulative frameworks relevant for PPP projects.

Table 1 Additional frameworks of regulation (Cámara Colombiana de la Infraestructura, 2019; Departamento Nacional de Planeación, 2018)

Regulative framework	General description of the regulative framework
Law 1882 (2018)	Supporting strong public contracts and procurement
Resolution 1464 (2016)	Establishes requirements and parameters to be followed by the public entities responsible for the project development
Law 1753 (2015)	Issues the national plan for development 2014–2018
Law 1682 (2013)	Adapted dispositions for transport in infrastructure projects and granted new faculties
Resolution 3656 (2012)	Parameters and mechanisms to evaluate and to execute projects of public and private partnership

In terms of financing, Colombia is creating innovative products like financial asset portfolios to mobilize international actors. For the construction of 4G projects, mechanisms are developed to include the use of both US Dollars and Colombian Pesos (Youkee, 2018). Since December 2017, the Financiera Nacional de Desarollo (FDN), a national development bank, has approved 1.8 trillion billion Colombian pesos ($600 million) for different toll roads. In addition, the Colombian Development Bank opened a credit line of 250 billion pesos ($83 million) for the Spanish state-owned bank (Instituto de Crédito Oficial). Also, agreements with other lenders, including the Inter-American Development Bank and the China Development Bank, for Peso-dominated credit lines concerning to finance infrastructure projects have been signed (Youkee, 2018).

Moreover, Colombia is working with Goldman Sachs and the World Bank on developing financial instruments to cover extreme risks of devaluation. New products are expected to be ready by the end of 2019. Other financial instruments and diverse sources will be used from international banks and pension funds (Youkee, 2018).

According to the World Bank, Colombia has high standards of PPP operation and policy frameworks but needs improvements in the financial management and the definition of contracts regarding distribution and risk allocation (Youkee, 2018). Colombia has improved the expansion of the road network through the fourth generation (4G) projects. However, additional improvements are needed to balance risk allocation, and to initiate the development of the fourth generation concession, based on Law 1508, which has captured the interest of international investors (Neves, 2018). Infrastructure projects include airports, schools, the Bogotá-Metro, and extending the busses of public transportation, a metro bus system called Transmilenio. Colombia intends to work following the appropriate examples of UK PPP projects, which are created for the city and government, where projects are guaranteed to continue until the end of their construction, even if the government changes in between. For financing PPP projects, in general, Colombia wants to focus on financial markets and insurance issues to attract investors (Youkee, 2018).

A PPP project structure is based on eight basis steps (BSPPP) that facilitate project operation: (1) conceptual idea of the project; (2) feasibility studies if initial indicators are positive; (3) assignment of social and economic issues; (4) technical, financial, and legal structuring; (5) value analysis (supervised by the Minister of Finance and National Planning Development); (6) initial bidding process initiation; (7) finance budget analysis if the project is requesting fiscal endorsement (public funds); and (8) start of the PPP bidding process (Gagan & Buendía, 2012).

An example of a highway infrastructure PPP project to promote economic development is Ruta del Sol, both the first and the second parts (now called Puerto Salgar-San Roque) along with the third and final section for which the Colombian government awarded a $2.7 billion concession for the construction and expansion (Gagan & Buendía, 2012). The 1071 km Ruta del Sol highway connects the capital, Bogotá, with other large urban areas of the country's interior and the Caribbean Coast. When completed, Ruta del Sol is planned to foster the country's competitiveness in these sectors and improve road and travel conditions for passengers and goods. Ruta del Sol, initially defined by the government as a single project, was later divided into three concessions to allow adaptation to market conditions, in order to facilitate construction and financing, and to mitigate single-operator risk. The winner of the sector 1 concession is responsible for building a new 78 km double four-lane highway in mountainous terrain and for 7 years of maintenance. The winners of concessions for sector 2 (528 km) and sector 3 (465 km) will undertake road rehabilitation, the expansion to a double carriageway, and maintenance and operation for up to 25 years (Gagan & Buendía, 2012). The Public–Private Advisory Infrastructure Facility (PPIAF) and the IFC (International Finance Corporation), a member of the World Bank Group, will provide funding (Gagan & Buendía, 2012).

As bidding result, sector 1 was awarded to the Consortium of Vial Helios led by Colombia's Grupo Solarte and ConConcreto in partnership with Argentina's Lecsa. The contribution requested from the government was $770 million, 20% less than the maximum approved government contribution. Sector 2 was awarded to the Consortium of Ruta del Sol, led by Brazil's Constructora Norberto Odebrecht and the Colombian financial group Corficolombiana. The net present value of revenues requested totaled $1047 billion, which represent 6.5% less than the maximum allowed bid value. Sector 3 was awarded to Yuma Consortium, led by Italy's Impregilo and including Colombia's Bancolombia and the Proteccion Pension Fund. The net present value of revenues requested totaled $1039 billion for Sector 3, 9.5% less than the maximum allowed bid value (Gagan & Buendía, 2012). When the project concludes satisfactorily, it will provide significant results such as: (1) reduction of travel time, costs, and accidents; (2) linkage of agricultural, industrial, and urban centers with Caribbean ports to promote the country's competitiveness; and (3) serving as a model for future road and other infrastructure concessions in Colombia (Gagan & Buendía, 2012).

Recent scandals in the Brazilian Odebrecht construction company for bribery and corruption affected the project, and generated delays (almost one year) and cost overruns. An additional 100,000 million Colombian pesos (approximately $33 billion) were designated to restart the project in 2018, resulting in increased social and economic costs (Portafolio, 2018). In addition to the scandal of Odebrecht in sector 2, the project had difficulties with the Magdalena Medium-Commsa concessionaire terms in the technical issues (due to the difficult geography and heavy rainy season in the country) and operations during the execution of project, which according to Semana (2018) was due to lack of clarity and transparency in the contract. At the end of 2017, after nearly a one-year delay, the project restarted with a plan to carry out the work using five public tenders (Londoño Vélez, 2017). Reinforcement of ethics and the incorporation of CSR are integral to PPP schemes. Moreover, ethical principles (trust, trustworthiness, and cooperativeness) provide a significant competitive advantage (Jones, 1995).

In a public–private partnership fourth generation (4G), the World Bank's Transport Practice and the International Financial Corporation's Advisory Services in the World Bank are leading an effort to help Colombia address institutional challenges by strengthening legal and institutional frameworks to improve sustainable PPPs. The bank is also helping to improve the tender process by increasing transparency. To reduce the number of contracts, to prevent renegotiations, and to establish high standard for contracts, road construction, and service quality, the PPP 4G is working to improve risk allocation and to align incentives for all participants. Other key factors to the success of Colombian future infrastructure projects will be reasonable timelines, quality control, careful selection of technically viable projects, coordination through multi-stakeholder steering committees, and global promotion as a country that is open for business (Neves, 2018).

To improve the PPP vehicle for infrastructure projects in Colombia in terms of risk allocation, project pricing, financing, relations of public and private sectors, controlling bribery and corruption, this chapter proposes a conceptual sustainable system PPP project based on (1) balancing public and private sector interests; (2) risk allocation and mitigation classification; and (3) ethics/CSR/sustainability dimensions. In Colombia, there is a "Regional Developing Plan of Integration," which focusses on environmental and social issues to cover objectives of the Sustainable Millennium Developing Plan from the UN (Orozco, 2018).

3.2 A Conceptual Sustainable PPP Model for Infrastructure Projects

PPP projects are dynamic and complex systems due to multiple interdependent elements and stakeholders, including multiple feedback processes, involving nonlinear relations, and relying upon both soft and hard data (Sterman, 1992). New modeling approaches for infrastructure projects are required to effectively identify, collect, and understand all levels of project information (Costanza & Ruth, 1998). Behavioral models of complex systems frequently are used to support decisions on environmental investments and projects. The dynamic model is a tool for crossing the spatial gaps among decisions, actions, and results (Costanza & Ruth, 1998). These complex, interdependent characteristics furthermore are present in project subsystems such as negotiations, design, construction, operation and maintenance, and return of the assets to the public sector (Ng & Loosemore, 2007). The conceptual model must represent a system with these characteristics of complexity, clarify problems, highlight hidden assumptions, and make effective choices among alternative possible actions. In consequence, conceptual models represent the reality of a situation and describe (usually qualitatively) relationships between a few important variables. They simplify relationships and/or reduce resolution. For example, the ecological economy model of Brown and Roughgarden 1992 contains only three state variables (labor, capital, and natural resources) (Costanza & Ruth, 1998).

3.3 Components of the Model

To represent Colombian PPP projects, a conceptual model is proposed that focuses on three components: (1) balancing the interests of private and public sectors;

(2) allocating and mitigating risks; and (3) insuring an ethical business foundation based on international principles referring to CSR. Normally, an infrastructure project in Colombia is compounded by five phases, namely negotiation and tender price, design, construction, operation and maintenance, and return of the asset to the public. In these five phases, the three components are the umbrella of the project and promote a better decision-making process. The project is dynamic due to the system changing during time and the duration of such projects of at least 30 years. In this period, there are many interactions among stakeholders and many risks. The stakeholder interest satisfactions and risk allocation are crucial to control complexity. To reduce complexity, the key factors of success according to Zhang (2005) can be used. Moreover, the information from the Colombia case shows that the framework and regulation for PPPs is crucial to determine proper operation, correct risk allocation, and financing funds. In general, the country is using PPP vehicles as a suitable scheme for collaboration, putting together the expertise from both public and private sectors to work on infrastructure projects. Thus, this case study confirms that not only financing is important in PPPs, but also reinforcing ethics with international principles to avoid bribery and corruption is crucial.

3.3.1 Component 1: Balancing the Interests of Public and Private Sectors

Stakeholders are individuals or groups that can be affected positively or negatively by project success (Freeman, 1984). Stakeholders are increasing their awareness of the project's effects, and as a result are asking corporations to enhance CSR actions that can benefit society and the environment (Schneider, Stieglitz, & Lattemann, 2008). Nowadays, CSR practices recommend that companies identify key stakeholders and incorporate their needs and expectations into the corporation's strategic goals and decision-making processes (Hartman, Rubin, & Dhanda, 2007).

Problems concerning stakeholders' roles are a primary reason for PPP project failure (El-Gohary et al., 2006); stakeholders are involved in multiple feedback processes and increased project complexity due to interdependent components (Sterman, 1992). Balancing the interests of the stakeholders is highly important in achieving cooperation among the public and private sectors; important synergies can be created through issues such as community and environmental impacts, end-users' satisfaction, investors' profitability, design quality, time performance, contract management, and monetary costs, to improve efficiency (El-Gohary et al., 2006). Understanding stakeholders' input–output feedback is highly important in the project development process. Effective strategies are collecting stakeholder concerns and opinions as well as effective, trustworthy, and clear communication and interactions. A lack of transparency diminishes effective communication (El-Gohary et al., 2006); a lack of rigorous control systems may lead to bribery and corruption as shown in the scandals of the Brazilian construction company Odebrecht.

Depending on the specific requirements of the PPP project, administration can be the responsibility of the project owner (i.e., the public sector), designers, or the contractor (El-Gohary et al., 2006). Transparency and trust in PPP projects are vital for the success (El-Gohary et al., 2006). A primary stakeholder's interest in the private sector is to achieve a return on investment to generate sufficient cash flow to cover initial capital costs and finance charges so that adequate funds are available for investment in future projects and for payment of shareholder dividends. The main interest of the public sector is to ensure a high level of service that is also timely and efficient. The financial risk of obtaining the appropriate profit decreases by balancing the interests of stakeholders (Ng & Loosemore, 2007).

The model considers trust, cooperation, transparency, and two-way feedback (Sterman, 1992) in balancing the interest of public and private sectors, focusing on long-term relationships in the states of the system. For instance, the participation of all stakeholders during the construction phase: The regional and local design and construction stakeholders are concerned with the influence of activities of construction in their daily routine. Additionally, the controlling group is interested in evaluating and monitoring the entire project. On the other hand, in the planning and design phase of the project, all stakeholders are concerned in improving information and obtaining feedback. Thus, the communication regarding the feedback should be handled in two ways: (1) general process information should be shared with the team (for instance ideas about problem-solving), and (2) communication channels with local communities should be established if the construction activities affect them (El-Gohary et al., 2006). The creation of a proper contract based on cooperation, transparence, and feedback from the beginning, and defining clear responsibilities could minimize the misunderstanding among stakeholders and generate trust in the project.

3.3.2 Component 2: Risk Allocation and Mitigation

Project complexity increases the potential for significant risks in obtaining the expected results and outputs. The allocation of the relevant risks can be classified as project risks or general risks (Ng & Loosemore, 2007): Project risks are a responsibility of the project management team and include natural hazards, technical problems with the design plans and equipment, material procurement, organizational difficulties with subcontractors, manpower disputes with unions, contractual disagreements, and environmental drawbacks. General risk usually is the result of natural, political, regulatory, legal, and economic events in the general microenvironment and around the project. Standard & Poor's includes risks that can affect the creditworthiness of PPP projects, including credit risk of the public sector entity, construction risks, revenue structure, operating risks, and financial and legal structure that insures payback of borrowed funds (Ng & Loosemore, 2007). Grimsey and Lewis (2004) additionally mention public risk, assets risk, operating risk, sponsor risk, financial risk, and default risk.

Typically, the public sector partners define how the risk will be allocated among the parts of the PPP project. A recommended risk reduction strategy is to have the risk undertaken by an entity fully aware of the risk that possesses the authority to

Table 2 Types of risk (Grimsey & Lewis, 2004; Ng & Loosemore, 2007)

Risk type	Source of risk
Site risk	Site conditions, site preparation, and land use
Technical/construction risk	Cost overruns, delay in completion, and failure to meet performance criteria
Operational risk	Delays or interruptions and shortfall in the quality of services
Revenue risk	Increase in input services; changes in taxes, tariffs, and demand for output
Financial risk	Interest rate and inflation
Force majeure risk	Natural disasters
Regulatory/political risk	Changes in law, political interferences
Projects default risk	Bankruptcy
Assets risk	

manage the risk effectively and efficiently, has the capability and resources to cope should the risk occur, wants to undertake the risk, and is charging an appropriate risk premium (Grimsey & Lewis, 2004; Ng & Loosemore, 2007). This model takes into consideration the relevant risk for PPP projects proposed by Grimsey and Lewis (2004) and Ng and Loosemore (2007). Table 2 presents the respective types of risk.

Other additional sources of technical construction risks that could affect the PPP are: inefficient work practices, wastage of material, and delays in approval (Grimsey & Lewis, 2004). The risks are shared between investors, contractors, insurance companies, the public sector, and other stakeholders (Grimsey & Lewis, 2004).

The risk assumed by companies and investors is for instance revenues risk, which increases in input prices and contractual violations (Grimsey & Lewis, 2004). Normally, financial and operational risks remain with the public sector. In the PPP model, there is a purchase of a relatively risk-free long-term service and the government accepts no assets-based risk and does not pay or can reduce payments and compensations if the services are not delivered with appropriate quality and the standards defined in the agreements. The risk is distributed and shared by public and private sectors; the final risk allocation is reached along the general contract agreements: the risk shared between the public and private partners and risks retained by public client.

There are important instruments to decrease the financial risk at the level of the European Union, which could be considered in Colombia. For an overview, please see Table 3.

3.3.3 Component 3: Corporate Social Responsibility

Corporate social responsibility is practiced internationally and becoming a different alternative for conceiving and doing responsible business. As a result of the Lehman Brothers collapse in 2008 combined with the general financial crisis, a call for ethical actions has become more important for organizations and individuals, despite the

Table 3 European financial instruments (European Investment Bank, 2019)

Financial instruments	Description
EU 1.TEN-T	Funding opportunities that are also explicitly open to public–private partnerships (European PPP Expertise Centre, 2011)
EIB cofinancing	One of the largest EU sources to promote PPP projects for transport infrastructure is the European Investment Bank (EIB). The EIB is an EU long-term lending, not-for-profit institution owned by the member states that supports projects of European interest. All projects financed by the EIB must meet strict environmental and social standards and be tendered according to the rules presented by the EU (European Investment Bank, 2004)
EU innovative instruments	Currently, the Commission has set up a number of instruments aiming at supporting the provision of important transport infrastructure and addressing the financing gaps. The beneficiaries of these instruments are PPP projects facing difficulties in becoming bankable. In the last few years, the Loan Guarantee Instrument and the Marguerite Fund (MF) are very important examples

lack of a standard definition (Crowther & Aras, 2008). Although not a new concept (Carroll & Shabana, 2010), the modern era of CSR started in the 1950s with Howard R. Bowen's definition of social responsibility and its importance in guiding business in the future (Carroll, 1999). The CSR concept was improved in the 1960s with the birth of the environmental movement (Visser, 2010). Modern definitions view CSR as an answer to the effects of globalization. It is expected that capitalism will play a social role where the owners of organizations are not the only ones that can obtain benefits (Wanderley, Lucian, Farache, & de Sousa Filho, 2008).

CSR requires a long-term commitment because external circumstances are always changing, and stakeholders' priorities can vary (Cohen, 2010). It is a continuous commitment to behave ethically and contribute to economic development while improving the quality of life of people. CSR can bring tremendous benefits to companies and projects; while many view CSR as an added cost, integrating CSR practices in long-term strategies can bring a competitive advantage (Porter & Kramer, 2002) by diminishing the risk, creating client and employee loyalty, cost reduction, and long-term sustainability (Cohen, 2010). Social responsibility is defined by the International Organization for Standardization (ISO) as the "responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that: contributes to sustainable development, including health and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behavior; and is integrated through the organization and practiced in its relationships" (International Organization for Standardization, 2010: clause 2.18, p. 3).

Business ethics acting with international principles and values are crucial in the decision-making process as a good framework for acting responsibly, enhancing transparency, and avoiding corruption (Hoffman et al., 2001). This concept interweaves policy, corporate governance, government regulations, international norms, and principles such as OECD, ISO 14000, ISO 26000, and the United Nation principles (Aei Agenzie Europea, 2011). For example, the ISO 26000 refers to principles in seven different categories, including organizational governance, human rights, labor practices, environmental concerns, and community involvement. Those international conventions with the following criteria of social responsibility practices ensure an equitable balanced participation of the stakeholder groups in infrastructure projects:

- Human rights refer to fundamental principles of right at work issues about gender equality at work, discriminations, and vulnerable groups.
- Labor practices talk about conditions of work and social protections, social dialog, health and healthy working places, human developing and training plans in the work place.
- Environmental issues refer to water consumptions, energy and emission indexes, environmental management systems or certification to environmental, prevention of pollution, sustainability resource use, climate change adaptations and protections of the environment, restorations of the natural habitat and the topic of biodiversity (International Organization for Standardization, 2010). In projects, the constructor's environmental performance and strategic management are influenced by corporate policy (Zeng et al., 2003).
- Fair operating practices point out the topics of anticorruption, fair competitions, supplier selection and evaluation, fair trade and promoting CSR with their suppliers (International Organization for Standardization, 2010).

The model in Fig. 1 presents the conceptual approach of sustainability for PPP in infrastructure projects, where terms such as sustainability, CSR, and business ethics are used interchangeably. The model is an approximation to visualize graphically the components of the PPP systems to understand the interaction between the elements. For the specific case of Colombia, the distribution of the risks and the interaction between elements may vary upon the owner and the private sector. The model includes the three components with different characteristics: (1) Balancing public and private sectors includes variables of trust, cooperation, transparence, and feedback (the self-correction and self-reinforcing for prevention of safety hazards to community, harmonious communication, and good information disclose with the public (Sterman, 1992)); (2) allocation and mitigation of risks for appropriated distribution of risk between public and private sector (Grimsey & Lewis, 2004; Ng & Loosemore, 2007); (3) CSR/sustainability component refers to values, principles, corporate governance (Zeng et al., 2003) and integration of the international principles such as ISO 26000 and OECD guidelines to balance stakeholder interaction, and focus on environmental protection issues, green design-construction of infrastructure, and pollution treatment (Aei Agenzie Europea, 2011).

These components are represented in the model by light blue ovals and are involved during the different subsystems of the project and connected by arrows to indicate the flow of the system. In Colombia PPP project regulation is very strong and clear; the country has a framework of operation of OECD principles. Moreover,

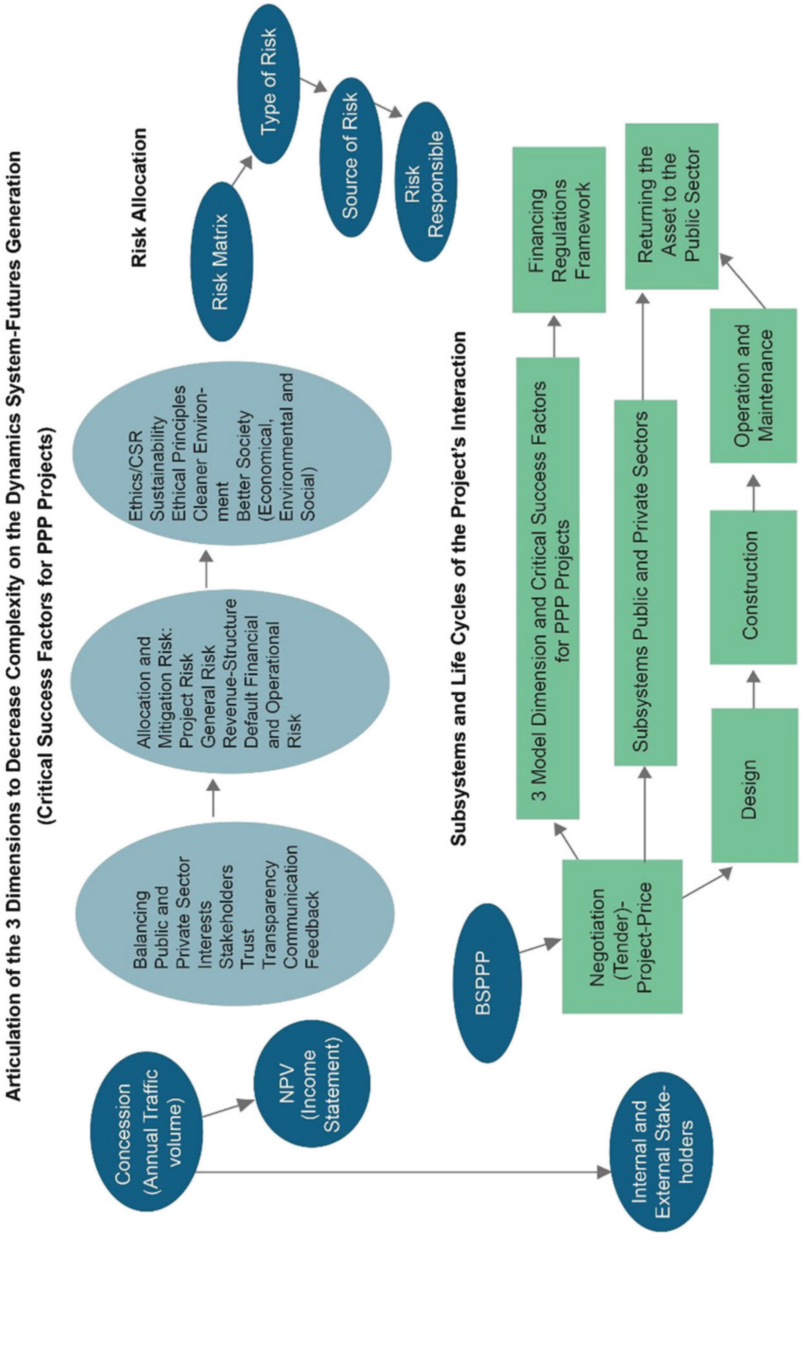

Fig. 1 Conceptual sustainable system PPP model (CSSPPPM)

the model conserves and takes the Basic Steps for a PPP in Colombia, as mentioned in Part II (Gagan & Buendía, 2012).

The BSPPP circle is part of the negotiations subsystem (where the procurement and contract are set up), which is represented by the first square in the lower left side and is an input for the system and needs to be checked in all cycles. The other squares show the additional subsystems: design, construction, operation and maintenance, and returning the assets to the public sector. They are connected among them by linear arrows to indicate the time order of the process. These subsystems represent the state of the system. In the subsystems, the feedback represents a process of learning among the stakeholders. In the superior part, the concession price diagram is located which has complex variables, huge data such as interest rate, loan interest, loan principles, construction investment, operating cost, minimal of attractive rate of return, concession period total income, advertising income, tax rate, governmental subsidy, and annual traffic volume (Yelin et al., 2012).

These variables are considered mainly in the negotiation cycle but need to be controlled and inspected also during the entire project because of the dynamics and complexity and the possible changes that may occur in the system (delays, overruns, etc.) and the fact that these variables can have significant impact on costs. Due to the infrastructure project including large scale of engineering and construction components, the model could assist the project management to reduce complexity and to manage the system more effectively. By avoiding errors early or identifying them in advance it is possible to prevent overcost, the costly rework, overtimes, hiring, schedule delays, or reduction of scope and quality. The consequences of these difficulties include poor profitability, loss of market share and reputation, increasing turnover in management and work force, lower productivity, higher costs, and costly litigations between customers and contractors over responsibility for overruns and delays (Sterman, 1992).

To create a sustainable infrastructure project, the model takes into consideration the critical success factors and sub-factors proposed by Zhang (2005). The critical success factors are favorable investment environment, economic viability, reliable concessionaire consortium, sound financial package, and appropriate risk allocation. A favorable investment environment is based on a stable political system, a favorable economic system, an adequate local financial market and predictable currency exchange risk, reasonable legal framework, government support, as well as a supportive and understanding community: *In the Economic viability success factors*, in the long-term demand for product or services, a generation of enough revenues and long-term cash flow is expected especially affecting the liquidity of the project. Another important critical success factor is a: *reliable concessionaire consortium with strong technical strength*. In this part the appropriate organization structure, good relationships and technical skills of the work team and the stakeholders such as government authorities are crucial. Other success factor is *the financial package* that considers the sub-criteria of financial analysis, investment, payment, schedules, and appropriate toll/tariff in others. Additionally, the proper risk allocation will establish the concession and shareholder agreements, and the guarantees from the public sector that will facilitate the execution of project (Yelin et al., 2012).

4 Part III: Conclusion

The Conceptual Sustainability Complex System model for PPP Projects is based on three components/dimensions: (1) balancing stakeholder's needs; (2) risk allocation and mitigation; (3) an ethical/CSR/sustainability foundation. As it was illustrated by the experience in PPP project infrastructure in Colombia, and the critical success factors for PPP projects suggested by Zhang (2005), infrastructure projects are very dynamic due to multiple stakeholders which can include local communities, NGOs, public entities, governmental organizations, operators, contractors, designers, suppliers, and employees (Zeng et al., 2003). Interactions of the stakeholders change over time and any changes affect not only the output but the entire system. The system manages high amounts of data and typical projects' lifespan of 30 years. If the model is considered, some other benefits can be accrued, including: (1) development of stakeholder's consensus and client ownership, leading to shared commitment and decision-making; (2) becoming a learning organization leading to better decision-making; and (3) improved project execution and lessened risk.

Additionally, the Colombian case study demonstrates that strong regulation of operations combined with well-structured financing instruments is crucial to build the project. The Colombian experience has shown that PPP projects are an effective means of funding infrastructure projects and that corporate social responsibility and principles are fundamental in avoiding corruption and bribes, especially because this unethical behavior causes big social and economic impacts (El Espectador, 2018). In the allocation and mitigation of risk component, some financial instruments that were developed by the European community and the UK could be useful in the funding process for the project. PPP collaboration and inclusion of PPP expertise is resulting in greater likelihood of project success.

The corporate governance, regulations, policy, strong legal framework, international principles' focus on human rights, transparence, and available information are the foundation of the system, a fundamental part to avoid and fight corruption and bribery, as well as external auditing. Ethical principles such as trustworthiness, transparence, and cooperation can result in significant competitive advantages (Jones, 1995). The establishment of very strong risk classifications for the project and appropriate risk allocation lead to better execution and more sustainable projects. The government is the owner of the project asset and is responsible for the guarantee of project implementation with excellent quality promoting transparence and access to information; the private sector should guarantee quality construction. The conceptual sustainable system PPP model is very convenient to build and finance the project sharing a risk and getting convenient reward. For future research work, software will be implemented to facilitate the management of PPP system dynamics.

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The Buffering and Backfiring Effects of CSR Strategies During a Crisis: A US Perspective

Camilla Barbarossa and Patrick E. Murphy

Abstract This chapter investigates the question if CSR has buffering or backfiring effects when CSR-practicing corporations are involved in a crisis regarding corporate social irresponsibility (CSI). First, the notion of CSI is described, examining the emotional and evaluative processes that lead consumers to engage in negative behaviors against wrongdoing corporations. The notion of CSR as a possible moderator of the above processes is then introduced. Theoretical and empirical evidence that support both the buffering and backfiring effects for CSR-practicing corporations facing a crisis are reviewed, and the main findings are discussed.

1 Introduction

Corporate social responsibility (CSR) is considered a major priority for US boards of directors (Ernst & Young, 2018), as well as one of the most studied notions in the marketing and business ethics literature (Murphy & Schlegelmilch, 2013; Öberseder, Schlegelmilch, & Murphy, 2013). Previous research has investigated the effects of CSR in ordinary consumption contexts and has demonstrated that CSR elicits consumer emotions of gratitude, favorable evaluations, and socially desirable behaviors (e.g., positive word of mouth, identification with the company, and loyalty) toward CSR-practicing corporations (Bhattacharya & Sen, 2004; Sen, Du, & Bhattacharya, 2016; Xie, Bagozzi, & Grønhaug, 2015). More recently, research has also investigated the effects of CSR in critical, extraordinary contexts, such as corporate misconduct. Specifically, research has sought to assess the effects of pre-crisis and post-crisis CSR initiatives on consumer responses to corporate social irresponsibility (CSI) and wrongdoing companies (Kim & Lee, 2015).

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However, while there is an acknowledgment of the positive effects for corporations of developing CSR initiatives in ordinary consumption contexts, there is disagreement on whether CSR has positive or negative effects when CSR-practicing corporations are facing a crisis. Some research supports the notion of CSR having an insulation effect against the negative consequences of a critical event, so that CSR-practicing corporations might show higher resistance to negative information and suffer less reputational damage (Chang & Chang, 2015; Joireman, Smith, Liu, & Arthurs, 2015; Klein & Dawar, 2004; Vanhamme & Grobben, 2009; Xie et al., 2015). Other research affirms CSR having an aggravating effect on the negative consequences of a critical event, so that CSR-practicing corporations might suffer higher reputational damage and receive harsher negative reactions (Fragale, Rosen, Xu, & Merideth, 2009; Vanhamme, Swaen, Berens, & Janssen, 2015; Wagner, Lutz, & Weitz, 2009). The disagreement on whether CSR buffers or backfires the harmful effects of a crisis remains a highly debated issue (Kim & Lee, 2015).

This issue has relevant practical implications for the strategic development of effective pre-crisis and post-crisis CSR initiatives, and the maximization of these initiatives' return on investment. When investing in CSR, practitioners should be conscious of the CSR initiatives that best insulate the corporation from the consequences of a potential crisis. Similarly, if a company is faced with a crisis and decides to use CSR initiatives as a corporate crisis response strategy, practitioners should be aware of the effectiveness of different CSR activities in minimizing the negative consequences of a crisis.

The chapter addresses this topic. First, the notion of corporate social irresponsibility (CSI) is described, examining the emotional and evaluative processes that lead consumers to engage in negative retaliations and punitive actions against wrongdoing corporations. Second, the notion of CSR as a possible moderating variable of the above processes is introduced. Specifically, this book chapter provides theory and reviews empirical evidence supporting both the CSR-positive (i.e., buffering) and CSR-negative (i.e., backfiring) effects for CSR-practicing corporations facing a crisis. Third, some conceptual and empirical works are reviewed, aiming at reconciling the divergent perspectives and research findings. Finally, the main findings that emerge from the literature are discussed, implications for practitioners are drawn, and emerging directions for future research are suggested.

2 Corporate Social Irresponsibility and Consumer Responses

Corporate social irresponsibility can be defined as a corporate decision to accept an alternative that is thought to be inferior to other alternatives when the effects upon all parties are considered, and which generally involves a gain by the corporation at the expense of the total system (Murphy & Schlegelmilch, 2013).[1] In recent years, the development of a more stringent legislation (e.g., US Consumer Product Safety Commission, 2011) and the augmented concern for the societal and environmental impact of corporate conduct have contributed to draw the attention of governments, practitioners, mass media, and the public at large to a number of corporate illicit behaviors, ethical and social transgressions, and environmental scandals. Some CSI cases that gained significant attention in North America or that involved American corporations are reported below.

In 2000, Bridgestone-Firestone Inc. recalled 6.5 million Firestone tires because the tires seemed unusually prone to losing their tread at high temperatures, which caused 271 fatalities and over 800 injuries in the USA (National Highway Traffic Safety Administration, 2001). In 2017, Samsung recalled its Galaxy Note7 phones because of 92 cases of batteries overheating, including 26 reports of burns and 55 reports of property damage (Mullen & Know, 2016). In the same year, IKEA recalled millions of chests and dressers in the USA and Canada because a dresser had tipped over and fatally crushed a 2-year-old child during naptime (BBC, 2017).

In 2015, two *New York Times* reporters—after interviewing 100 current and former Amazon employees—described the "giant" American electronic commerce and cloud computing company as an often cutthroat workplace, where senior managers were encouraging their subordinates to attack one another's ideas during meetings, giving instructions on how to send secret notes about colleagues, or where workers with serious diseases, or other personal issues were penalized or pushed out (Kantor & Streitfeld, 2015). In 2017, the company was blamed for forcing its drivers in the UK to deliver 200 parcels per day with no time for toilet breaks while earning less than minimum wage (Wayburton, 2017), or because of workers collapsing on the job after 55-hour workweeks (Agerholm, 2017).

In 2016, Wells Fargo & Company, an American multinational financial services company headquartered in San Francisco, was fined $185 million by the US government for setting up millions of deposit and credit card accounts that harmed customers (McCoy, 2016). Later, in 2018, the company was blamed for greedy offshore practices (The Stand, 2018). In April 2018, the company announced the layoff of more than 70 local workers at their Vancouver call center, which followed the trend of nearly 700 American layoffs at call centers across North America. While initially excusing the temporary layoffs with changes in consumer behavior and the implementation of new digital tools, the domestic layoffs were in truth related to the company's expansion in the Philippines (The Stand, 2018).

United Airlines Inc., a major US company headquartered in Chicago, has been blamed for a pattern of misconduct over the past decade. In 2012, a customer service staff member was accused of insulting an Iraq war veteran, who had just returned

[1] Lange and Washburn (2012) propose three primary factors underlying CSI attributions: effect undesirability (which is based on threat avoidance, moral impulses, and norms of moral behavior), corporate culpability (which is based on inferences of causality and judgment of moral responsibility), and (directly and indirectly) affected party non-complicity.

from Iraq with a traumatic brain injury and severe post-traumatic stress disorder (Hibbard, 2012). In 2017, United security members violently dragged one passenger from a plane, who refused to leave an overbooked flight (Victor & Stevens, 2017). In 2018, the company was blamed for the death of a dog that was put inside an overhead bin on a three-hour flight, following a long series of animal injuries and deaths on United flights (Almasy & Jones, 2018).

The amplified importance attributed to CSI by governments, practitioners, mass media, and the public at large is also reflected in scholars' increased interest in the notion of CSI. Adopting a consumer behavior perspective, CSI has been increasingly analyzed across a number of empirical contexts, such as unfair employee treatment (Grappi, Romani, & Bagozzi, 2013a), offshore practices[2] (Grappi, Romani, & Bagozzi, 2013b), aggressive tax avoidance (Antonetti & Maklan, 2016), environmental disasters (Xie et al., 2015), unethical destination incident (Breitsohl & Garrod, 2016), food safety scandals (Barbarossa, De Pelsmacker, Moons, & Marcati, 2016), and product-harm crises (Barbarossa, De Pelsmacker, & Moons, 2018; Cleeren, Dekimpe, & van Heerde, 2017; Grappi, Romani, & Barbarossa, 2017; Haas-Kotzegger & Schlegelmilch, 2013, 2017). This literature mainly investigates the different responses that consumers exhibit toward CSI and wrongdoing companies, and it converges on the fact that consumers who are exposed, directly (e.g., consumers are the target of the company's misbehavior) or indirectly (e.g., consumers are aware of the corporate misconduct by media or word of mouth), to CSI generally exhibit negative emotional, evaluative, and behavioral reactions toward the issue causing the scandal and the companies involved (Hoffmann & Müller, 2009).

Regarding consumers' negative emotional responses and subsequent behaviors, previous research grounded on cognitive appraisal theory of emotions (Lazarus, 1991) reveals that CSI records engender moral emotions in people who are directly or indirectly exposed to them (Grappi et al., 2013a, 2013b; Xie et al., 2015). Haidt (2003: 853) defines moral emotions as those "that are linked to the interests or welfare either of society as a whole or at least of persons other than the judge or agent". Among these emotions, the group of "other-focused" emotions with the negative valence of contempt, righteous anger, and disgust has received significant attention. Contempt is defined as a negative emotion of superiority toward others due to their social or ethical conduct. Righteous anger is a painful feeling and a desire or impulse for revenge, caused by appraisals of others' unjust actions. Disgust is defined as something "revolting," which is triggered by behaviors appraised as impure. These emotions represent insidious variables that companies should carefully monitor. In fact, differently from more internalized emotions identified in the psychology literature, such as sadness or fear, which may induce observers to passively terminate their relationship with the wrongdoing agent, contempt, righteous anger, and disgust lead observers to

[2]As Grappi et al. (2013b) note, while offshoring is often justifiable as a pragmatic and legitimate business decision, it can however evoke negative ethical or moral responses domestically, because it may cause job losses, salary stagnation, decreased GDP growth, increased poverty, and even product quality and data security concerns.

actively "move against" an offending party and engage in severe punitive actions (e.g., negative word of mouth and boycotting) (Tangney, Stuewig, & Mashek, 2007).

Following this thinking, Grégoire, Laufer, and Tripp (2010) analyzed consumer responses to serious service failures and found that anger drives consumers' desire for revenge, which in turn impacts both direct revenge behaviors (e.g., marketplace aggression, vindictive complaining) and indirect revenge behaviors (e.g., negative word of mouth, online complaining for negative publicity). Braunsberger and Buckler (2011) investigated the case of the 2005 Canadian seafood boycott and found that anger toward seal hunters was one of the main motivators to boycott Canadian seal-based products. Grappi et al. (2013a) examined consumer reactions to both ethical transgressions (e.g., a company using child labor to produce chocolate) and social transgressions (e.g., a big retailer negatively affecting the livelihood of a local community), and found that emotions of contempt, anger, and disgust mediate the relationship between the appraisal of the transgression and a number of negative behaviors (e.g., protest behaviors and negative word of mouth) over and above the effects of sadness and fear. Finally, Antonetti and Maklan (2016) provided respondents with the case of a chemical spill attributed to corporate irresponsibility and found that anger toward the corporation significantly drives consumer stakeholders' retaliation.

Regarding consumers' negative evaluative responses and subsequent behaviors, previous research grounded on attribution theory (Folkes, 1984; Weiner, 2000) reveals that attributions play a pivotal role in understanding consumers' evaluative responses to CSI (Grappi et al., 2017). This literature shows that consumers use Weiner's (2000) causal variables of attribution (i.e., locus, stability, and controllability) to form attributions of blame toward a company involved in a scandal. Locus is defined as the extent to which consumers perceive the company, rather than other parties (e.g., suppliers, trade associations, governments, or consumers) to be the direct source of a crisis. Stability is the extent to which consumers perceive the negative event as an isolated versus recurrent occurrence in the company's life. Controllability is the extent to which consumers believe the company could versus could not have predicted the negative event. This literature demonstrates that the more consumers perceive the locus to be internal, and the misconduct to be recurrent and under the company's control, the more they blame the company for the scandal (Barbarossa et al., 2016; Klein & Dawar, 2004). In turn, the more consumers blame the company for the crisis, the more they develop a negative attitude toward the company at fault and engage in some negative behaviors. For example, they are less willing to (re)purchase the company's products after the scandal (Barbarossa et al., 2018) and to forgive the wrongdoing company (Xu, Leung, & Yan, 2013).

In this regard, Klein and Dawar (2004) presented respondents with the case of an oil company involved in an environmental disaster and found that blame attributions significantly mediate the relationships between locus, stability, and controllability and consumer purchase intentions during the scandal. Xu et al., (2013), in the context of a serious product failure, found that higher attributions of blame lead to lower intentions to forgive the company and give it a second chance. Barbarossa et al. (2016, 2018), in the contexts of a food safety scandal and a product-harm crisis, found negative and significant relationships between blame attributions, attitude toward the company's products, and purchase intention.

3 The Moderating (Buffering Versus Backfiring) Effect of CSR

Overall, the literature reviewed above suggests that consumers who are exposed to CSI develop negative emotional reactions, make inferences about company culpability, and finally develop negative attitudes and engage in punitive behaviors against a wrongdoing company. However, previous research also shows that this process is not straightforward. Conversely, a number of individual-, brand-, or context-related moderating variables [e.g., consumers' ethical beliefs (Vassilikopoulou, Siomkos, Chatzipanagiotou, & Pantouvakis, 2009); prior expectations of a company (Dawar & Pillutla, 2000); commitment to a brand (Ahluwalia, Burnkrant, & Unnava, 2000); brand familiarity (Dawar & Lei, 2009); a crisis's relevance (Dawar & Lei, 2009); and the reputation for quality (Grunwald & Hempelmann, 2010)] might intervene in the process and alter the direction or strength of the relationship between consumers' appraisal of CSI and their emotional, evaluative, and behavioral responses.

Among these variables, this chapter focuses on one specific moderator: CSR. The chapter sheds light on whether, in which direction, and to what extent consumer awareness about a company's CSR initiatives might moderate their responses toward a company during a crisis (Lin, Chen, Chiu, & Lee, 2011). This issue is of pivotal importance because research has shown divergent results on the (positive versus negative) effects of CSR on consumer responses toward a CSR-practicing corporation facing a crisis and its subsequent reputational damage. Whether CSR is an antibiotic or a hemlock cup in times of crisis remains unclear (Kim & Lee, 2015; Sohn & Lariscy, 2015). Specifically, some questions remain unanswered. Can CSR have an impact on consumer responses toward a wrongdoing company? If yes, does CSR strengthen or weaken consumer retaliations against the company? Can CSR have an impact on a wrongdoing company's reputational damage? If yes, does it have "buffering" or "backfiring" effects? Should companies involved in a scandal communicate their pre- and post-crisis CSR efforts? Do significant differences on consumer responses occur between the effects of CSR initiatives that are developed before and after any crisis?

The following sections are devoted to answering these questions. Theory and empirical evidence supporting the buffering and backfiring effects of CSR initiatives in a time of crisis are first described. Then, attempts to reconcile the two perspectives are proposed.

3.1 CSR "Buffering" Effect: Supporting Theory and Empirical Evidence

A rather consistent number of studies suggest that practicing CSR can protect companies from the negative effects of a crisis (Koh, Qian, & Wang, 2014; Vanhamme & Grobben, 2009). Compared to other firms, CSR-practicing corporations facing a crisis are supposed to encounter less severe consumer responses and lower reputational harm. This is because CSR operates for the company as an “insurance policy” against the negative impact of critical events (Kang, Germann, & Grewal, 2016; Klein & Dawar, 2004).

Similar research—based on the demonstrated positive and strong correlation between CSR and corporate reputation—supports the value of a positive reputational standing in times of crisis (Galbreath, 2010; Stanaland, Lwin, & Murphy, 2011). For example, Jones, Jones, and Little (2000) analyzed the share price fluctuations following the 1989 stock market crash and revealed that companies with good reputations suffer significantly less decline in market value compared to those without positive reputational standing. Empirical work conducted in laboratories found similar results (Coombs & Holladay, 2006; Dawar & Pillutla, 2000; Grunwald & Hempelmann, 2010).

The theory of cognitive dissonance (Festinger 1957), as well as the related notion of the halo effect (Nisbett & Wilson, 1977) applied in attribution theory, are suitable theoretical frameworks to explain the “buffering” or “insulation” effect of proactive CSR initiatives in times of crisis (Kim & Choi, 2018).

The theory of cognitive dissonance (Festinger, 1957) posits that consumers strive to maintain internal cognitive consistency when confronted with incongruent stimuli. Individuals are not always willing to revise their initial expectations in the face of unexpected events. At the occurrence of an unpredicted situation, individuals might selectively pay attention to information that is consistent with previously held beliefs (path dependence of impression formation), weigh unequally different pieces of information, and tend to confirm their preexisting beliefs (confirmation bias) to avoid cognitive discomfort (Nickerson, 1998; Skowronski & Carlston, 1987). Following these lines, in the occurrence of a corporate scandal involving a “doing good” company, consumers—to avoid cognitive dissonance—might be more likely to refrain from negatively revising their positive impressions of the company, and to overlook or forgive the wrongdoing company for its misconduct. Conversely, when a non-CSR-practicing corporation is confronted with a crisis, the process of cognitive dissonance might not occur, the confirmatory bias effect might not take place, and more severe responses and higher reputational damage might be observed (Godfrey, Merrill, & Hansen, 2009; Grunwald & Hempelmann, 2010).

Similarly, Cho and Kim (2012) and Eisingerich, Rubera, Seifert, and Bhardwaj (2011) found that consumers exhibit a stronger resistance to negative information and a lower intention to take actions against a wrongdoer when the company has a strong CSR-based reputation. Similarly, Wigley and Pfau (2010) and Williams and Barrett (2000) determined that “doing good” reduces the reputational damages caused by product-harm crises and even by criminal activities.

The related notion of the halo effect also contributes to explaining the buffering effects of proactive CSR initiatives in times of crisis. A halo effect is defined as the bias due to a measure that spills over to another measure (Nisbett & Wilson, 1977). That is, it represents the tendency of individual perceptions about an entity’s characteristics to spill over into perceptions of unrelated characteristics about the same entity.

Klein and Dawar (2004) have shown a halo effect of consumers' prior beliefs about the company's position on CSR onto their attributions about a product-harm crisis. These authors assumed that a company's CSR efforts expand into consumers' perceptions of a company's warmth, trustworthiness, altruism, and care toward others and that these associations are unconsciously activated during a crisis when consumers make attributions of responsibility for the critical event. In two studies—using both fictitious and factual brands that are reported to have caused an environmental disaster—Klein and Dawar (2004) found that, for proactive CSR-practicing corporations, consumers perceive the locus of the crisis as less internal (i.e., the direct responsibility of the environmental scandal is more attributed to external agents), and the environmental accident as less recurrent (i.e., it represents an isolated occurrence in the company's life) and less controllable (i.e., the company could hardly predict and control the incident).[3] Consequently, consumers attribute lower blame attributions to a CSR-practicing corporation that is involved in a scandal, which in turn leads to lower reputational damage (i.e., higher brand evaluations) and higher willingness to (re)purchase the brand in the future.

3.2 CSR "Backfiring" Effect: Supporting Theory and Empirical Evidence

Some studies present a completely different picture of CSR-practicing corporations facing a crisis. These studies hypothesize a significant backfiring effect for proactive CSR-practicing corporations facing a crisis (Dean 2004; Janssen, Sen, & Bhattacharya, 2015). Similarly, several related publications raise concern about the possibility that a good reputation might backfire and inflict even more severe damage to firms (Sohn & Lariscy, 2015). These researchers argue that, due to elevated public expectations, companies of good repute might bear an extra burden of paying higher costs when confronted with a crisis, relative to those that have a poor reputation or no name (Dean, 2004; Grunwald & Hempelmann, 2010; Lyon & Cameron, 2004). Overall, this literature hypothesized that proactive CSR-practicing corporations might receive harsher consumer responses and bear higher reputational damage when a crisis occurs than non-CSR-practicing corporations.

Expectancy violations (EV) theory (Jussim, Coleman, & Lerch, 1987) can be used as a theoretical framework to understand and explain the backfiring (or boomerang) effect of "doing good". In contrast to cognitive dissonance theory, EV theory argues that individuals do not discount the disconfirming information. Rather, pre-interaction expectancy held by individuals is likely to be juxtaposed with behaviors of target objects. The target's violation of the expectancy functions as a motivational trigger for cognitive processing, thus influencing the post-interaction

[3]In Study 2, Klein and Dawar (2004) found that the hypothesized halo effect is significant only for CSR-sensitive consumers.

evaluation of the target in such a way that expectations disconfirmation leads to higher interaction outcomes than does conformity to expectations.

Hence, when a company exceeds consumers' expectations about its commitment toward people and the natural environment, consumers might increase their expectations about the company's future commitment (Bundy & Pfarrer, 2015). Indeed, Janssen et al. (2015) found that consumers have higher expectations toward CSR-practicing corporations relative to non-CSR-practicing corporations. Because CSR increases consumer standards about a company's conduct, in the occurrence of misconduct, consumers are more likely to perceive a larger magnitude of a negative expectancy violation for CSR-practicing corporations than for non-CSR-practicing corporations. Consequently, according to the principle of the higher corporations are, the harder they fall, CSR-practicing corporations are more likely to face consumers' more cruel punitive responses and suffer more severe reputational damages (Fragale et al., 2009).

Lin-Hi and Blumberg (2018) have noted that the backfiring effect of CSR in the occurrence of a crisis is comparable to the phenomenon of the "liability of good reputation." This phenomenon reveals that corporations with strong (weak) reputations for quality suffer a greater (smaller) loss in market share following a product recall. Likewise, CSR is likely to create a liability of responsible behavior that ultimately yields more severe reputational damages in the event of misconduct. In this regard, Dean (2004) has shown that an inappropriate response to a product-harm crisis leads to diminished attitudes toward the wrongdoer when the latter benefits from a favorable "doing good" reputation. In a similar vein, Sohn and Lariscy (2015) have found that consumers show fewer positive attitudes toward wrongdoing companies for firms with a "doing good" reputation than for corporations with a poor "doing good" reputation.

4 Contingent Factors and Attempts to Reconcile the Different Perspectives

The literature examined above supports both the notions of a buffering effect and a backfiring effect of CSR in times of crisis, as well as the relevance of both cognitive dissonance theory and expectancy violation theory as theoretical frameworks to assess consumer reactions toward CSR-practicing corporations facing a crisis.

These conflicting findings do not clarify whether CSR might function as a buffer or backfire in times of crisis (and, therefore, which theory provides a better explanation of reality), nor whether CSR yields both buffer and backfire effects (and, therefore, when one effect will emerge over the other).

In the attempt to solve these inconsistencies, scholars have recently called for more research on exploring the conditional cues (i.e., contingent factors) that might reconcile the two different perspectives and research findings (Kim & Choi, 2018; Lin-Hi & Blumberg, 2018; Sohn & Lariscy, 2015; Vanhamme et al., 2015).

Contingencies seem necessary to shed light on the specific conditions under which the buffering versus backfiring effects for CSR-practicing corporations facing a crisis occur. Literature in this domain is still rather limited and fragmented. Recent studies that represent significant attempts to reconcile the different perspectives are reviewed below.

4.1 Type (Ability Versus Morality) of a Crisis

Sohn and Lariscy (2015) have suggested that it is the type of crisis that provides diagnostic contextual cues that initiate divergent cognitive processing among consumers, thereby resulting in buffering versus backfiring effects for CSR. Specifically, these authors have applied the concepts of corporate ability (CA) and corporate social responsibility to the organizational crisis domain and investigated how the CA versus CSR categorization of crisis cues presents a boundary condition that determines opposing consumer responses toward wrongdoing CSR-practicing corporations. When confronted with ambivalent information in a crisis (i.e., positive reputation versus negative crisis), consumers take the crisis type (i.e., CA versus CSR) as a diagnostic cue and undergo biased cognitive processing that selectively focuses on either positive or negative information. If a crisis calls into question a firm's ability to perform, a firm's positive reputation may serve as a firm-specific interpretive frame associated with positive beliefs about the company's predisposition to generate values for the future (Pfarrer, Pollock, & Rindova, 2010). To maintain cognitive consistency, these beliefs lead consumers to ignore or discount seemingly less diagnostic negative information, therefore generating the so-called "buffering" effect of reputation. These results are in line with previous research showing that, with ability categories, negative performance can be attributed to multiple factors, including fatigue and lack of motivation, whereas positive performance (success) is more clearly indicative of ability, so that ability categories are defined more in terms of positive than negative performances, and positive performances are perceived as more diagnostic.

Conversely, if a crisis involves issues of morality or integrity or violation of other socially approved norms, negative information appears more diagnostic for understanding the situation and is not ignored. Rather, the negative information sends an alert to consumers whose expectancy about norms is violated. Therefore, consumers punish the violator to a greater extent, as the expectancy theory predicts. The higher the expectancy in which the culprit company is held by consumers, the greater the deterioration in their attitudes toward the company is expected, resulting in the so-called "backfiring" or "boomerang" effect of reputation. These results are in line with previous research showing that, with morality categories, positive behaviors might be attributed to multiple factors, including conformity and ingratiation, whereas negative behaviors are more clearly indicative of morality. Consequently, morality categories are defined more regarding negative than positive performances, and negative performances are perceived as more diagnostic.

Overall, Sohn and Lariscy (2015) work indicates that, in a corporate ability crisis context (e.g., product recall), cognitive dissonance theory provides the best explanation and predictive power, and that a CSR "buffering" effect is supported. Conversely, in a corporate morality crisis (e.g., unfair employee treatment or consumer fraud), EV theory provides the best explanation and predictive power, and thus a CSR "backfiring" effect is confirmed.

4.2 Congruence Between a Crisis Issue, Pre- and Post-crisis CSR Initiatives, and Attribution of Motives

Other authors have suggested that it is the attribution of a company's motives to engage in CSR that provides diagnostic contextual cues that initiate divergent cognitive processing among consumers, thereby resulting in buffering versus backfiring effects for CSR. Previous literature shows that consumers might attribute two prominent motives for a company to engage in CSR initiatives: an intrinsic motive (i.e., the altruistic motive of the serving society) or an extrinsic motive (i.e., an egocentric profit-making motive) (Becker-Olsen, Cudmore, & Hill, 2006). When consumers attribute mainly altruistic rather than profit-making motives to a CSR-practicing company, they perceive the CSR cause as more credible, develop more favorable attitudes, and exhibit higher purchase intentions toward the CSR-practicing corporation (Becker-Olsen et al., 2006; Rifon, Choi, Trimble, & Li, 2004).

Along these lines, consumer attributions of corporate motives to engage in CSR initiatives might determine the CSR "buffering" versus "backfiring" effect in times of crisis. Reactive (i.e., post-crisis) CSR initiatives might be perceived differently than their proactive (i.e., pre-crisis) counterparts. Consumers might be more skeptical when a corporation engages in post-crisis CSR initiatives because these initiatives can be seen as an attempt to clear a marred reputation. Attribution of stronger extrinsic motives to post-crisis CSR initiatives might, in turn, lead to unfavorable evaluations of the company and negative behavioral intentions (Ellen, Webb, & Mohr, 2006; Groza, Pronschinske, & Walker, 2011; Yoon, Gürhan-Canli, & Schwarz, 2006). Overall, these findings suggest that consumers judge more favorably pre-crisis rather than post-crisis CSR initiatives, and that post-crisis CSR initiatives can add fuel to a crisis fire.

However, Kim and Choi (2018) have argued that these pronouncements can be counterbalanced by considering the notion of "congruence" or "perceived fit." The perceived fit is defined as a perceived similarity, relatedness or link between two social objects (Lee, Park, Rapert, & Newman, 2012). Furthermore, Kim and Choi (2018) have identified three levels at which congruence can be assessed: (1) Between a pre-crisis CSR initiative and a crisis issue; (2) Between a post-crisis CSR initiative and a crisis issue; (3) Between pre-crisis and post-crisis CSR initiatives.

The first level addresses the congruence (versus incongruence) between a pre-crisis CSR initiative and a crisis issue. In this regard, Wagner et al. (2009)

have found that if a company becomes involved in a crisis that relates to the CSR domain conducted before the crisis, consumers might show more negative responses toward the company rather than toward a company facing a crisis that is unrelated to the pre-crisis CSR domain. Indeed, consumers might attribute high hypocrisy to the wrongdoing company because the corporation is blamed for misconduct that shares the same domain of the practiced pre-crisis CSR activity. Overall, these findings suggest that consumers judge more (versus less) favorably pre-crisis CSR initiatives that are incongruent (versus congruent) with the crisis issue.[4] Pre-crisis CSR initiatives that are incongruent with a crisis issue might, therefore, buffer the negative effects of a crisis.

The second level pertains to the congruence (versus incongruence) between a post-crisis CSR initiative and a crisis issue. Consumers might respond more favorably to post-crisis CSR initiatives that are congruent with the crisis issue. This is because they might perceive the congruent post-crisis CSR initiative as a commitment to eliminate the source of the incident (i.e., remedial action) and to invest in "avoiding doing bad" for future times in a consistent manner (Lin-Hi & Blumberg, 2018). Conversely, if the company reacts to the crisis by developing CSR initiatives that are incongruent with the crisis, consumers might perceive these efforts as a manipulative attempt to dilute the connection between the company and the misconduct, circumventing presumed responsibility. Such perceptions might lead consumers to respond more negatively to the corporation and post-crisis CSR initiative. Overall, this literature suggests that consumers judge more (versus less) favorably post-crisis CSR initiatives that match (versus mismatch) a crisis issue. Post-crisis CSR initiatives that are congruent with a scandal issue might, therefore, buffer the negative effects of a crisis.

The third level of analysis addresses the congruence (versus incongruence) between pre- and post-crisis CSR initiatives and further combines the two levels of congruence mentioned above. Kim and Choi (2018) have investigated how consumer responses are influenced by the congruence (versus incongruence) between pre-crisis and post-crisis CSR initiatives. They found that if a company becomes involved in a crisis that matches the company's pre-crisis CSR initiative, a post-crisis CSR initiative should not be consistent with the pre-crisis CSR activity. In fact, when a company has engaged in CSR and faces a crisis congruent with the pre-crisis CSR domain, this match suggests corporate hypocrisy to consumers, thus adversely affecting consumers' attitudes toward the company (Wagner et al., 2009). Given this context, if the company maintains the same CSR as a corporate communication strategy to respond to the crisis and rebuild its reputation, it is likely to face stronger perceptions of corporate hypocrisy, skepticism toward the post-crisis CSR, attributions of profit-making motives, and negative attitudes toward the company. Conversely, if a company is faced with a crisis that is unrelated to the pre-crisis CSR

[4]Vanhamme et al. (2015) also found that that the buffering effects of pre-crisis CSR initiatives unrelated to the crisis issue are strengthened (versus weakened) when pre-crisis CSR communication is transmitted through company-controlled (versus third-party) sources.

initiative, the pre-crisis CSR activity will buffer the crisis' negative effects on consumers' evaluations (Vanhamme et al., 2015). Under this condition, the company should, therefore, maintain the same or similar CSR domain as that previously conducted, because consumers will be more likely to attribute more credibility and appreciate the company's consistent CSR engagement. Furthermore, launching a new CSR campaign inconsistent with the pre-crisis CSR will be viewed as an obvious persuasive tactic to reduce consumer blame and restore the corporate reputation. Overall, this literature suggests that post-crisis CSR initiatives buffer the negative effects of a crisis, (1) when they are incongruent with a pre-crisis CSR initiative if the latter matches the crisis issue; and (2) when they are congruent with a pre-crisis CSR initiative if the latter does not match the crisis issue.

5 General Discussion, Implications, and Propositions for Future Research

CSI is observed across various empirical contexts, such as unfair employee treatment, offshore practices, aggressive tax avoidance, environmental disasters, food safety scandals, and product-harm crises. Consumers respond negatively to wrongdoing corporations that are involved in CSI: they feel negative moral emotions (e.g., contempt, righteous anger, and disgust), make attributions of culpability (e.g., locus, stability, controllability, and blame), develop unfavorable evaluations (e.g., attitudes), and engage in retaliatory behaviors (e.g., negative word of mouth, boycott, lower purchase intention) against wrongdoers.

However, this process is not straightforward. Some moderating variables might intervene in the process and alter the direction or strength of the relationship between consumers' appraisal of CSI and their responses. Among the existing moderating variables, this chapter has focused on consumers' appraisal of CSR. Extant literature has demonstrated that perceptions about a company's commitment to CSR affect subsequent consumer responses toward the company during a crisis. This literature has not consistently assessed what the direction of this moderation is; whether and when CSR might buffer or backfire the negative effects of a crisis remains unclear.

Attempting to solve this inconsistency, scholars have recently drawn attention to the conditions (i.e., contingent factors) under which the buffering versus backfiring effects of CSR might occur. For example, they considered the type of the crisis (i.e., CA versus CSR crisis), the timing of the CSR initiative (i.e., pre- vs. post-crisis CSR initiative), the motives attributed to a company's commitment to CSR (i.e., intrinsic versus extrinsic motives), and the congruence (versus incongruence) between pre-crisis and post-crisis CSR initiatives and a crisis issue.

Some findings reveal that, when a crisis is determined by a lack of corporate ability (versus morality), a pre-crisis CSR initiative buffers (versus backfires) the negative effects of a crisis (Sohn & Lariscy, 2015). Based on these results, managers should pay particular attention to managing a crisis that consumers perceive to be caused by a lack of corporate morality (e.g., greedy offshore practices, unfair employee treatment, and consumer fraud) as a negative bias occurs for this type of crisis. To minimize the negative effects of the misconduct, post-crisis communication strategies might consider depicting the crisis issue as a sporadic, unplanned incident that has been caused by a temporary lack of corporate ability, as well as at focusing on the company's previous CSR efforts and CSR-based positive reputation.

Other research also suggests that, when a company is involved in a scandal that is not congruent with a previous CSR initiative, consumers infer a "doing good" halo effect when making attributions of responsibility, and pre-crisis CSR buffers the negative effects of the crisis. Conversely, when a company is involved in a scandal that is congruent with the company's previous CSR initiative, consumers perceive higher corporate hypocrisy, and pre-crisis CSR backfires the negative effects of the crisis. These results offer useful insights to understand consumer reactions to some well-known "doing good" corporate scandals, such as the 2015 Volkswagen scandal. Interestingly, before the scandal, Volkswagen was considered as a leader in CSR and ranked the 11th best company globally for its CSR work (Reputation Institute, 2014) and the 16th best global green brand for its commitment to environmental protection (Interbrand, 2014). However, in 2015, the US Environmental Protection Agency (EPA) issued a notice of violation of the Clean Air Act to German automaker Volkswagen Group. The EPA found that Volkswagen had intentionally programmed turbocharged direct injection diesel engines to activate their emissions controls only during laboratory emissions testing. This produced the vehicles' NOx output to meet US standards during regulatory testing but emit up to 40-times more NOx in real-world driving. Volkswagen installed this "defeat device" in about 11 million cars worldwide, and 500,000 in the USA, in model years 2009 through 2015 (https://wiki2.org/en/Volkswagen_emissions_scandal). The consistency between previous CSR initiatives and the crisis issue (together with the extra aggravating factor of the crisis being caused by a lack of corporate morality) has led to significant consumer distrust, enhanced perceptions of hypocrisy, and the harsh negative reactions against the company. A recent article entitled *When Virtue Leads to Villainy* (Effron & Conway, 2015) perfectly shows how expectancy violation theory can be applied to this scandal.

Hence, how should companies respond with post-crisis CSR strategies? Should they communicate their post-crisis CSR efforts or not? If yes, what should be the content and domain of post-crisis CSR initiatives? Overall, compared to incongruent initiatives, the literature suggests that post-crisis CSR initiatives that are congruent with the crisis issue are welcomed more favorably by consumers. Congruent post-crisis CSR initiatives are perceived as a consistent solution to solve a crisis issue and a concrete way to comply with stakeholders' requests, thus buffering the negative effects of a crisis. In this regard, let us recall the 2012 scandal faced by United Airlines because one of its crew members was blamed for having offended an Iraq war veteran with disabilities (Hibbard, 2012). In 2015 the company has promoted a program called Veteran Recruiting, in which a United talent acquisition team sought veterans (including veterans with disabilities) from all branches of the military to bring their talents and skills to United for various positions. Based on the literature reviewed above, the consistency between the 2012 crisis issue and the company's post-crisis CSR activity, this seems the most effective solution to mitigate the negative effects of the crisis. Similarly, in 2011, Asia Pulp & Paper (APP), one of the world's largest paper and pulp companies, was blamed for having destroyed one of the most delicate ecosystems in Indonesia, the peat swamp forests of Kampar Peninsula in Sumatra (Greenpeace USA, 2013). The scandal led some large retailers to stop carrying tissue products made with APP fiber, and it also caused a huge protest by multinationals, environmental organizations, and consumer associations. In the aftermath of the scandal, the company developed the Forest Conservation Policy, where it committed to zero deforestation and to restoring one million hectares of rainforest across Indonesia in partnership with various environmental groups, such as WWF and Greenpeace (Greenpeace USA, 2013). Again, based on the congruence between the crisis issue and the company's post-crisis CSR activity, APP's post-crisis strategy seems the most effective solution to mitigate the negative effects of the scandal.

However, previous literature also indicates that the abovementioned buffering effects are counterbalanced in cases of congruence between pre-crisis CSR initiative and crisis issue. Based on these findings, managers should consider developing new post-crisis CSR activities or post-crisis CSR activities that are unrelated to the pre-crisis CSR initiative and the crisis issue. For instance, Starbucks is considered one of the most well-known "doing good" companies and corporate activists. Specifically, the company addressed racial inequalities by developing the Race Together project. However, after the development of the campaign, the company was embroiled in one of its largest scandals to date, after two black men were arrested for trespassing in a Philadelphia coffee shop when they were waiting for a business associate without immediately making a purchase. Video of the incident quickly went viral, and a protest was organized, including boycotts. In the aftermath of the scandal, Starbucks issued an apology for what it called a "reprehensible outcome" and further announced that nearly 175,000 workers in the US would receive racial-bias training (Hyken, 2018). Whether this initiative seems, at first sight, an effective post-crisis CSR strategy, the abovementioned literature questions the effectiveness of this choice. This solution could backfire and add fuel to the crisis. As Kim and Choi (2018) noted, this possible backfire effect might explain the post-crisis decision made by Kentucky Fried Chicken (KFC) after a 2014 scandal. Before the scandal, KFC undertook major efforts in developing a food safety campaign. Unfortunately, a KFC US supplier was later accused of supplying rotting meat to the fast-food chains in China and falsifying product expiration dates. KFC, therefore, chose to discontinue their pre-crisis CSR campaign and instead initiated a new CSR initiative, focused on promoting public welfare (The Financial Times, 2014). Initiating a CSR activity in a different domain allowed KFC to decouple the association between the post-crisis CSR initiative on the one hand, and the pre-crisis CSR initiative and the crisis issue on the other hand, thus reducing consumer skepticism and mitigating the negative effects of the scandal.

Despite the considerable contributions reviewed in this chapter, the research that aims at assessing the buffering versus backfiring effects for CSR-practicing corporations facing a crisis remains rather fragmented, and some directions for future research emerge.

First, previous literature has widely demonstrated that consumers exhibit emotional, evaluative, and behavioral responses when appraising CSI. However, whether the buffering vs. backfiring effects for CSR-practicing corporations are consistent across the different consumer responses (i.e., emotions, evaluations, and behaviors) needs to be further investigated (Hegner, Beldad, & Kraesgenberg, 2016).

Second, prior studies have demonstrated that the crisis type (CA versus CSR crisis) moderates the effects of CSR in times of crisis. However, besides the distinction between accident versus transgression, CSI records can be clustered in other domains, such as illicit behavior, moral misconduct, product recall, and environmental disaster. Different crisis domains might stimulate different consumer reactions. Furthermore, consumer perceptions about a company's commitment to CSR might interact with a crisis issue based on the domain of the crisis. More research is needed to address these issues.

Similarly, existing findings should be replicated in different industries and countries, thereby enhancing their internal and external validity. Industries are characterized by different levels of risk, and scandal episodes might be more or less frequent in specific industries relative to others. Future research is now needed to assess whether pre-crisis or post-crisis CSR initiatives interact with the type of industry and the recurrence of the scandals in an industry. That is, whether CSR plays a stronger or weaker role in high- versus low-risk industries, as well as in industries were scandals are more versus less frequent. Similarly, cultural dimensions and moral foundations indicate country- and individual-orientations toward specific subjects, respectively. Countries with different levels of risk avoidance or masculinity, as well as fairness or purity, might interpret misconduct differently. Similarly, countries might pay greater attention to CSR initiatives that are congruent with their main cultural orientations. Hence, how cultural dimensions and moral foundations determine whether CSR buffers versus backfires the effects of a crisis is open to investigation.

Finally, the existing literature has mainly investigated the notion of congruence between a pre-crisis and a post-crisis CSR initiative and a crisis issue. However, many companies now simultaneously engage in a portfolio of different CSR initiatives. Consequently, consumers form impressions and evaluations of a company's reputation as a result of a mix of CSR activities. Therefore, the concept of congruence should be reconsidered and embedded in a more realistic context that includes a portfolio of coexisting CSR initiatives. Besides the notion of congruence, future research should also investigate the notion of the prominence of a CSR initiative and how closely it relates to a firm's business.

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Part IV
CSR Projects

Under the Mango Tree: Sustainable Livelihood Approach to Poverty Reduction Through Beekeeping

Sneha Senapati

Abstract This case study shows how RBL Bank in India fulfilled its CSR mandate. The company implements a beekeeping project in rural Indian areas, aiming to reduce poverty and to have a positive impact on society, in general. This project is described in detail and insights into the evaluation of the project's impact are given.

> If the bee disappeared off the surface of the globe then man would only have 4 years left to live. *Albert Einstein*

1 Background

In India, the concept of corporate social responsibility (CSR) is governed by Section 135 of the Companies Act 2013.[1] The CSR provisions within the Act are applicable to companies with an annual turnover of INR 1000 crores[2] ($144 billion[3]) and more, or a net worth of INR 500 crores ($72 billion) and more, or a net profit of INR 5 crores ($720,000) and more. The Act encourages companies to spend at least 2% of their average net profit in the previous 3 years on CSR activities. The Companies Act 2013 has brought the idea of CSR to the forefront and is promoting greater transparency and disclosure (Fig. 1).

In accordance with the provision of Section 135 of the Companies Act 2013, Ratnakar Bank Limited (RBL Bank) has constituted a corporate social responsibility

[1] See http://www.mca.gov.in/SearchableActs/Section135.htm

[2] INR 10,000,000 = 1 crore

[3] The conversion rate for the whole chapter is based on data from April 15, 2019. The values in US Dollars are rounded accordingly.

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Fig. 1 Farmer installing the bee box (own picture)

committee of the Board for spearheading its CSR efforts, supported by an executive steering committee and the working committees.

RBL Bank's philosophy is to undertake socially useful programs for welfare and sustainable development of the community at large. We believe in working for the benefit of different segments of society and, in particular, in taking care of deprived, underprivileged people, as well as of people with limited abilities. The key objective of our CSR policy includes operating our business in an economically, socially, and environmentally sustainable manner by taking up projects that benefit communities at large and generate goodwill for the bank as a positive and socially responsible corporate entity.

As part of our CSR strategy, in line with the aims and objectives specified above, the following thrust areas have been identified:

- Promoting education
- Promoting health, including preventive health care
- Promoting gender equality and women empowerment
- Rural development and sustainable livelihood

For achieving our CSR objectives under the sustainable livelihood pillar, RBL Bank aims to create and enhance livelihood opportunities for rural people. For the same, RBL Bank supported Under the Mango Tree Society's Bees for Poverty Reduction programme, which aims to improve livelihoods of small and marginal tribal farmers through low-cost sustainable beekeeping with the indigenous *Apis cerana indica* bee.

2 Project Profile

RBL Bank partnered with the Under the Mango Tree Society (UTMT) for the Bees for Poverty Reduction project. This project was implemented to strengthen the livelihoods of 250 tribal families from the Valsad district in Gujarat (see Fig. 2) by

Fig. 2 Map of India (retrieved from maps.google.com, location added by the author)

providing practical and hands-on beekeeping along with monthly capacity building and follow-up technical support to help them become better beekeepers over a period of 1 year. By introducing beekeeping and cross-pollination of farmer crops' by the bees, the crop yields are expected to increase substantially, leading to improved food security and increased income from the sale of honey and beeswax. An increase of 20 to 30% in farmer incomes is expected by the end of the project.

Why Is It Important to Save the Bees?

As quoted by Nair (2015), "Bees are dying throughout the world due to various factors, one of them being the use of insecticides called neonicotinoids that are banned in the European Union, but continue to be used in India. Scientists estimate that globally, the survival of over 80% of plant species depend directly on pollinating insects, and more specifically on bees. Four of the main food groups on our plate—fruits, vegetables, pulses, and oilseeds—need bees for pollination. Because they are sensitive to their environment, bees are considered as bio-indicators, and a decline in their population is expected to have a dramatic impact on our biodiversity and food security. UTMT's model boosts the depleting bee population in the project areas by encouraging bee-friendly wild plants and discouraging chemical farming."

Ref: Author: Anirudh Nair, First appeared in: Sanctuary Asia, Vol. XXXV No. 4, April 2015.

3 Broad Issues Addressed by the Project

The UN's Development Programme classifies over 75% of India's Scheduled Tribe[4] population as multidimensionally poor. The tribal communities are highly reliant on subsistence agriculture. In addition, due to systemic marginalization faced by these communities, they have little or no access to technical support to improve agricultural practices or develop alternative skills. Thus, it becomes critical to look at strategies to help them make the best possible use of their land, increasing their agricultural productivity in a sustainable fashion. Under this project, small and marginal farmers living in primarily tribal Dharampur and Kaprada, which are blocks of the district of Valsad, and other districts in the state of Maharashtra are being trained on beekeeping.

[4]Scheduled Tribe is an official designation for indigenous communities. According to Article 342 of the Constitution, the Scheduled Tribes are the tribes or tribal communities or part of or groups within these tribes and tribal communities which have been declared as such by the President through a public notification. The essential characteristics of these communities are primitive traits, geographic isolation, distinct culture, shy of contact with community at large, and economically backward. See also http://tribal.nic.in/Content/DefinitionpRrofiles.aspx

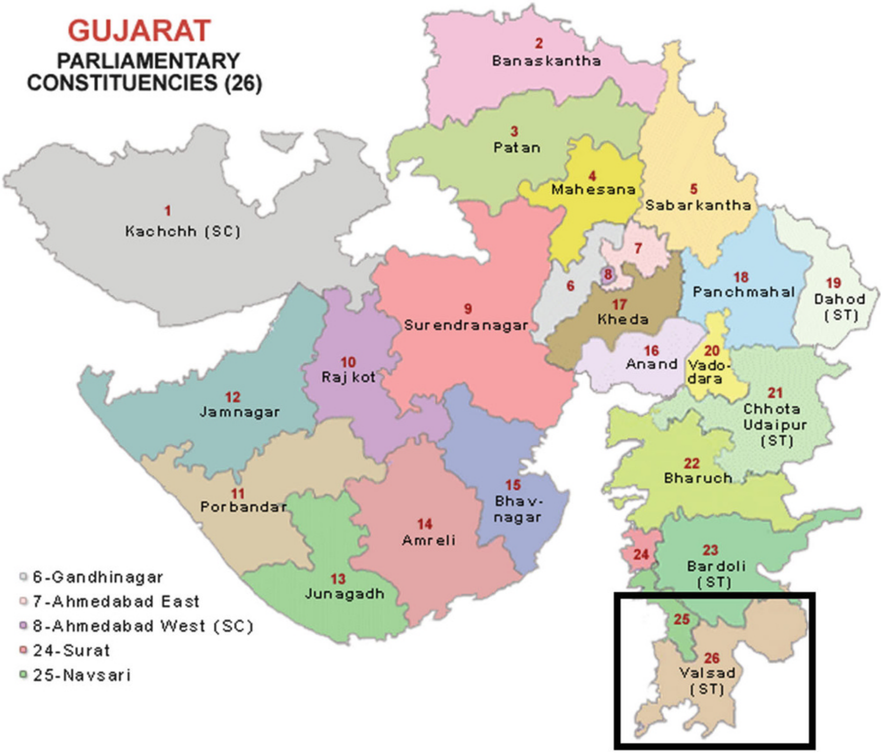

Fig. 3 Project site Valsad Gujarat (retrieved from https://www.electionsinindia.com/gujarat/parliament-lok-sabha-constituency-elections on April 15, 2019)

4 Geographical Operation Area

The project is based in 12 villages across Dharampur and Kaprada blocks of Valsad district in Gujarat (see Fig. 3). These blocks were chosen based on an overall assessment on aspects such as bee flora, prior knowledge of bees, and need for livelihood diversification. These blocks also had subsistence agriculture as the predominant type of occupation and a significant Scheduled Tribe population.

5 Duration of the Project

The program started in 2015 in Valsad district, Gujarat. The duration of the project was 1 year. In the next financial year, the project was replicated in Dhule district in Maharashtra.

6 Objectives of the Project

The objectives of the project were as follows:

- Provide training, handholding support, and beekeeping kits (bee boxes, honey extractors, and bee veils) to 250 tribal farmers.
- Intensively develop capacities of master trainers by imparting knowledge of advanced beekeeping skills.
- Pilot low-cost, environment-friendly mud-hives.
- Undertake a targeted intervention with bee flora to add more seeds and saplings for the bees.
- Generate awareness about beekeeping through wall paintings and night video sessions.
- Develop new techniques for increasing the bee population.

7 Stakeholders of the Project and Their Roles

The implementation of the project is undertaken by the Under the Mango Tree Society, which is registered as a society under the Maharashtra Societies Registration Act 1860 and the Bombay Public Trusts Act 1950. The Under the Mango Tree Society independently carried out all project implementation activities. However, UTMT and RBL Bank undertake frequent stakeholder engagement exercises. The core project team reviews project progress and triggers the initiation of new employee volunteering initiatives from time to time. Additionally, site visits are conducted by RBL Bank to review the actual benefits being received by the beneficiaries on-ground. The updates from the review are shared with the Board on a quarterly basis.

8 Need Assessment of the Project

Since UTMT has been active in the region for a substantial time, no formal need assessment study was carried out for this project. However, a preliminary assessment of locations was conducted to identify regions with a high percentage of Scheduled Tribe and below poverty line population, assess the local community's familiarity with bees, and to obtain information on seasonal flora in the area. This was followed up by a baseline study, which included parameters such as measure of agricultural productivity and prevalence of honey hunting amongst other practices.

9 Project Activities

The project started with a preliminary assessment of the identified location using surveys, free trainings, and feedback sessions to identify the target beneficiaries. This was followed by a baseline study of the selected beneficiaries. As part of the community mobilization initiatives, 38 wall paintings were drawn up in village common areas and nearly 1330 farmers attended night video sessions. Thereafter, training sessions were implemented for 250 farmers across 12 villages. During the training, technical support was provided to the farmers on the maintenance of bees and setting up bee boxes, etc. Fifteen master trainers were identified and trained on advanced beekeeping skills. For the master trainers, intensive training employing demonstrations, audio–visual inputs, formal training, and seasonal hand-holding were conducted. Master trainers also underwent practical testing of skills toward the end of their training.

To promote apiary development in the chosen region, equipment for setting up of 50 bee boxes including stands, shades, and two honey extractors were provided. Infrastructure for the Beekeeping Resource Centre was also upgraded with the aim of making it a knowledge hub providing services such as information dissemination, provision of technical inputs and equipment, honey collection and aggregation, etc. To raise productivity of farmlands and introduce diversification, a targeted intervention was carried out, as a part of which 2400 saplings and 375 kg of seeds of key agricultural crops such as rice, til, adusi, tuvar, niger, drumstick, lemon, and coconut were distributed to 100 farmers to increase the bee flora. A low-cost, environment-friendly innovation, replacing bee boxes with mud-hives, was piloted during this term of the project. 250 farmers were trained in building mud-hives that mimic the natural habitat of bees. This reduced the cost burden further to practice beekeeping.

10 Sustainability Plan of the Project

The project is environmentally sustainable as the indigenous bee *Apis cerana indica* is locally available and efficiently pollinates the crops grown by the farmers. This is known to enhance agricultural yields by an average of 30–60% and to promote crop diversification, thereby increasing household food security and generating marketable surpluses which translate to household cash earnings. In the second year, after beekeeping training, an additional stream of income from the sale of honey and beeswax is also created.

Right from conception, RBL Bank laid significant emphasis on building requisite mechanisms for strengthening the capacities of the community organizations and individuals to continue beekeeping in the future. The project involved carrying out awareness sessions on a large scale to involve other community members with allied services and roles such as colony spotters, natural colony transfer experts, and carpenters for building bee boxes. The underlying theme has been to inculcate all related skills for beekeeping within the community. The master trainers have developed specialized technical skills and now provide training and handholding support to over 300 beekeepers in 15 villages across Dharampur and Kaprada in Valsad and 50 beekeepers in Chhindwara and Mandla, both districts of the state Madhya Pradesh. Some master trainers have been trained to provide bee boxes on rent, thereby increasing their earning capacity. An apiary has been developed as part of this project, which acts as a local resource center and can provide opportunities to a number of micro-entrepreneurs to provide small-scale pollination services. The apiary will also help to overcome the shortage of bee colonies, when necessary.

11 Scalability and Replicability

The existing network of beekeeping experts (master trainers) who were trained as part of this project reached out to and trained 300 additional farmers in 15 villages in Kaprada and Dharampur block in Valsad, Gujarat on beekeeping after the completion of the project.

To assist easy replicability and scalability, a network of beekeeping experts was trained in each village. Fifteen master trainers were imparted knowledge of advanced skills related to beekeeping. The master trainers were equipped to take care of bee boxes in their respective villages and teach beekeeping to the new interested farmers once the project is over. Some seasoned beekeepers from the region have been assigned the role of natural colony transfer experts who help to transfer bee colonies from the wild to the man-made habitat. Some volunteers from the community have been assigned the role of colony spotters to help identify bee colonies in the wild. The use of low-cost, easy to build mud-hives for bee rearing also ensures that replicability is not a challenge. An apiary is being developed locally to help overcoming shortages of bee colonies and to provide all related services, equipment, and trainings related to the practice of beekeeping.

12 Innovative Aspects of the Initiative

RBL Bank is committed to developing innovative and sustainable rural livelihoods as part of its CSR policy. This project deploys a pioneering strategy to increase agricultural productivity and incomes of small and marginal tribal farmers through beekeeping with the locally available indigenous bee, *Apis cerana indica*. Better pollination through the presence of *Apis cerana indica* on farmers' fields increases yields of crops grown by 30% to 60% on an average, thereby generating household food security and generating marketable surpluses that contribute to household cash earnings. Second year onward, additional income from the sale of honey and beeswax is also created. Thus, the project uses a sustainable long-term solution, to address the livelihood challenges of tribal region population.

Table 1 Budget overview

No.	List of activities	Budget (in INR)	Budget (in $)
1	Mud-hive kit: training, supervision of building mud-hives, and monitoring	180,088	2600
2	Bee flora (procurement of seeds and saplings, distribution)	218,551	3160
3	Apiary creation and technical support	173,823	2510
4	Awareness generation and branding	121,996	1760
5	Master training	150,057	2170
6	Program management expenditure	149,529	2160
7	Total budget	994,044	14,370

Under this project, RBL Bank came forward to fund unique pilot interventions in UTMT's ongoing Bees for Poverty Reduction (BPR) program such as

- Developing low-cost, environment-friendly mud-hives.
- Introducing a targeted bee flora intervention including distribution of specific saplings and seeds, which are pollination friendly to increase the overall agricultural productivity in the region.
- Using a new bee colony multiplication process, which resulted in an increase of 50% bee colonies.

13 Budgetary Provisions of the Project

Table 1 gives an overview of the costs associated with each of the activities required as input to complete the project.

14 Monitoring and Evaluation of the Project

RBL Bank follows a standardized monitoring and evaluation framework across its CSR projects. As part of the framework, the nongovernmental organization (NGO) partners submit a fund utilization report for every quarter, a half-yearly project progress report, and an annual project report. RBL Bank has contracted Goodera (a CSR and sustainability firm) to undertake monitoring and evaluation of its projects. The Goodera team has instituted its technology platform across all areas of the project and has created a dashboard that demonstrates the status of the project in real time (see Fig. 4). The application allows data to be captured in real time, the same data is then collated and represented on project-wise and summary dashboards for the RBL Bank CSR team, which allows for more effective decision-making. The project dashboards capture the beneficiaries count achieved, activities and events being conducted, quantitative and qualitative outputs achieved, and track the submission of financial

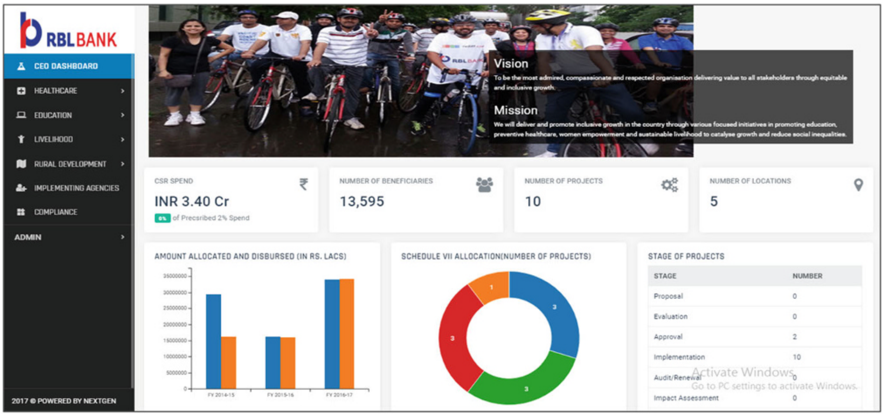

Fig. 4 Dashboard snapshot: RBL Bank CSR overview on the summary dashboard (own picture)

and project progress reports. The dashboard validates the data on project progress through geolocation tags and photographs of project activities.

About Goodera

Goodera is a global CSR and sustainability management company, co-headquartered in Bangalore, India and Menlo Park, San Francisco, USA. Goodera currently works with more than 200 companies, including P&G, GSK, Tata Communications, HDFC Bank, SBI, and Capgemini, amongst others, to channelize and manage CSR projects worth around 20% of the total annual CSR capital of India. Goodera's state of the art technology platform helps companies to understand the progress and impact of their CSR projects at the last mile on a real-time basis. The platform automates the entire CSR life cycle from grant management to monitoring and evaluation to reporting to employee volunteering. It also enables effective governance and provides insights into dashboards for different stakeholders along with data-driven stories of change.

RBL Bank also carries out regular site visits to the project locations to assess the actual on-ground impact on beneficiaries. Site visits become a great opportunity for the corporate team to share feedback with the NGO partner, review the scope for improvement, and suggest course-corrections.

Over and above the structured monitoring and evaluation framework, RBL Bank's CSR team, as a matter of principle, tries to ensure that their communication with the NGO representatives is flowing and frequent, which has gone a longway in building trust and a healthy relationship with the NGOs. The same is mirrored in the fact that most of the NGO partners until now have been associated with RBL Bank since its first year of CSR.

UTMT provides RBL Bank and Goodera with regular reports on the status of the project and the progress of various deliverables. In addition to this, RBL Bank undertakes independent monitoring and evaluation of the project through Goodera's technology platform.

Furthermore, an impact evaluation study was undertaken by Acumen. The study covered aspects like income earned through the sale of honey, UTMT's relation with farmers, and overall progress in reducing poverty.

15 Impact of the Program

Noting the impact of the project completed in the financial year 2015–2016, RBL Bank decided to extend the project and in its second year, the project was replicated in Dhule district, Maharashtra. The impact as observed through the monitoring and evaluation framework deliverables and site visits was as follows:

- Awareness generation: Through extensive awareness drives, the initiative could reach out to additional 300 farmers across 15 villages in Kaprada and Dharampur, Valsad. The outreach was above the target number that was expected from the selected villages.
- Mud-hives: A low-cost option was built and introduced for below poverty line farmers. 127 farmers saved a total of INR 82,000 ($11,890) by using mud-hives instead of buying wooden beehives.
- Bee flora: 2400 saplings of drumsticks and lemon along with 375 kg seeds of crops like rice, niger, pigeon pea, and sesame were distributed to the beneficiary households. This resulted in improved food security of these families. On average, a 46% increase in production was recorded for niger, sesame, and pigeon pea.
- Honey: The beekeepers earned a total income of INR 150,000 ($2170) through the sale of 500 kg of honey extracted from the bee colonies.
- Apiary: The apiary has grown from 50 bee boxes to 75 bee boxes. The additional bee boxes can be bought by farmers interested in expanding beekeeping.
- Master trainers: 15 master trainers earned an average of INR 2500 ($36) per month for training and handholding new beekeepers. The technical capacity-building workshops have improved their income earning capacity to the tune of INR 450,000 ($6500) cumulatively.

Efforts were also made to track the quantitative and qualitative impacts on the direct and indirect beneficiaries during the first year of project implementation. A handful of informal surveys were conducted from time to time to assess the bee population in wild and in man-made colonies, trends of fertilizer and pesticide use, and trends in crop production and diversity. The surveys revealed that there was a marked improvement in agricultural diversification. Some hitherto unknown fruit and fodder crops were integrated into the regional cropping pattern. In a specific instance, Sunhemp, a good quality fodder crop was adopted by farmers on a large scale as it was paying higher returns (market price per unit of yield) to the farmers owing to the presence of the extensive Gujarat dairy network.

Fig. 5 Increased yield with the bee boxes (own picture)

16 Example and Testimonial

Santubhai, 25, lives in a family of seven in Tutarkhed village, Valsad. Santubhai's interest in beekeeping started after he saw his neighbors benefit from their bee boxes. Santubhai is now an expert in natural colony transfer, a technique of filling a bee colony from the wild into a bee box. His father helps him spot the colonies in the wild and he fills the bee box. He says that his greatest learning came from the handholding follow-up visits made by UTMT master trainers, while watching them handle bee boxes and interacting with them. Today, Santubhai has six bee boxes of his own. He has a three-acre farm on which he cultivates tuvar, niger, sun hemp, and bitter gourd. In his orchard, he has mango and cashew trees. The yield of all these crops has increased by over 50% because of bee pollination. Santubhai earned an extra INR 37,000 ($540) through the sale of higher agricultural yields and honey. He extracted 5.5 kg honey from three bee boxes and sold it to UTMT. He hopes to keep 30 bee boxes, the profits from which he wants to use to construct his new house (Fig. 5).

17 Employee Engagement

17.1 Standard Chartered Mumbai Marathon 2016

An RBL Bank contingent of over 100 runners and 60 online donors took part in the Standard Chartered Mumbai Marathon. With the funds raised from the Mumbai

Fig. 6 RBL Bank employees at the Mumbai Marathon 2016 (own picture)

Fig. 7 Employees visiting the project site

Marathon, UTMT was able to support 1000 marginal farmers across Gujarat, Maharashtra, and Madhya Pradesh. These farmers earned an additional income of over INR 200,000 ($2900) through beekeeping (Fig. 6).

17.2 RBL Bank Employees' Car and Bike Rally

A group of 25 RBL Bank employees organized a car and bike rally to UTMT's project site in Jawhar block in Palghar district, Maharashtra in the financial year 2015–2016 (Fig. 7).

18 Project Pictures

All pictures are own pictures of the author (Figs. 8, 9, 10, and 11).

Fig. 8 Village level awareness meeting

Fig. 9 Distribution of samplings

Discussion Questions

- What does the case tell us about RBL Bank's CSR vision?
- Is the bank's CSR "philosophy" sufficiently specific?
- What are the objectives of the beekeeping project? Is the project sustainable?
- Is Under the Mango Tree the right NGO partner?
- Is the project aligned with the bank's CSR philosophy?

Fig. 10 Installation of bee boxes

Fig. 11 Training of master trainers

- What are the potential obstacles of the project?
- How is the success of the project measured? Can the current measurement be improved or should it be simplified?
- Is the monitoring of the project through RBL Bank sufficient?
- How do you assess the employee engagement?
- How should RBL Bank communicate about the project?
- What is your overall assessment of the project?
- For the future, what kind of projects might be relevant for RBL Bank? Could you imagine projects with a similar focus?

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MiVana: Brewing Pleasure, Enhancing Equity, and Restoring Forests

Suthisak Kraisornsuthasinee

Abstract This chapter provides a case study of the Green Net, a network fighting deforestation and poverty in Thailand by focusing on changing the coffee production within the country. They introduced their shade-grown and fairly traded premium organic coffee to the market under the brand MiVana. The case describes how they strongly commit to sustainability of the ecology and well-being of the growers amidst certain business challenges, e.g., in finance and operation. It completes with an outlook to the future.

1 Introduction

Coffee, one of the world's most popular beverages, is unmistakably a lucrative business. Over one billion cups of coffee are consumed worldwide, every day (Illy, 2002). In Thailand alone, the retail sales of fresh and instant coffee in 2016 were 104,298 tons, valued at around THB 36,401 million ($1144 million[1]) (Euromonitor International, 2017a). With such a volume consumed and traded, this black beverage industry quietly adds another burden to sustainability challenges. While being part of the problem, can this industry also become part of the solution? A group of small not-for-profit organizations with a long history of forest conservation in Thailand entered the coffee business and eventually earned the lion's share of the local organic coffee market. This case study presents the extraordinary commitment of Green Net, elaborating their fight, fall, and rise to enhance sustainability for all.

[1]The conversion from Baht (THB) to US Dollar ($) is based on conversion rates available in April 2019. The numbers are rounded accordingly.

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2 Starting with the Big Pain Points

Running a business typically starts with finding and fixing pain points in customer journeys, not with focusing on the sustainability of the nation—as Green Net does. This network of not-for-profit organizations works together on organic farming, fair trade, sustainable community development, and forest conservation. They consist of the Green Net Cooperative (established in 1993) and the Earth Net Foundation (established in 2000). Earth Net focuses on research and capacity building with the farmers, while Green Net Coop manages the logistics and marketing of their produce.

Their key concern is deforestation. In 1961, Thailand was known for its abundant tropical forest covering 27.3 million hectares or 53.5% of its total land area (World Bank, 2016). Since then, the green shades nationwide have reduced dramatically to merely 16.3 million hectares or 31.58% of the total land area in 2017. Regionally, the problems are more severe in the East and the South. Today, the North still is the most forested area (64.21%), followed by the West (59.06%), the South (24.02%), the East (21.87%), Central (21.15%), and the Northeast regions (14.94%) (Sueb Nakhasathein Foundation, 2019).

For Green Net, a tough challenge is that the farmers living in and around the forest have a questionable legal status, and with the promotion of commodity crops and the monetary economy, they have been clearing more land in the forest. This not only reduces the forest area, but also the practices of chemical-intensive monoculture normally lead to negative consequences, including soil erosion, soil degradation, water contamination, floods, droughts, decreases in wildlife, species extinction, and biodiversity loss.

One of the main causes of illegal encroachment is poverty. Eighty percent of farmers nationwide own less than 10 rai (1.6 ha) of farmland, while almost half of them earn less than THB 60,000 ($1886) per year (Grossman, 2017). These poor farmers face many risks, such as extreme weather, global price fluctuations, and a high dependence on intermediaries. High production costs and low commodity prices lure small-scale farmers to increase production with the false hope of escaping the poverty cycle. Those living around the edge of the forest, therefore, are pressured to encroach further into forestlands. Earlier conservation policies to protect the natural forest by forcing encroachers out of forest areas did not turn out as expected. Many villagers living inside the forests settled these lands long before the government declared them as national parks. Conflicts between the villagers and the officers often ended in violence and failed to mitigate deforestation.

3 A Different Approach to Fight Against Deforestation and Inequity

Green Net believes in a very different approach—that local communities and natural forests can instead live in balance and sustain each other. One of their founding members, Mr. Theerasit Amornsaensuk, recognized that coffee could be a promising tool to achieve these goals in their fight for sustainability. This came from his experience in a project funded by the Asian Development Bank (ADB) to provide training on organic practices to coffee growers in Lao People's Democratic Republic (PDR) (Kongrut, 2016). He saw that coffee, humanity's favorite beverage, could conserve the forests and serve the market—mitigating both deforestation and poverty. A key to turn "the forest encroachers" into "the forest protectors" is coffee but not in the conventional way. It must be environmentally and socially justified.

The company chose to grow organic coffee under native canopies in the natural forests. There are several environmental reasons for doing so. While the industrial approach exploits nature with agrochemicals and monoculture for maximum yields,[2] traditional shade coffee cultivation enhances biodiversity by conserving and balancing the ecology of native plants, insects, and animals. These methods can even help the migration of birds and animals and the pollination of plants, which gradually connect scattered forest fragments within the landscape mosaic (Jha et al., 2014; Muriel & Kattan, 2009). In the big picture, such forest garden systems protect watersheds and maintain forest cover, thus, stopping deforestation—a key cause of greenhouse gasses emissions. The systems also help to sequester carbon by taking carbon dioxide from the atmosphere and putting it into tree growth (Toledo & Moguel, 2012). In return, a balanced ecology of natural biodiversity helps buffer coffee production against pests and diseases (Vandermeer, Perfecto, & Philpott, 2010). Shade may play even more of a vital role in maintaining coffee quality in warmer areas with expected climate change (Jha et al., 2014; Muriel & Kattan, 2009; Muschler, 2001).

As for its social contribution, coffee can bring food to the table. The traditional shade system provides for the livelihood of the growers, mostly smallholders (Toledo & Moguel, 2012). In this case, these farmers have been living for generations within or next to natural forests. Before and besides coffee, they have sustained themselves from their lands producing food, firewood, herbal medicine, and basic goods such as housing materials and tools for their use and for the market. This variety of local resources depends on the health and diversity of the forests. Now they can secure their economic livelihood in coffee while protecting the forests that shade it and provide for their well-being.

Understanding Coffee Origin and Cultivation

Beans mean almost everything in this business as they define tastes and aroma. Despite over one hundred species of coffee genus, almost all coffee consumed worldwide comes from merely two species: *Coffea arabica* (Arabica) and *Coffea canephora* (Robusta) (Toledo & Moguel, 2012). Arabica is preferred for its quality and taste, whereas Robusta dominates the market for its yields

(continued)

[2]Monocultures often yield more of a single crop, but almost always yield less than polycultures which have multiple yields.

and pest resistance (Jha et al., 2014). Originated in Africa, these two coffee species have later spread to different tropical cultivation areas. Arabica mainly prospers in cooler temperatures around 15–24 °C in the higher elevation around 600–1600 meters above sea level in Latin America, Southeast Africa, India, and some parts of Indonesia. Robusta is more suitable in warmer flatlands around 24–30 °C lower than 1000 meters above sea level in Africa, Indonesia, and Vietnam (Eccardi & Sandalj, 2002).

Coffee cultivation in Thailand is dominated by Robusta, which is grown both under the sun and under the shades of taller trees, such as rubber and fruits, in the warmer Southern seaside provinces, especially Chumphon, Ranong, and Suratthani. Arabica is typically grown under the shade in fruit gardens and forests in the cooler Northern highlands, especially in Chiang Rai, Chiang Mai, and Lampang. However, the volume and area of cultivation of Robusta is decreasing due to oversupply and decreasing market price. Meanwhile, Arabica is on the rise thanks to the boom of café culture and the changing local preferences from simply instant to more sophisticated preparations. In 2016, Robusta covered approximately 54.07% of the total coffee cultivation areas in the country with a yield around 20,828 tons. Arabica shares around 45.20% of the area with a yield around 16,319 tons (Agricultural Research Development Agency, 2017; Office of Agriculture Economics, 2017).

Yet, being green and doing good may not be enough to sustain oneself in the organic coffee business, especially in Thailand. The organic forest coffee system may have to trade off with modest coffee yields. Besides, high cost and uncertain market price are critical concerns for the small farmers. This comes from their bad experiences with conventional agriculture, of which the major costs go to labor and an over reliance on harmful pesticides, herbicides, and fertilizers (Grossman, 2017; Horticulture Research Institute, 2016). To earn extra income, some of the organic growers have been tempted to expand their production to other cash crop commodities. This would risk not only the natural forests from turning into chemical-intensive agroforests but also contamination to the organic cultivation around the area, which would also hurt their own economics at the end. Gradually, the whole process could restart the vicious cycle of poverty and deforestation. Green Net insists that organic farmers should earn more for their efforts. However, they also realize that consumers may want to pay more for green products only one or two times, if they are not satisfied with the quality. Premium grade and fair pricing are what will sustain the business and everyone involved.

Along with the organic, shade-grown system, higher market value is crucial for well-being of the growers and other stakeholders. To earn a fair return, Green Net then aimed to take its coffee up to the “specialty coffee” class. Although there is no single accepted definition, the International Trade Center (2012) refers to specialty coffee as single-origin or blended, whole coffee beans or coffee beverages, with higher quality or uniqueness, such as flavored coffees with an unconventional background or story behind them. Premium positioning allows specialty coffee to command premium prices. In the past, the retail sales of specialty coffee were exclusive to dedicated coffee bars. Today, the increasing popularity has expanded its distribution channels to include supermarkets and online stores. Green Net chose specialty coffee as a product strategy as it would help to save the forests as well as lifting the market price and income for the growers. Yet, a foreseeable challenge was to turn the idea to reality. A sustainable supply chain from cultivation to the cup would happen only if they could ally the long-term adversaries, especially the authorities and the small-scale farmers inhabited in and around the forestlands.

4 Emerging via Strength, Growing via Transformation

With all of the above concerns, Green Net then utilized one of their core competences: engaging stakeholders. Their previous achievements include pushing organic farming to be included in the country's national agenda and acting as one of the founding members of the Organic Agriculture Certification Thailand (ACT), an independent organic certification body, accredited by the International Federation of Organic Agriculture Movement (IFOAM) (Organic Agriculture Certification Thailand, 2018).

As for this coffee mission, Green Net collaborated with the authorities again and initiated the "Organic Coffee for Sustainable Forest Conservation Project" on July 20, 2010 in Mae Lao watershed, one of the healthiest forests in Chiang Rai province in Northern Thailand. For many generations, communities here have lived in balance with nature by growing tea (miang[3]) and food for household consumption. Only recently, their self-sufficient farming practices changed to include commodity production such as feed corn to supply the industrial market, which resulted in clearing and burning of forest areas. Green Net believed their coffee initiative would prove that premium organic coffee grown under the canopy of natural forests is one of the best ways to mitigate encroachment from market-led, chemical-intensive farming. Moreover, it would even enhance reforestation and the livelihood of the local farmer residents.

Green Net carefully selected Ban Khun Lao village (shown in Fig. 1) in this watershed as a pilot community based on key success factors, such as determined leaders, community-wide participation, and a suitable location. Then they provided the villagers with practical knowledge and hands-on training in coffee-growing techniques, quality processing, organic and fair trade standards and certification, and community enterprise management.

[3]The tea trees are grown within the forest and harvested tea is fermented to become "miang" which is chewed by the peoples of northern Thailand, Laos, and Myanmar.

Fig. 1 Relevant areas of the MiVana project (MiVana, 2017a)

After working for 2 years, they found that organic shaded coffee is environmentally, socially, and financially sustainable. As expected, improvements in quality of life, community self-reliance, and revitalization of the forests from this flagship project served as a practical model and brought in the interest of more villagers from other mountain forests. They worked to spread their coffee initiatives elsewhere to reach a greater scale. However, there were certain legal restrictions in working as a not-for-profit organization, such as a reshuffle of the board and management every few years. Green Net needed some form of an organizational extension to facilitate business continuity.

They found a social enterprise to be the most suitable model. Although there is no universally accepted definition, a simple explanation would be a hybrid organization that pursues its missions as an NGO by business operation. Green Net SE, an extended business entity, was then established on October 30, 2012, under the management of Theerasit Amornsaensuk, one of Green Net's founders, to implement all of the business functions, including production, marketing, and distribution. Their business formula combines premium quality coffee with forest shade-grown cultivation, fair trade pricing, and organic production. They plan to allocate over 50% of their annual income to reinvest in project expansion with the rest to become dividends for the shareholders and contributions for various social projects (interview with the Managing Director in 2019). Green Net SE received the "Social Enterprise Business Planning Award" from the Thailand Social Enterprise Office (TSEO) in 2012.

This forest conservation project with organic coffee now has enriched around 350 families from nine villages in three watershed forest areas, including Mae Lao, Mae Suai and Mae Korn in Khun Chae National Park and Lam Nam Kok National Park in the Chiang Rai province of Northern Thailand (Kongrut, 2016). As of 2016, the communities were scattered in the mosaic of growing area around 1160 hectares (7250 Rai). Their success led to the signing of a memorandum of understanding (MOU) with the Department of National Parks, Wildlife, and Planet Conservation, within the Ministry of Natural Resources and Environment, on May 21, 2016 to restore the forest health with organic forest coffee over 10 years in an additional 3200 hectares (20,000 Rai) of degraded forest area (Premier Marketing, 2017). Within ten years, the farmer members are expected to earn higher income from selling their organic premium coffee production, estimated to be around THB 90 million ($2.83 million) with local community employment and reforestation work adding an additional value of approximately THB 70 million ($2.2 million) (interview with the Managing Director in 2019).

Marketing has also been an integral part of the project. Green Net SE created value by launching the brand "MiVana" ("Have Forests" in Thai) to the niche market for premium organic coffee in Thailand. Their belief is that product quality is the key success factor to add value for their shade-grown organic cultivation. This is demonstrated in selecting world-class coffee beans, by the certified Q graders from the Specialty Association of America (SCAA), processing the ripe harvested cherries within 24 h, and proper roasting by certified roasters from the Specialty Coffee Association of Europe (SCAE) (Bangkok101, 2016). All these efforts can be tasted in the cup, and have earned them recognition in the country's key coffee exhibitions receiving the "Best Quality Award" from the Thailand Coffee, Tea, and Drinks exhibition in 2013 and 2014 (MiVana, 2017b). More importantly, they have built their credentials in business along with environmental and social aspects. The results have given them a strong position among local competitors by securing various major global organic certifications, including the International Federation of Organic Agriculture Movement (IFOAM), Canadian Organic Regime (COR), European Union (EU), and United States Department of Agriculture (USDA) (MiVana, 2017c). Green Net SE has been able to maintain a lead position with over twenty percent share in Thailand's organic beverages market since 2012 (Euromonitor International, 2017b). Nevertheless, hidden quietly behind their increasing success is a critical financial challenge from increasing costs.

5 Breaking the Limits, Gaining Resilience

Despite success in their sales, Green Net SE found a new challenge in their working capital. Committed to promoting organic agriculture via product stewardship, the business has invested heavily in production equipment, local and international market development, and most importantly, premium quality, organic coffee seeds despite high import tariff. They distribute these seeds to their grower members, building a trusted network that they can train, monitor, and nourish for the long term. In addition, a major cost comes from ensuring brand integrity. To apply for and maintain these world-class standards, organic specialty coffee not only needs very high-quality coffee beans but also an audit trail and certifications to verify its holistic production system. This affects not only the finances of Green Net SE but also requires the efforts of every party along the value chain, especially their grower members.

To ensure high-quality coffee yields, those organic standards are met, and most importantly, forest conservation and revitalization, Green Net SE needs to apply strict rules of engagement with its growers. For example, they have to comply with organic standards all of the time, regardless of the yield quantity and quality. They are also not allowed to expand their cultivation plots beyond designated areas to avoid further encroachment into the forests. Besides the monitoring procedures set annually by ACT, the local certification body accredited by IFOAM, and twice a year by its own internal control system (ICS), these shade-grown, organic coffee farmers are also asked to allocate 25–40% of their plot for other species to enrich biodiversity in the forests. Green Net SE, therefore, sees contract farming necessary for their business. In return, these small-scale grower members are rewarded with a satisfactory return for their efforts higher than the market prices for specialty grade coffee, plus a 10–15% organic premium. Moreover, their community enterprises or coops receive 5% fair trade premiums for managing the cultivation and local processing as well as extra funds for community development, that they may use as they see best, such as for roads, education, culture, or sports (Premier Marketing, 2017).

Such commitment to high quality can also intensify the challenges of business operations for Green Net SE. Not all of their organic production yields premium quality beans. Beyond aroma and taste, the physical characteristics of the beans also matter. Double-seeded beans are perceived as standard. The natural, single-seeded beans, called peaberries, are rare and much-sought, which increases their price. However, three-seeded beans are perceived as an irregularity and have a low selling price. Currently, merely 40% of the annual organic crop meets the premium standards for the MiVana brand. They then select appropriate products to serve the unique demand of different market segments. For MiVana, the target customers are mostly educated Thais from the upper middle and the lower upper classes, who are concerned about their health, as well as environmental and social sustainability. The subprime quality of their organic produce serves corporate clients concerned about green procurement in the Hotel/Restaurant/Café (HoReCa) business. The rest are sold under other brands for the original equipment manufacturers (OEMs). Price is still a key concern for these three niche markets. Therefore, high sales volume does not always bring fast and high profit to leverage the heavy investment this small social enterprise has made with limited capital.

A few years after full operation, cash flow became tight. Finding the right partner is difficult for a company, even more for a committed social enterprise that aims to put its environmental and social missions before maximum growth and profitability. Green Net SE carefully searched for a partner to strengthen its finance and marketing distribution. Finally, in 2015, they joined with Premier Marketing Group, one of the leading public companies in Thailand's retail sector. The Group's philanthropic business entity, called PMSE, contributed to their capital increase with 50% equity and collaborates in the board and management of Green Net SE (Premier Marketing, 2017). Worth noting are the quite different origins of these two social enterprises: one came from an NGO and the other from a big corporation listed on the stock exchange. This partnership represents a novel exemplar of a higher level of stakeholder engagement. The key is their common determination to maintain the environmental and social missions before profit, as both are social enterprises in nature. Such a high level of engagement with a strong business partner enables the Green Net SE to reinforce and sustain its leadership in the organic coffee market in Thailand and overseas in years to come.

6 Challenging the Disruptive Future

The top management of Green Net SE sees change as inevitable in the disruptive future that challenges the sustainability of economy, ecology, and society. They believe it is their responsibility to direct it in the right way. By leading a global coffee enterprise in the right direction, they can also prepare mitigation and adaptation strategies for climate change. They have seen how reforestation from natural shade coffee cultivation increases natural biodiversity. With other techniques and technologies, such as bean selection, use of beneficial fungi to enhance soil quality, and development of forecast modeling, they can help keep the ecology in balance, and prevent pest and disease outbreaks such as with varietal coffee borers.

As for the rapid changes brought on with technology disruption, they have seized this opportunity, welcoming modern development by using digital technology in their internal control systems (ICS). Four months of time that would be spent tracking, recording, traveling, and processing aggregate data (from the head office in Bangkok to the cultivation areas in the Northern forests and back) have been converted to a few seconds with new digital applications for use on tablets or smart phones. This enables their staff to record and confirm with the growers on site, on-line, and off-line. Besides saving time, this system decreases human errors from typing hand-written notes and saves costs. Being willing to embrace this kind of change as an opportunity has helped to keep their operations competitive in this changing world. However, they do not embrace every change. They strongly stand up to fight with their NGO allies of certain critical issues, such as fighting against genetically modified organisms (GMOs). They are happy to join the technological revolution, as long as it provides sustainability for all. Green Net SE and their advocates have been doing their part for the greater good with their special way of delivering specialty organic coffee. Now it is up to the coffee lovers, the change for the better tomorrow can be in their next choices.

Discussion Questions

- Between social entrepreneurship and corporate responsibility, which would be a better model for a business organization to contribute to sustainability? Why is that so?
- Is there a better way for Green Net SE to control the quality and cost of the cultivation to compete in the market, while keeping the growers from moving to work for the competitors, particularly the global corporations using a similar sustainability and fair trade model? Please elaborate.
- Is there any other better option for a small company like Green Net SE to fix a challenge in cash flow, while pursuing sales growth, than merging with a partner from a large corporation? If so, what is it? How is that so?
- How would Green Net SE sustain its leading share in the country, against the newcomers, both big and small, entering the premium market of organic coffee?
- Should Green Net SE change its business model when the local economy gets tough? If so, how should they change?

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Early Childhood Care and Education: A Mainstay for CSR Investments

Siddhi Lad

Abstract DHFL Changing Lives Foundation invests in programmes and initiatives with a vision that *all children in their formative years should have equal access to opportunities for their holistic development.* The Foundation has adopted Early Childhood Care and Education (ECCE) as its thematic area of operations, and has been conceptualising, designing, supporting and implementing programmes in the domain. The DHFL Changing Lives Foundation through a collaborative approach is committed towards strengthening the ECCE ecosystem in India.

1 Preamble

India, with a population of 1.21 billion, has a significant role to play toward realizing the Sustainable Development Goals 2030. 11.31% of this population represents children below the age of 6, prompting the need for early year programs (Census Data, 2011).

Nobel Laureate James Heckman and the efforts of many economists, psychologists, statisticians, and neuroscientists have proven that the quality of early education and care programs directly influence economic, health-related, and social outcomes for individuals and society (Heckman Equation). Adverse early environments create deficits in skills and abilities that drive down productivity and increase social costs, thereby adding to financial deficits borne by the public. It is observed that, globally, large programs around early childhood care and education (ECCE) or early childhood development (ECD) have evolved as a relief measure/response to wars, disasters, natural calamities, epidemics, and endemics. Indeed, these programs have positively contributed to the Human Development Index, but the need for a comprehensive milestone-based intervention that can uplift the children out of socioeconomic deprivation into self-sustenance has to be the ultimate goal.

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This led to early childhood care and education as the mainstay for DHFL CSR investments. To further the program's reach, foster partnerships, and create a platform for knowledge sharing, DHFL established a foundation called DHFL Changing Lives Foundation. The foundation is today the flag bearer to demonstrate, document, innovate, and replicate success in ECCE.

The United Nations Educational, Scientific, and Cultural Organisation (UNESCO) (2011) refers to the above as "early childhood care and education" (ECCE), the Organisation for Economic Co-operation and Development (OECD) (2006) uses the term "early childhood education and care" (ECEC), while the United Nations (UN) (2003) and United Nations Children's Fund (UNICEF) use the terms "early childhood development" (ECD) (UNICEF, 2009). In the context of India and for the purpose of this article, the term "early childhood care and education" or "ECCE" is used to describe the holistic continuum of care, education, and development of children in their surrounding familial, social, and societal contexts.

2 About DHFL and the DHFL Changing Lives Foundation

DHFL, founded in 1984, is one of the leading housing finance companies in India and perhaps the first to be established with the main objective of providing affordable housing finance to the lower and middle income (LMI) segment in semi-urban and rural India. Over the years, we have evolved as a financial services company to address various financial requirements of customers, including savings, loan, and protection. As a group, our product offerings also include insurance, mutual funds, and education loans to service the incremental needs of our customers (DHFL, 2016).

DHFL Changing Lives Foundation is a not-for-profit organization established by DHFL, to further its social initiatives aimed at encouraging equal opportunity, maximizing human development, and leveraging the aspirations of youth, women, and vulnerable populations. The DHFL Changing Lives Foundation strives to deliver sustainable solutions in the area of ECCE through comprehensive community-driven programs, in collaboration with the government, NGOs, developmental agencies, and social enterprises. The foundation is also committed to support programmatic and bespoke research and create a "resource center" in the domain of child development.

3 Project Sneh

India runs one of the largest Integrated Child Development Services (ICDS) programs of the world, with over 1.3 million Anganwadis or courtyard centers. Anganwadis are a type of mother and child care center, started by the Indian government in 1985 as part of the ICDS program to combat child hunger and malnutrition. What these centers lack, is the capacity to help transform the lives of children through a holistic approach to education and nutrition along with certain community empowerment through counseling and guidance for a responsible and responsive role in upbringing.

Delivered as Project Sneh, our program aims to strengthen this valuable platform of Anganwadis not only as centers of excellence for child development but also transformation hubs for the community. The program as on June 31, 2019 covers more than 3500 Anganwadis in three States of India, namely, Maharashtra, Madhya Pradesh, and Jharkhand.

3.1 Theory of Change

With special emphasis on early education and stimulation, and overlays of nutrition and health, infrastructure and sanitation, and stakeholder (Anganwadi frontline worker) empowerment, Project Sneh develops models of child-friendly Anganwadis, that act as centers of excellence or Snehangans for early childhood development and growth. The Anganwadis are further equipped as hubs for the socioeconomic transformation of communities.

Reference to the theory of change graphical representation in Fig. 1, Project Sneh is a holistic capacity building approach to improve the supply side and build the demand side for effective early education and care of children and care of mothers and adolescents. The program capacitates services providers (frontline workers & government employees), service institutions (Anganwadis, public health centers, and subcenters) and advocates policy measures for the effective delivery of ECCE services through Anganwadi centers. Simultaneously, the program creates a cadre of grassroots leaders from the community who engage with parents of children and the community at large for the continuum of care and early education outside of the Anganwadi center. Capacity building of service providers and service seekers is done under areas of early education (which cover early stimulation, brain development, pedagogy, and delivery of early education activities) and under the area of health and nutrition (to cover reproductive health, maternal health, neonatal health, child health, adolescent health; with special interventions for malnourished children). At the same, infrastructure of service institutions is upgraded with innovative and locally available materials. Instead of working with children directly, the program attempts to strengthen systems and improve the health and education seeking behavior of community; leaving a lasting impact in the community.

3.2 Program Delivery

Project Sneh is implemented in collaboration with the Department of Women and Child Development, state and district administrations, social enterprises, NGOs, and community. Emphasis is laid on partner identification, and is based on parameters of technical expertise, community understanding, and regional presence to complement

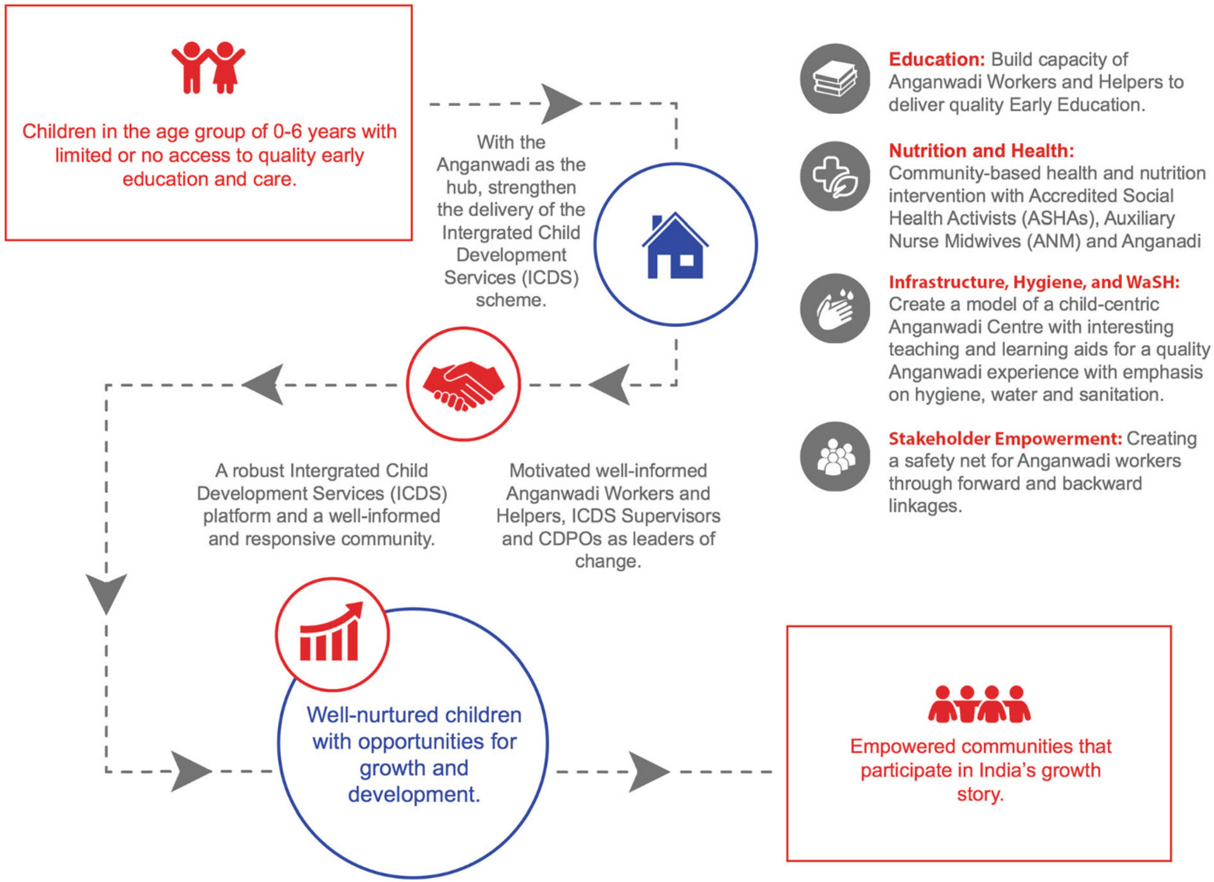

Fig. 1 Project Sneh: Theory of Change

program deliverables toward a common vision of encouraging equality and maximizing human development. With build, mentor, and exit as three pillars, Project Sneh is implemented for a period of 3–5 years in one district or one block (taluka), which means a cluster of villages.

As a part of this capacity building intervention, Anganwadi Workers, Anganwadi Helpers, ICDS Supervisors, Child Development Project Officers, Accredited Social Health Activist, and Auxiliary Nurses and Midwives are engaged with through various tools and forums. A combination of residential, beat-level, and onsite workshops are conducted with mentoring support and digital tools for monitoring progress. Further, teaching and learning materials are provided with a gradual move to encourage development of those through local resources at the Anganwadi level.

3.2.1 Monitoring Systems

To ensure community ownership, contribution and support, community-level monitoring committees' namely Anganwadi Level Monitoring Committee (ALMCs), Village Health, Sanitation and Nutrition Committee (VHNSCs), Mata Samitis (Committees of Mothers of children eligible for Anganwadi services) are established/activated. This also ensures early identification and reporting of undernourished children and their follow-up to ensure their normalcy, support for the Anganwadi maintenance and services including kitchen gardens, mobilization for vaccination and immunization programs, delivery of government welfare schemes, etc.

3.2.2 Supervisory Overlay

A workforce of independent supervisors is created from within the community to work closely with all stakeholders; handhold, mentor, and report on a daily basis through a tab-based monitoring and reporting tool. These independent supervisors are capacitated to grow as educators, influencers, and leaders through continuous mentoring as well as through grassroots leadership programs, thus ensuring long-lasting impact.

3.2.3 Infrastructure Upgrade

In our endeavor to deliver child-friendly infrastructures of Anganwadis, we engaged with students of architecture through a grand challenge called Design for Change, cocreated with the National Association of Students of Architecture, India covering 266 colleges and academic institutions. Design for Change not only called for models that could be developed and maintained using local implements and resources but also generated awareness on Anganwadis and their social and economic needs amongst architecture students and professionals. On the other hand, it gave the DHFL Changing Lives Foundation a window to showcase its intent and commitment to the development sector in India.

3.2.4 Stakeholder Empowerment

Another novel component of the program is stakeholder empowerment. Anganwadi workers and helpers in the tribal and rural parts of the country need additional support to deliver the program effectively. A woman empowerment program is thus introduced to encourage affirmative action. Further, through visioning exercises, art-based therapy, capacity building, and a financial safety net, we foresee this cornerstone to dominate and lead services for children, mothers, and adolescents.

A baseline–midline–endline approach is maintained to measure impact and outcomes at every stage. The Department of Women and Child Development in the State of Maharashtra, India, has featured our program as a “best practice” on their mobile application.

3.3 Key Highlights of the Program[1]

- Anganwadi centers: 3543
- Trained frontline workers and service providers: 9041
- Outreach to adolescent girls and boys: 3335
- Outreach to pregnant women: 11,395
- Outreach to lactating mothers: 10,370
- Outreach to children: 160,579
- Activated and strengthened community based monitoring committees: 1895

4 Outlook

Our learnings and experiences encourage us to scale and take the best practices to newer geographies with the aim to scale to cover 20,000 Anganwadis, impacting one million children. We envisage implementing the programme in one north eastern state of India in 2020–2021. Apart from these project locations, which act as our impact labs for ECCE, we envisage institutionalizing the program through Anganwadi Resource Centers (ARCs) with the Department of Women and Child Development and furthering our reach in Anganwadis through technical alliances.

In our endeavor to create a social platform for collaborations and research, we have launched the ECCE coalition in Singapore and India under ECCE United. ECCE United under the aegis of DHFL Changing Lives Foundation and other contributors (corporate foundations, NGOs, government representatives, academicians, and practitioners) envisages leading CSR deployment for quality early childhood care and education in India.

[1]Data as on 31 June 2019 for specific project locations.

Discussion Questions

- What kind of possibilities can you identify to further develop the idea of the Anganwadis? Would there be any offers that could be included?
- What is your opinion about the fact that the Anganwadis seem to be very much dependent on the foundation for capacity building? What if the foundation at some point stops its financial support?
- Do you think that such an involvement of a private company would also be possible in your country?

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