CSR, Sustainability, Ethics & Governance

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Stephen Vertigans
Samuel O. Idowu *Editors*

Corporate Social Responsibility

Academic Insights and Impacts

Springer

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Editors
Stephen Vertigans
School of Applied Social Studies
Robert Gordon University
Aberdeen, United Kingdom

Samuel O. Idowu
London Guildhall Faculty Business & Law
London Metropolitan University
London, United Kingdom

ISSN 2196-7075 ISSN 2196-7083 (electronic)
CSR, Sustainability, Ethics & Governance
ISBN 978-3-319-35082-0 ISBN 978-3-319-35083-7 (eBook)
DOI 10.1007/978-3-319-35083-7

Library of Congress Control Number: 2016947715

Printed on acid-free paper

This Springer imprint is published by Springer Nature
The registered company is Springer International Publishing AG Switzerland

Foreword

Samuel O. Idowu and Stephen Vertigans have produced another fine book to follow up *Corporate Social Responsibility in Sub-Saharan Africa*. In doing so, they continue to move the social debate on from the diatribes of the twentieth century against transnational companies (TNCs) also called multinational corporations (MNCs). There is now a clear recognition in these academic contributions of the growing ability of well-run global companies to unleash resources and deliver innovations across a wide range of social issues and situations. This is also increasingly reflected in the widening interest of business schools and other academic disciplines in ethical issues, especially since the Global Financial Crisis (GFC) and the recognition that this calls for much clearer accountability across both the private and the public sectors. Lack of clear accountability is still a major problem that too many organisations have been unable to resolve; hence, issues of trust and ethics need further resolution. The chapters in this book illustrate there is clear recognition that MNCs, banks, public administration and international agencies can all play a constructive role in the alleviation of poverty and improvements in quality of life.

The breadth of canvas covered by the different contributors is impressive. In addition to chapters from academics in the USA and Europe, submissions come from countries such as Turkey, Romania, Poland, Malta and Tanzania. This helps to illustrate that CSR initiatives and thinking are taking hold in more countries around the world.

It is also perhaps significant in this context that I sense for the first time a move beyond the "Corporate" to what might become simply "Social Responsibility" or even "Communal Social Responsibility". A good example is the article from Poland by T. Potocki on "financial capabilities" (wise and rational financial decisions) who argues "That as the communist system did not support societies in saving, it did not require establishing the element of human capital which would help in taking wise and rational financial decisions." This opens up the enormity of the challenge that faced, and still faces, post-socialist regimes where social responsibility is passing beyond corporate to "a less passive" community, which seems to open up new territory, particularly in the realm of financial education, as a way of improving quality of living.

These are unashamedly articles by academics and I suspect the editors may wish to take this work further, which could include more fieldwork verification and examples of their theories in action. For example, in 2010 Unilever's CEO spelled out a very ambitious, global *Sustainable Living Plan*, with measurable milestones through to 2020. This type of leadership would appear to be very fertile ground for further practical study and evaluation to draw out lessons on both the type of goals to set and how they might be implemented. This might also lead to an updated definition of CSR, since not surprisingly this important idea is gaining momentum around the world and mutating as more experience comes to the fore.

London, UK
March 2016

Brian Dive

Preface

There has been a surge in interest and activities in areas that are increasingly encapsulated under the Corporate Social Responsibility (CSR) umbrella. CSR has become recognised as a concept that offers ways of thinking and behaving that can deliver multilayered benefits that include government developmental programmes, TNCs profile and profits, enhancing the capacity of small businesses within supply chains and transforming lives through community engagement and local content programmes. The wide ranging expectations can be neatly encapsulated within the triple bottom line of economics, environmental and social or people, planet and profit (Idowu et al. 2014) or expressed in terms of the new UN Sustainable Development Goals 2030 as the 5Ps—People, Planet, Prosperity, Peace and Partnership. However, too often CSR approaches tend to fall within one aspect of the bottom line. Hence, the business case is considered without recourse to the social impact while environmental controls are proposed without considering the economic and social costs.

The partial approach to CSR is replicated within academic literature. Although the requirement for multi- and interdisciplinary approaches is increasingly acknowledged, insights continue to reflect the tendency to separate CSR into discrete components within organisations and then between companies and stakeholders. Academic contributions within organisations continue to be dominated by business perspectives, while social scientific contributions feature strongly within stakeholder engagement and monitoring processes. Yet the plethora of activities undertaken in the name of CSR is striking. For instance, CSR programmes incorporate education, health, business development, art, music, crime, human resources, pollution, public relations, human rights, political conflict, supply chains, renewal energy, community relations and sustainable development. Often these programmes are being developed in isolation, in areas where companies are operating and realise action is required. However, despite good intentions their programmes often lack academic insights in terms of both the underlying causes of the behaviour they seek to address and the unintentional impacts of their interventions. Consequently, a range of academic disciplines are required in order to outline the different elements within CSR approaches and their economic, environmental and social influences and impacts. In so doing, the extent and ambition of CSR programmes has to be matched by academic approaches which can help to illuminate the roots of problems and outcomes of potential solutions. This multidisciplinary approach will also enable interconnections to be drawn across programmes and for practitioners and academics to be better informed about the investment and scope for CSR today and to enable the delivery of meaningful, sustainable changes.

Our main objective of putting this book together is twofold: first, to highlight the multifaceted nature of CSR and the need for greater engagement across academia in order to help develop the required mechanisms which encourage socially responsible approaches across the board and, second, to demonstrate that it touches all areas of academic discipline.

We have been fortunate to have attracted interest from scholars in 13 academic disciplines who have competently addressed many of the main issues of interest to the book.

Aberdeen, UK
London, UK
Spring 2016

Stephen Vertigans
Samuel O. Idowu

Academic Insights and Impacts of Corporate Social Responsibility: An Introduction

Before introducing and reviewing the contents of this book, it is worthwhile reflecting upon the expansion and extension of conceptual development and applications surrounding CSR. During the last 30 years, there has been a noticeable resurgence of CSR as both a corporate practice and subject for academic scrutiny. Across company strategies and reports and academic disciplines and publications, the profile of CSR has grown with definitions and characteristics debated while the relevance of activities, programmes, benefits and costs continues to be scrutinised and theorised. A plethora of related standards have been developed and applied as benchmarks such as UN Global Compact, ILO Conventions, ISO 14000 series, ISO 26000 and Global Reporting Initiative. Discussions have gradually shifted from demand for more socially responsible business to better focused explorations of what programmes can look like, what should be their purpose and who should be involved. Yet despite the enhanced profile, academic and professional applications often remain detached both from other institutions or even other departments, industries and wider social, political and economic processes. In short, CSR continues to be understood and applied within specialist fringes who often recreate the silos that their activities need to overcome if they are to be successful over the longer term. Hence, transnational corporations (TNCs) will often emphasise social and environmental cases to some stakeholders while focusing on the business case for shareholders. This division is not simply designed to reflect audiences, although these are clearly influential. Instead, the separation of the reasons for justification is typical of the distinct, sometimes contradictory, policies that can be implemented. There is no one reason as to why CSR has been split ostensibly according to the triple bottom line of economic, environmental and social. Nevertheless, approaches tend to share only limited coherence within their CSR programmes and relatively rigid divisions in roles and responsibilities according to profession and business area.

Problems surrounding the artificial breakup of the triple bottom line are compounded by the tendency to detach CSR programmes from the processes which are responsible for their sense of purpose. For instance, while strategic approaches are gradually being developed with at least some stakeholder engagement, little consideration is allocated to the economic and social backdrop and impact on sustainability. Pressures on TNCs to deliver meaningful and sustainable programmes stem in part from the international implementation of neo-liberalism in the 1980s, deregulations, privatisation programmes and the interwoven processes of globalisation and the underpinning transformations in communications, transportation and the transfer of finance, data, operations and trade. Consequences of more extensive and pervasive globalisation include increases in the size and power of TNCs and concomitant reduction in the influence of national governments. Arguably the losers in this transfer of power included workers whose salaries, rights and securities diminished as manufacturing and service businesses relocated in the pursuit of lower costs and higher profits while public sectors were hit by the implementation of World Bank and IMF loan conditions. Some of the technological and communicative developments which have contributed to enhanced corporate power are also coincidentally tools which can be used by civil societal activists to scrutinise, record and report on corporate failings, underperformance, misdemeanours and disasters. When rising fears of risks connected to global warming, environmental accidents and abuses of human rights and power are added to the mix, TNCs were suddenly facing a maelstrom of expectations and scrutiny that they were, and arguably often remain, ill-prepared for.

Instead of just concentrating on their financial outputs, TNCs were now expected to extend the focus to indirect costs such as staff and transportation to hidden costs and contributions to communities and governments and to track the extent of supply chains. However, responsibilities had now permeated into social and environmental realms. Hence, impacts on surrounding livelihoods, local suppliers, inflation, competition, infrastructure, welfare and housing should be considered alongside production and transportation concerns about pollution, declining resources and ethical investment and practices. In other words, alongside the traditional requirement to focus on the profit line, TNCs are now being expected to consider other consequences which have in/direct costs that may be considered detrimental to profit. Conversely, a TNC that over-concentrates upon either social or environmental impacts may well find that business suffers to the extent the company either goes out of business or is subject to a hostile takeover.

Moreover, the rolling out of supply chains across the world has meant that TNCs operate in diverse locations with different pressures, demands and expectations allied to multiple forms of governance, standards, regulation and political structures. In order to develop CSR strategies that are sustainable, TNCs priorities should be shaped by local economic and investment levels such as rents, pay rates, unemployment, environmental matters such as pollution, deforestification, industrial waste and overcrowding and social factors such as inequality, ethnicity, language, religion and extended kinship. However, often TNCs lack this type of information particularly in areas facing the largest social and environmental crises and most widespread poverty where reliable data is often difficult to locate.

Following on from these comments, there are strong grounds to suggest that considerable scope remains for greater academic contributions. At one level, there can be wider breadth and depth into the triple bottom line, especially social and environment so that there is greater knowledge and understanding about the diverse locations, stakeholders and prospective corporate impacts and solutions. Moreover, building upon this point academic analysis needs to be less reliant on business studies. This observation is not to underestimate contributions from the discipline or to overlook the invaluable insights into subsequent developments. Nevertheless, over-relying on academic proponents of business studies replicates corporate procedures and invariably leads to a concentration upon surrounding interests to be found within the economic pillar and the debate surrounding the business case for CSR. In this book, we are delighted to incorporate contributions from a variety of related business activities. Crucially, however, the chapters position CSR out with the narrow business perspective and into wider social processes and contexts. This rolling out of CSR into broader relationships and interweaving with other academic insights and concepts allows a fuller focus upon the impacts of CSR to become apparent and helps to identify solutions to issues which fall outside corporate, geographical and academic boundaries. Certainly, the chapters are separately designed in part to provide insights into the geographical and subject specific areas of expertise. Collectively, we hope that the collection of papers is an important step towards more pervasive, extensive and interdisciplinary academic contributions to knowing more concerning local and global impacts and how they can be better resourced and managed.

When considering submissions for this book, we wanted to incorporate a range of contributions that reflected this emergent diversity of academics now studying and the regions of study. Consequently, authors range from economist through to social anthropologist, accountant to philosopher, clinical psychologist to social geographer. Together they enable us to provide new insights into aspects that challenge, hinder and enable CSR practitioners and corporations surrounding financial impact and accountability, governance and supply chains. Alongside these more business focused contributions, attention is directed to academic aspects of CSR which are indicative of expanding and pervasive explorations into the social and environmental impacts. To this end, sociological and environmental sections have been included which help shift the overconcentration on the business bottom line to consider corporate consequences in their entirety. And by drawing in theoretical contributions, we are able to shed conceptual and processual insights into potential ways forward.

Although the cross-crossing nature of the contributions placed a challenge for subdividing according to chapters, the book has been structured into four sections which connect with our overarching aims and current literature gaps, namely application, sociological, theoretical and environmental. Section one focuses upon the applied nature of CSR and in so doing helps to provide diverse pragmatic insights. Commencing with Buckler's study, this chapter brings anthropological considerations to the ways in which large TNC CSR communications can contribute to a sense of belonging through imagined communities. Two illustrative case studies from the oil and gas sector in Aberdeen, UK, provide the basis for understanding processes through which companies establish feelings of belonging and loyalty to organisations. Potocki's study of financial capabilities and poverty alleviation is examined in Chap. 2. Identifying economic socialisation, financial education and instruments enables Potocki to propose the centrality of financial capabilities in poverty alleviation. Chapter 3 extends the financial focus into governance and accountability and in particular how charisma can be incorporated within CSR approaches. Applying the example of the Italian Economy of Communion project, Baldarelli and Baldo Mara incorporate a case study to compare differences from other types of business combinations before considering the values and beliefs that can enable transition from weak to strong social responsibility. Frederiksen takes forward debates around stakeholders and in particular the division between private enterprises and the state. Through the application of the concept of consequentialism, Frederiksen raises interesting questions about the division of labour within stakeholder approaches and proposes ways in which the two can be intertwined. The fifth chapter features agribusiness supply chains in Tanzania. Modern food retailing has been subjected to considerable criticism for marginalising smaller African farmers. By understanding types of CSR practised by agrifood businesses, Nandonde, Liana and Sachs are able to consider the impact upon undeveloped supply chains in Tanzania.

Part II concentrates on Sociological Corporate Social Responsibility. Hitherto it has been an irony that arguably academics have least explored the social pillar of the CSR triple bottom line. The chapters included here suggest that sociology has much to offer if academia is to be more fully representative across the spectrum of corporate impacts. Timms' positions sociology back to the discipline's roots and consequences that ensue from the nexus between commercial and societal interests. Particular attention is placed upon how sociological contributions can help unpack what she describes as "the terrain of the struggle" between competing agendas of professional, political, activist and corporate interests. In Chap. 7, Yuill examines approaches to health within CSR programmes. While acknowledging that greater interest in health care is to be applauded, he argues that potential impacts are restricted by the dominance of the biomedical model within applications. Instead, emphasis should be extended to incorporate social, as well as biological, causes and solutions. The potential for CSR solutions to peace and reconciliation programmes is the subject of Chap. 8. Through applications from post-conflict studies, Mueller-Hirth is able to reverse causal arguments that connect corporations with conflict by positioning CSR activities within sustainable peace programmes.

Theoretical contributions are the underlying connection across Part III, helping to enhance levels of knowledge and understanding about what is happening with CSR and how related programmes can improve outcomes and help with longer term planning. Camilleri explores in Chap. 9 how the private sector can expand their role within education. Outlining deficiencies within education and training Camilleri argues that by helping to address unmet needs in education, companies can generate "win-win" situations whereby they cultivate human capital that provides both business and societal benefits. Governance is the focal point in Chap. 10 as Aluchna examines deficiencies that became apparent during the financial crisis. This leads to theorising the CSR impact upon theory and practice of corporate governance in areas such as shareholder values, executive compensation and transparency that would enable more effective checks and balances. Sitnikov adapts an approach, in Chap. 11, which is complementary to the other governance chapters when considering impact on countries with weak governance. In these locations, poor institutional arrangements and underdeveloped civil societies are not conducive to implementation of effective CSR programmes. By studying impacts of TNCs in such economies, Sitnikov is able to suggest partnership arrangements that enable CSR to become more effective.

Environment, the third pillar of the triple bottom line, is the focal point of Part IV drawing together the wide ranging concepts of risk and sustainable development. Mabon, in Chap. 12, investigates the role of risk governance and communication in particular in association with awards of social licences to operate. Comparing sub-seabed carbon dioxide storage in Scotland with marine radioactive contamination in Japan's Fukushima prefecture enables Mabon to consider questions concerning the interrelationships between environmental issues and CSR and stakeholder concerns. Issues surrounding sustainable development are examined in Chap. 13, which Akdoğu positions within a global economy. Akdoğu explores CSR through an economic perspective in order to reflect on the role of CSR within sustainable development across the triple bottom line and which is particularly pertinent for environmental sustainability.

Together the chapters identify a number of issues and challenges facing CSR. Collectively, they also emphasise the need for greater academic involvement and application in the pursuit of solutions to local, national and international issues which continue to beset and restrict socially responsible contributions to sustainable development.

Stephen Vertigans
Robert Gordon University
Aberdeen, UK

Samuel O. Idowu
London Metropolitan University
London, UK

Acknowledgements

We wish to express our thanks to a number of individuals who have helped us to achieve the objective of putting this book together. Our first well-deserved “thank you” goes out to all our 17 contributors who are based in 9 countries in Europe, North America and Africa.

We are also grateful to our respective families—the Vertigans and the Idowus who have undoubtedly been affected one way or the other as a result of the time devoted to all relevant activities relating to this book.

We are also grateful to our Publishing team in Germany headed by Senior Publishing Editor Christian Rauscher and Barbara Bethke who have continued to ensure high standards of our books.

Finally, we apologise for any error or omission that may appear in any of the pages of this book; no harm was intended to anyone.

Contents

About the Editors

Samuel O. Idowu is a senior lecturer in Accounting and Corporate Social Responsibility at the Guildhall Faculty of Business and Law, London Metropolitan University, where he was course organiser for Accounting Joint degrees, Course Leader/Personal Academic Adviser (PAA) for students taking Accounting Major/Minor and Accounting Joint degrees and currently Course Leader for Accounting and Banking degree. Samuel is a Professor of CSR and Sustainability at Nanjing University of Finance & Economics, China. He is a fellow member of the Institute of Chartered Secretaries and Administrators, a fellow of the Royal Society of Arts, a Liveryman of the Worshipful Company of Chartered Secretaries & Administrators and a named freeman of the City of London. He is the Deputy CEO, Vice President and Director of Publications of the Global Corporate Governance Institute. Samuel has published over 50 articles in both professional and academic journals and contributed chapters in several edited books. He is an Editor-in-Chief of the International Journal of Corporate Social Responsibility, he is also the Editor-in-Chief of two major global reference books by Springer—the *Encyclopedia of Corporate Social Responsibility* (ECSR) and the *Dictionary of Corporate Social Responsibility* (DCSR)—and he is a Series Editor for Springer's CSR, Sustainability, Ethics and Governance books. Samuel has been in academia for 29 years winning one of the Highly Commended Awards of Emerald Literati Network Awards for Excellence in 2008 and 2014. In 2010, one of his edited books was placed in 18th position out of 40 top Sustainability books by Cambridge University Programme for Sustainability Leadership. He has examined for the following professional bodies: the Chartered Institute of Bankers (CIB) and the Chartered Institute of Marketing (CIM) and has marked examination papers for the Association of Chartered Certified Accountants (ACCA). His teaching career started in November 1987 at Merton College, Morden, Surrey; he was a Lecturer/Senior Lecturer at North East Surrey College of Technology (Nescot) for 13 years where he was the Course Leader for BA (Hons) Business Studies and ACCA and CIMA courses. He has also held visiting lectureship posts at Croydon College and Kingston University. He was a senior lecturer at London Guildhall University prior to its merger with the University of North London, when London Metropolitan University was created in August 2002. He has served as an external examiner to a number of UK Universities including the University of Sunderland, the University of Ulster, Belfast and Coleraine, Northern Ireland, the University of Plymouth and Anglia Ruskin University, Chelmsford. He is currently an External Examiner at Robert Gordon University, Aberdeen, Scotland, Teesside University, Middlesbrough, UK, and Sheffield Hallam University, UK. He was also the Treasurer and a Trustee of Age *Concern*, Hackney, East London, from January 2008 to September 2011. He is a member of the Committee of the Corporate Governance Special Interest Group, of the British Academy of Management (BAM). Samuel is on the Editorial Advisory Boards of the International Journal of Business Administration and Amfiteatru Economic Journal. He has been researching in the field of CSR since 1983 and has attended and presented papers at several national and international conferences and workshops on CSR. Samuel has made a number of keynote speeches at international conferences and workshops and written the *foreword* to a number of leading books in the field of CSR and Sustainable Development.

Stephen Vertigans is currently Head of School of Applied Social Studies at Robert Gordon University, Aberdeen, UK. His research interests include corporate social responsibility and political violence with particular interest at present in energy-related development in East and West Africa. In his publications, Stephen applies a sociological approach in order to try to enhance levels of understanding about the wider social, cultural and political processes which are instrumental in the success or failure of CSR policies.

List of Contributors

Serpil Kahraman Akdoğu is an Assistant Professor of Economics at Yasar University, Turkey. She completed her Ph.D. in Economics in 2009, M.A. in the History of Economic Thoughts (2005) and B.A. in Economics (1999) at the University of Istanbul, Turkey. Before beginning her academic career, she worked at the Koc Bank Head Office, Dept. of Alternative Distribution Channels in Istanbul as a customer advisor (2002–2004), Ereks Foreign Trade Company, Istanbul (2000–2001), and Genel Insurance Co. Head Office, Istanbul, as a financial analyst (2000). Her writings have been published in major Turkish national Newspapers, and as the Economic Solution Journal's columnist, she writes about current issues in Economics. She regularly talks on Turkish TV channels. She received Erasmus+ Teaching fellow to give courses in Hungary and Italy. Her research interests include monetary theory and policy, money and banking, financial crises and history of Economics during the Ottoman Empire. Furthermore, as a member of the Izmir Universities Platform, and Yasar University, she has been working for students with disabilities. Serpil Kahraman Akdoğu has been a postdoc research fellow and Adjunct faculty at the Department of Economics in San Diego State University, CA/USA, and worked with Dr. James Gerber, Professor of Economics (2015-Spring). Dr. Kahraman Akdoğu is currently a visiting postdoc scholar at the Department of Economics and Centre for Global Studies at the University of Illinois at Urbana-Champaign (2015-Fall).

Maria Aluchna, Ph.D., is an associate professor at the Department of Management Theory, Warsaw School of Economics (SGH), Poland. She studied marketing and management at the Warsaw School of Economics where she graduated in 1998 with an MA (Econ) degree. She specialises in corporate governance (ownership structure, board, executive compensation, transition economies) as well as in strategic management and corporate social responsibility. She was awarded Deutscher Akademischer Austauchdienst (DAAD) scholarship for research stay at Universität Passau and Polish-American Fulbright Commission scholarship for the research stay at Columbia University. She received Polish Science Foundation award for young researchers (2004 and 2005) and the SGH Rector Award in 2004, 2012 and 2014. Since 1998, she has been working at the Department of Management Theory, at the Warsaw School of Economics obtaining Ph.D. degree (2004) and completing habilitation procedure (2011). Currently, Maria Aluchna teaches “Corporate governance” (both in Polish and English for the CEMS, Canadian MBA and doctoral programmes), “Transition in Central and Eastern Europe” (in English in cooperation with the University of Illinois, Springfield) and “Strategic management” (in English). She also serves as the faculty advisor for case competition of Warsaw School of Economics student teams and is the lecturer of the Summer University Warsaw. She is the member of the editorial team of Journal of Knowledge Globalization and European Journal of Economics and Management as well as of the Polish journals—“Przegląd Organizacji” [Organization Review] and e-Mentor. Maria Aluchna is the member of European Corporate Governance Institute (ECGI), European Academy of Management (EURAM) and Academy of International Business (AIB). She is the team member at the law firm Głuchowski, Siemiątkowski i Zwara and the Polish Ministry of Economy team monitoring trends in CSR.

Maria-Gabriella Baldarelli, Ph.D., is Associate Professor of Accounting at the University of Bologna, Department of Management. She was a visiting Professor to the following institutions: the University of Pula-Hroatia in May 2006; University of Vlore (Albania) from 12th to 15th May 2009; visiting professor—Teaching staff mobility at the New Bulgarian University of Sofia, Bulgaria, from 22nd to 27th November 2010; the University of Sao Paulo—Brazil from the end of May—1st June 2011; and the University of Diocese of Buia (UDEB)—Cameroon—from 4th to 8th February 2012. She is on the Editorial Board of the international Review “Economic Research” (UDK 338; ISSN 1331-677X). Her research interests include financial statement in tour operator and travel agencies; corporate social responsibility; ethical, social and environmental accounting and accountability; sustainability in tourism enterprises; responsible and accessible tourism for blind people; economy of communion enterprises; and gender (pink) accounting. She is a member of the Board-Centre of Advanced Studies in Tourism (CAST; http://www.turismo.unibo.it); she was also part of a delegate of the Department of Business Administration-University of Bologna. She was also a delegate of SISTUR (Italian Society of Sciences of Tourism) for the Emilia Romagna region. She was a member of SIDREA council from December 2009. She is reviewer of Journal of Business Ethics and Economic Research.

Mara Del Baldo is Assistant Professor of Entrepreneurship and Small Business Management and of Financial Accounting at the University of Urbino (Italy), Department of Economics, Society and Politics.

She was also a visiting professor at the University of Vigo (Spain), the Jurai Dobrila University of Pula (Croatia) and the New Bulgarian University of Sofia (Bulgaria). Her main research interests include entrepreneurship and small businesses; corporate social responsibility, sustainability and business ethics; SMEs and networking strategies; financial and integrated reporting; ethical, social and environmental accounting (SEAR); and gender (pink) accounting. She published in different Italian and foreign journals as well as in national and international conferences proceedings and books. She is a member of Italian (SIDREA—Italian society of business economics and accounting, SISTUR—Italian Society of Sciences of Tourism, ASPI—Association for the study of SMEs) and International scientific communities, including the European Council for Small Business, the Centre for Social and Environmental Accounting Research (CSEAR Italy) and the European Business Ethics Network (EBEN) Italian Chapter. She works as reviewer and is an editorial board member of several international journals.

Sarah Buckler is a social anthropologist who has worked in a variety of settings from development work with Gypsy Travellers through government advisory work on effective data management and usage to research on international Corporate Social Responsibility (CSR) programmes.

Sarah's interest in anthropology and cross-cultural issues began with arts-based projects examining how artists from very different cultures can effectively work together and how the arts can help build resilient communities. This led to the award of a Leverhulme Research Fellowship exploring the role of music in the ex-mining communities of North East England (brass bands and folk) developing an understanding of the significance of social aesthetics in building a sense of community. Following this, she then went on to expand her experience from local community development to the field of international development.

Immediately prior to joining Robert Gordon University in 2013 Sarah worked on a Barclays and Mondelez (formerly Cadburys) funded programme in West Africa investigating the value chains of agricultural commodities and how businesses, governments and non-governmental organisations could work more effectively together. This developed into a wider interest in the practice and management of corporate social responsibility programmes. Sarah's current research explores the ways CSR programmes manage the relationships between different types of community (business, political, local, communities of interest and so on) and how they can provide a stable underpinning for the long-term development of a business.

Mark Anthony Camilleri is a resident academic lecturer in the Department of Corporate Communication within the Faculty of Media and Knowledge Sciences at the University of Malta. He lectures marketing-related subjects in a joint/dual masters programme run by the University of Malta in collaboration with King's College, University of London. Dr Camilleri is a Ph.D. graduate from the University of Edinburgh in Scotland. He holds a Master's in Business Administration from the University of Leicester, England, as well as other qualifications in airline management and tourism studies. He acquired relevant academic experience in teaching and lecturing business subjects at graduate and postgraduate levels in Hong Kong, Malta and the UK. His current research interests include corporate social responsibility, sustainability, stakeholder engagement and creating shared value. Dr. Camilleri held executive roles within the travel, tourism and hospitality industries. His duties and responsibilities comprised leadership positions, specifically in business planning, market research, revenue management (yield management) and integrated marketing communications. His experience spans from marketing information systems, crunching big data, analytics and customer relationship management to public relations, marketing communications, branding exercises and reputation management (using both conventional tools and contemporary digital marketing tactics).

Dr Camilleri is a frequent speaker and reviewer at the American Marketing Association's (AMA) Marketing and Public Policy annual conference. He has published papers in *Sustainability Accounting, Management and Policy Journal, Corporate Reputation Review, Tourism Planning and Development and the International Journal of Leadership in Education* as well as in the proceedings of AMA Conferences. His short contributions are often featured in popular media outlets such as the Times of Malta, Business2Community, Social Media Today, Triple Pundit, CSRwire and the Shared Value Initiative.

Claus Strue Frederiksen, Ph.D., is a postdoctoral fellow at the University of Copenhagen (philosophy unit). Frederiksen has published several articles about moral philosophy and business ethics in international journals and books and is field editor on the *Encyclopedia of Corporate Social Responsibility* published by Springer. His current line of research is corporate social responsibility reporting.

Bocean Claudiu George, Ph.D., is an Associate Professor. She obtained her Bachelor's degree with major in Accountancy and Informatics in 2000, from the Faculty of Economics, University of Craiova, Romania. In 2004, she obtained her Master's degree in Business Administration, also from the Faculty of Economics, University of Craiova, Romania. In 2007, she was awarded her Ph.D. in Economics, also from the Faculty of Economics, University of Craiova, Romania. In 2015, she was awarded her Habillitation title in Management, by the Academy of Economic Sciences, Bucharest, Romania. Since 2002 to the present date, she has taught and researched in the Faculty of Economics and Business Administration, University of Craiova, on modules such as Human Resource Management, Corporate Social Responsibility, Organisation Theory and Business Economics while working in collaboration with others on both national and international projects with local and international Universities and Organisations.

Pamela Liana is an Assistant Lecturer working in the Department of Marketing and Entrepreneurship of the Faculty of Business Management of Open University of Tanzania, Morogoro Regional Centre. Ms. Liana pursued Master of Science in Entrepreneurship (2010–2012) at Mzumbe University, Tanzania. She received her Bachelor of Business Administration in Marketing Management at the same University in 2007. Her teaching interest includes marketing, entrepreneurship, small business management, sales management, electronic marketing and international marketing. The research that she has done so far focuses on consumer behaviours on mobile phone banking and market orientation on SMEs. She is also writing a study material on Sales Management. She has attended various Workshops among others, including e-Marketing workshop, ESRF, Dar Es Salaam, 2009, and also she has presented Conference papers such as Liana, P. (2011). “Consumer Perception on Mobile phone banking in Tanzania, the case of Morogoro Municipality” Uncovering knowledge of Intersection of Law and ICT Conference, Mzumbe University, At Girraffe Ocean View Hotel, Dar-es Salaam, September, 2011. Nandonde, F.A. and Liana, P. (2013) “Analysis of Women Small Scale Entrepreneurs Practices during Business Negotiations in Tanzania Agribusiness”, Paper presented at 18th International management Conference at Makerere Business School, Kampala, 5th September 2013. In addition, she attended training on International programme, for Trainers/Promoters of Entrepreneurship and Small Business Development at the National Institute Entrepreneurship and Small Business Development (NIESBUD) India (2013).

Leslie Mabon is a Lecturer in Sociology at Robert Gordon University in Aberdeen, Scotland. His research is focused on the societal dimensions of less ethically clear-cut technologies that might be part of the energy mix, with a particular interest in energy in offshore or coastal areas. At present, he is working on two key case studies: carbon dioxide capture and storage and the potential for sub-seabed storage in the North Sea, Scotland, and marine radioactive contamination in Fukushima Prefecture, Japan, after the 2011 nuclear disaster. Theoretically, Leslie is interested in the role of values in shaping perceptions of risk and in challenges for environmental governance raised by differing understandings of risk and uncertainty. He holds a Ph.D. in Human Geography and enjoys working with scholars from a range of disciplines—this is reflected in Leslie’s peer-reviewed publications, which encompass environmental social science journals such as *Environment and Planning C: Government and Policy* and *Environmental Values* and also more interdisciplinary/policy-driven publications including *International Journal of Greenhouse Gas Control* and *Marine Policy*. His research has been funded by the Japan Foundation, the GB Sasakawa Foundation and the UK Carbon Capture and Storage Research Centre, among others.

Natascha Mueller-Hirth is Lecturer in Sociology in the School of Applied Social Studies at Robert Gordon University. Her research to date has mainly focused on two areas: firstly, the governance of development and development organisations, including the role of civil societies, NGOs and businesses in what is increasingly understood as “inclusive” development, and secondly, post-conflict societies, political violence and the emerging sociology of peace processes. She has also published on CSR in South Africa.

Felix Adamu Nandonde is a Ph.D. student at International Business Centre, Aalborg University, Denmark. Felix has an MSc Food Marketing from Newcastle University, UK, and Bachelor of Business Administration—Marketing from Mzumbe University, Tanzania. Mr. Nandonde is affiliated to Sokoine University of Agriculture in Morogoro, Tanzania, as an Assistant Lecturer in Marketing. He teaches undergraduate courses: Business Communication, Services Marketing and Business Strategy. His research works appeared in *African Management Review, Ethiopian Journal of Business and Economics, Journal of Business Research, Journal of Language and Entrepreneurship in Africa*. Felix has published two book chapters with IGI Global and Degruyter Publishers. Mr. Nandonde has authored a handbook of *Business Communication Skills* with Mzumbe Book Project, Morogoro, Tanzania. Before joining academia, he worked with National Bank of Commerce (NBC) 1997 Tanzania Limited as Sales Consultant Business Banking. Mr. Nandonde has presented papers in various international conferences: Makerere Business School, AIB-SSA at RIARA Business School and Aarhus Business School and 5th Aalborg International Conference. He is a member of the Academy of International Business (AIB) and Africa Academy of Management Science. Mr. Nandonde is an ad hoc reviewer of the academic journal of the *International Review of Retail, Distribution and Consumer Research* and *AIB conference articles.*

Tomasz Potocki is an Assistant Professor at the University of Rzeszów, Poland, as well as lecturer at the Faculty of Economic Science at the University of Warsaw, Poland. His research interests focus on banking responsibility, financial capabilities and welfare and happiness economics. He is author and co-author of more than 40 research papers and articles. Additionally, he has more than 10 years of professional experience as senior manager in MNCs, as well as in business consulting and project execution.

Paul R. Sachs is Executive Director of NHS Human Services—Philadelphia, a non-profit organisation that serves individuals with mental illness, substance abuse and development disability as part of the NHS Human Services corporation. Dr. Sachs received a Ph.D. in Clinical Psychology from Vanderbilt University in Nashville, Tennessee, USA, and an MBA from Saint Joseph's University in Philadelphia, Pennsylvania, USA. He is a licensed psychologist. He also has served as mentor for fellows from the Mandela Washington Fellowship and through Venture Capital for Africa, vc4Africa.biz. He is the author of one book, several book chapters, and articles in the field of rehabilitation psychology.

Catalina Soriana Sitnikov, Ph.D., is an Associate Professor. She graduated in 1995 with Bachelor's degree with major in Informatics applied to Economics, from the Faculty of Economics, University of Craiova, Romania. In 1996, she graduated with Master's degree in Human Resources, also from the Faculty of Economics, University of Craiova, Romania. In 2000, she completed her Ph.D. in Management, again from the Faculty of Economics, University of Craiova, Romania. In 2015, she was appointed to the position of Ph.D. Supervisor in Management, by the Faculty of Economics, University of Craiova, Romania. Also in 2015, she was awarded her Habilitation title in Management, by the Academy of Economic Sciences, Bucharest, Romania. Since 1995 to the present moment, she has taught and researched at the Faculty of Economics and Business Administration, University of Craiova, on various subjects including Quality Management, Strategic Management, Management and

Corporate Social Responsibility. Catalina has participated in many national and international projects while collaborating with local and international Universities and Organisations. Between 2001 and 2003, she was a visiting lecturer and researcher at Helsinki University, Lahti Centre, Finland, teaching Benchmarking and developing projects with partners from Japan, China, the USA, Spain, Portugal and France.

Jill Timms is a sociologist with particular interests in working life, corporate social responsibility (CSR), ethical consumption, "responsible capitalism", lobbying and transnational protest movements. She gained her Ph.D. from London School of Economics (LSE), examining the mobilisation of CSR discourse in campaigns for workers in global supply chains. Jill is a Lecturer in Business and Management at Coventry Business School. She has previously held posts at Brunel University London, the Centre for Labour Market Studies at Leicester University, LSE, Queen Mary University, Imperial College, the Foundation for International Education and University College Dublin.

Jill has a long-standing interest in how notions of responsibility are understood within globalising capitalism, including the role of the media in creating and questioning dominant views. Between 2001 and 2011, she contributed to the Global Civil Society Project for the Centre for Global Governance at LSE, and in 2008, she joined the committee of the Global Studies Association. Her current research includes the impact of ethical consumption and procurement practices on the private certification of supply chains, with specific projects focusing on changes in the cut flower industry and issues around supply chain sustainability for mega-events, such as the Olympics. Her book "Questioning Corporate Social Responsibility: Campaigns for the rights of workers in global production networks" will be published by Ashgate in 2016.

Chris Yuill has a background in medical sociology and holds a Ph.D. from St Georges, University of London. He has published a number of articles in international journals on the subject of the workplace and health. These articles draw attention to issues of power and control being prime causes of good and poor health and well-being in the workplace. In addition to research articles, Chris has also published a number of textbooks on the sociology of health. The most widely known is The Sociology of Health: An Introduction, which has been translated into Chinese, is now in its fourth edition and is adopted as a core text in universities in the United Kingdom, Singapore and South Africa. He has also been a member of the national executive of the British Sociological Association and a member of the board of Medical Sociology national study group in the UK.

Part I
Practical Corporate Social Responsibility

Chapter 1
Imagined Communities Incorporated: Corporate Social Responsibility and Value Creation in a Globalised World

Sarah Buckler

Abstract Building on an anthropological, phenomenological understanding of the social world I develop an analysis of Transnational Corporations (TNCs) as large groups existing mostly in the 'imagined realm' (Schutz, The Phenomenology of the Social World, Heineman, 1972). I argue that TNCs can be likened to the nation states of Benedict Anderson's 'Imagined Communities' (Anderson, Imagined Communities: Reflections on the Origin and Spread of Nationalism, Verso, 2006), working to develop a sense of purpose and identity beyond mere business activity through various forms of Corporate Social Responsibility (CSR).

I demonstrate how companies' use of media engenders a sense of belonging to an imagined community and the specific role that CSR communications have in this process from corporate reports to volunteering schemes. I go on to argue that various mechanisms used to develop CSR programmes are totalising processes similar to those of 'census, map and museum' referred to by Anderson and seen now in M&E processes, value chain analysis, stakeholder engagement strategies, etc.

Taking two companies as illustrative case studies (BP and the Wood Group) the main part of the paper is a text and narrative analysis drawing out the communicative processes used to establish a sense of belonging and loyalty to organisations which bear substantial similarities to the nation states described by Anderson.

Conclusions hint at the potential of this analysis to develop alternative understandings of CSR in organisations which are major players on the world economic and political stage and which raise questions about the moral and ethical expectations that rest upon multinational corporations in an increasingly globalised world.

S. Buckler (✉)
Robert Gordon University, Aberdeen, UK
e-mail: e.s.buckler@rgu.ac.uk

S. Vertigans, S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-319-35083-7_1

1.1 Introduction: An Outsider Looking In

I arrived in Aberdeen, the "Granite City", in the far north east of the UK, on a sunny day in mid-September. I was new to the city, solo and keen to make new friends and to get out to the nearby Cairngorm mountains—the idea of cool Scottish hills after the sultry humidity and sooty dust of Accra where I had been living was very appealing.

As I got out and about and socialised more I quickly came to understand that almost everything in my new home town seemed to revolve around oil and gas. More than that, to a great extent it revolved around a handful of large multinational corporations with satellite companies dancing attendance and everything else falling into place around them. Then as I began to get to know more people I also started to notice that they often showed an enormous amount of loyalty to one company or another, generally the one they were working for, or one of the massive ones that they had worked for—Statoil or Shell for instance. It was a loyalty that I had not encountered before and as I became more curious and listened harder, observed more closely, it seemed to me that people were displaying an allegiance that went beyond the rational interests of maintaining a job and building up a pension and entered territory much more concerned with emotion, aesthetics and morality; people spoke about these companies in terms of the good they did, they way they treated their staff and their attitude towards the communities they worked with in a way which struck me as almost patriotic.

One example of this was at a business lunch I went to, hoping to increase interest in the courses my school offers around Corporate Social Responsibility (CSR). I was speaking to a man, probably in his late thirties, who had recently returned to Aberdeen from a stint in Angola. I told him what I did and his interest was immediately pricked as he went on to tell me how the company that he worked for was wonderful on the CSR count—how they consulted with their staff about what charities should be donated to every year and how that made people feel good about working for the company. Whilst this fairly conventional, philanthropic approach was not entirely what I had in mind when talking about CSR what really struck me was the passion with which he spoke about the company, the clear, uncritical enthusiasm and conviction that much good was being done for communities. Having come from working closely with non-governmental organisations on projects in the developing world this was not something I was used to, I was much more familiar with a somewhat cynical and critical approach to such community projects.

Even people I came across who did not work for one of the major oil and gas companies in the city often had some kind of emotional attachment to one or other of the corporations—often the Wood Group as the founder was a local lad. For instance, one memorable taxi ride from the University to the city centre found me and the other passenger being regaled by stories about how wonderful Sir Ian Wood is, how he had done so much for the city and even for the taxi driver himself (despite the driver not being offered a job when he had applied to the company). It was very clearly an emotionally loaded tale that meant more to the driver than just facts about what Sir Ian Wood had or had not done for Aberdeen but was intimately tied to the driver's sense of self esteem and pride in living in the city.

So it was that I began to wonder how such loyalties developed and why I was noticing them now—what was it about the economic and socio-political context of Aberdeen which brought this so clearly to my attention?

1.2 Corporate Social Responsibility: Good Business, Doing Good or a Power Play?

In recent years debates and thinking around Corporate Social Responsibility (CSR) have become increasingly detailed and complex, developing from arguments that had generally fallen into two areas of discussion; on the one hand much attention has been paid to issues around the business case for CSR and whether CSR actually makes a business more successful or profitable or sustainable—and whether that is an appropriate concern for CSR programmes (Friedman 1970; Hart 2009; Reiman et al. 2011; Rowley and Berman 2000; Scherer et al. 2013; Walsh et al. 2003) or an effective approach for companies in the developing world (Gugler and Shi 2009). On the other hand discussions circulated around the effectiveness of CSR as a means of achieving development goals and whether this is an appropriate area for private, capitalist businesses to become involved in (Blowfield 2005; Blowfield and Frynas 2005; Blowfield and Dolan 2014; Gilberthorpe and Banks 2012; Hasan 2011; Idemudia 2011). More recently a number of researchers have begun to focus on CSR as a function of power, examining how the rhetoric often does not match activity (Campbell 2007) or the ways in which both the concept and the activities serve to help maintain or establish new forms of governance (Detomasi 2008; Rich and Moberg 2015; Scherer et al. 2009; Scherer and Palazzo 2011) or bolster political and economic elites (Gilberthorpe 2013; Rajak 2014).

In this chapter I too will move away from debates around the business case for CSR or international development goals and move towards a discussion of the ways in which CSR is used, developing perspectives put forward by writers such as Rajak (2011) who documents the ways in which CSR is used as a conceptual resource deployed in order to maintain power relations in the multinational corporation Anglo American. Also leading on from the work of O'Connor and Gronewold (2012) who explore the ways in which CSR as a concept is constructed through the discourse used to discuss and report it. In order to do this I will take an approach inspired by phenomenology, examining how the concept of CSR is used as a tool in order to try to establish a shared understanding of the world amongst globally distributed employees of corporations. I will examine how the concept of CSR is used rhetorically in an attempt to establish a sense of shared values amongst employees of multinational corporations. I argue that the processes involved can be likened to those described by Benedict Anderson in his exploration of the roots of nationalism in 'Imagined Communities' (2006 [1983]). Whilst Anderson himself did not specifically relate his notion of imagined communities to phenomenological thought it is nevertheless particularly appropriate to base this exploration in such an approach as ideas of 'imagined communities' can be usefully related to ideas about the experienced and imagined realms described by Alfred Schutz (1972 [1932]) whereby the experienced realm consists of that which can be directly apprehended, experienced face-to-face whilst the imagined is that which extends beyond that immediate presence. This notion of the imagined versus the experienced is particularly pertinent when describing the operations of large transnational corporations most members of whom will never actually meet one another but will remain as an imagined mass of people sharing in the fortunes of whichever corporation they work for.

Various scholars (e.g. Baumann 1998; Coe and Yeung 2015; Dunning 1999) have noted that we live in an increasingly globalised world and with increasing globalisation come implications and expectations around human rights and public accountability which reach beyond the purview of nation states and national governments. In that globalised and cosmopolitan (Detomasi 2008; Kobrin 1999; Young 2004) world some multinationals have economies which are larger than some nation states and carry correspondingly significant degrees of influence on the world stage. Such huge multinational corporations have their own populace—their employees—who come from many different geographical localities and cultural backgrounds and yet who are all expected to be able to work effectively together and from some kind of basis of shared understanding about what it is they are doing, what they are trying to achieve. Taking these corporate populations as my starting point this chapter builds upon the work of those who have begun to explore the ways in which business wields both economic and moral power as inflected aspects of the ways business operates in the capitalist world order (see e.g. Rajak, ops cit; Windsor 2006). As noted above my intention is to move away from debates about whether CSR is or is not good business or development practice and help to situate it in a debate about the changing nature of a globalising and increasingly cosmopolitan world with all the implications for nation states, human rights and international law that accompany such discussion.

My aim is not to reach any particular conclusion about such issues other than to note that this is a potentially fruitful way in which to explore and understand the concept of CSR within the context of a world where understandings of belonging, nationalism and ethnic identity are both being challenged and changing rapidly. Nevertheless towards the end of the chapter I will indicate some possible implications of this contextualisation and understanding of CSR within the framework of imagined communities that are not nations but which nonetheless have global economic and political impact and the potential to form a substantial part of the life worlds of individual people in ways that transcend nations and ethnicity as we have come to understand them.

1.3 Imagined Communities Inc.

In his seminal work 'Imagined Communities' Benedict Anderson (2006 [1983]) traces the role of the print media in generating a sense of nationhood, of belonging to a vast body of people, most of whom you will never know but with whom you share a common interest. Anderson describes nations as huge groupings of people who whilst they will never actually meet and know one another [never actually encounter one another in what Schutz (1972 [1932]) would refer to as the experienced realm] nevertheless they can imagine that all those other people exist, and they all exist within a shared context of time and space which is represented and communicated via the print media. Anderson's analysis rests largely on the proposal that the capitalist print media gave rise to the cognitive changes that enable nation states to become imagined. Whilst Anderson's key concept—that of 'imagined communities'– has been widely adopted and drawn upon suggesting that there is a general popular appeal behind this argument, the overall thrust of the work is not without its critics which can be divided into two rather generalised categories; those that critique his analysis regarding the ways that print media impact upon cognition and those that critique his understanding of nationalism. Whilst it is not my intention here to give a full review of the various social scientific perspectives on nationalism and the emergence of nation states it is worthwhile outlining some of the key critiques that can be applied to Anderson's work in order to identify where and why his work is helpful within the particular context of this chapter.

For instance, the full title of Anderson's work *Imagined Communities*: *Reflections on the Origin and Spread of Nationalism* suggests that 'nationalism' is a homogeneous, singular thing which manifests in the same way across the globe and through time. This is a rather problematic perspective and in fact there are many different conceptions of nationalism and exactly what it is. Geertz (1963) and Shils (1957) relate nationalism and national identity to certain 'givens' in human existence, an affinity with others of the same blood, born into the same face to face community, for instance. Meanwhile Giddens (1985) warns against a conflation of nation state with nationalism, something of which Anderson could potentially be accused as he is exploring the connections between the two and their common origins, or at least the influence from capitalist print media that they both share.

Whilst these critiques are persuasive they tend to ignore that fundamental distinction within the social world pointed out by Alfred Schutz—that of the imagined and the experienced realms. Whilst Geertz and Shils argue that something in the nature of being human lies behind the move towards nation states and nationalism they do not account for how these 'primordial sentiments' (Geertz, op cit.) or 'primordial ties' (Shils, op cit.) manage to make themselves both felt and effective beyond the realm of immediate experiences and apprehension. It is just this leap—this cognitive development—that Anderson is trying to explain through demonstrating the impact of print media and its capacity to forge affective bonds beyond the realm of face to face experience and it is this move that this chapter is concerned with. In other words I am interested in the ability to imagine communities such as nations rather than the concept of nationalism. Nor will I argue that a sense of belonging to an imagined community such as a transnational corporation is the sole identity adopted by those who inspired this chapter. Rather, I will explore how a transnational corporation can become, on a global basis, an identity that can be chosen as per the approaches to identity explored by, for instance, Charles Taylor (2004) and K. A. Appiah (2005) and understandings of national identity proposed by Smith (1995). I am interested in understanding what it might imply for people of disparate origins and in diverse parts of the world to identify with a corporation in this way.

To this end there is a further series of critiques which pull Anderson's argument in a different direction, towards the linguistic and emotive development of identity which fits well with the closely observed ethnographic approach that anthropology can be so good at. It is also helpful in setting the scene for this particular chapter which examines the contribution anthropological approaches can make towards further academic insights regarding the concept and practice of corporate social responsibility. Wogan, for example (2001) argues that Anderson's analysis rests largely on a binary opposition between oral and text based language that cannot be entirely upheld by the empirical evidence. Developing his critique Wogan maintains that Anderson does not effectively account for the emotional and affective ties to nation that develop to the extent that citizens are prepared to lay down their lives for their country and that in order to explain this an analysis must play closer attention to the nature of oral language rather than focusing on print media alone. Chatterjee (1991) takes a different, although related stance, arguing that Anderson's analysis describes a movement in the imagining of nation states that fails to distinguish the internal, spiritual world from the external, political world. Chatterjee argues that this failure gives rise to some challenges when it comes to imagining the development of nation states outwith the development of European nations as it is in the internal, spiritual world that this imagining first takes place in the colonised world, whereas in Anderson's description the first arena of imagining is in the external, political world. Importantly, Chatterjee notes that the imagining does not rest on the basis of oral or public (shared language) but it is in the aesthetics of the internal world that a sense of nationhood, belonging or attachment comes into being.

This aesthetic battleground—the arena of internalised, cultural aesthetics—echoes Anderson's descriptions in terms of the portrayal of oral language and emotional attachments to the nation rather than the descriptions of print media that the majority of his argument rests upon. If we the take this argument one step further and remove it from the aesthetics of language based arguments and draw on distinctions noted in musical studies we can see that the oral tradition, at least as much as that of print media, does have a significant power to be both imagined and aesthetic, to generate attachment and to manage the interface between oral and printed language, spiritual and political imaginings, aesthetic and 'rational' motivations. Furthermore in removing the process of imagining from a fight for political power Chatterjee begins to open up the area wherein other kinds of imagined community can arise—communities rooted in a sense of shared values arising from a shared feeling of what it is to be in the world.

Reworking this idea to examine the use of media in large, multinational oil and gas companies and bearing in mind the loyalties and sense of common purpose indicated in the conversations and encounters mentioned at the beginning of the chapter, we can begin to relate the current workings of oil and gas (O&G) companies to that of nation building and the colonialist enterprise. In this chapter I will argue that through the use of print and other media, and specifically with relation to CSR programmes, corporations generate a sense of corporate belonging; a sense of common cause and common interest, rallying under the banner of the corporate logo. This is experienced by individuals as a particular sense of rightness or fit, a social aesthetic that feels like 'home' and which engenders a loyalty to that corporation, a kind of corporate patriotism if you will.

In this chapter I argue that we can discern in the ways that values are generated, communicated and maintained that there is at work a hegemonic process such that they develop a certain inevitability or unquestionableness which, once willingly adopted by employees of a corporation then become self-perpetuating to the exclusion of other possibilities. In this way transnational corporations are forming a new arena of imagined communities, one that transcends national boundaries and in which new ideas about globalisation, international law and so on are becoming increasingly important.

1.4 Corporate Communications: Print Media and Beyond

In the interests of space I will only look in detail at two contrasting companies—one long established exploration and production company (BP) and a service supply company that has somewhat more recently moved into the oil and gas area of operations (Wood Group). These provide an interesting contrast with one another because of the different types of corporate structures involved—the Wood Group is more clearly still a family firm, with Sir Ian Wood having a very large say over its operations, whilst BP has less of a clear input from any single personality.

Anderson points out the ways in which the development of print media enabled people to imagine themselves as part of a greater whole, as existing and alongside a whole host of others, most of whom they would never know, but who shared a sense of belonging together, a sense of 'simultaneity' as he puts it (p. 24). Meanwhile Rajak (2011) reports the way in which Anglo-American used its company magazine *Optima* to generate a certain sense of what it meant to be a part of that company, the kind of values and sense of culture that it carried:

> This journal, which has been produced by Anglo American and the De Beers group of companies since 1951, appears as a testament to the corporation's aspirations beyond extraction; its desire to be known not simply as a mining company... The image of the company's cosmopolitan intellectualism, stretching beyond the borders of South Africa, is conveyed through articles by in-house Anglo executives... (p. 70)

Examining the communications of BP we can see a similar process is at work. For instance in the brief editorial prefacing the first edition of 2014, Lisa Davidson, magazine editor writes

> **Welcome.** It's been a busy start to the year for BP, with three major Upstream projects starting up—Na Kika and Mars B in the Gulf of Mexico and the Chirag Oil Project in Azerbaijan (p. 5). More are due onstream later in the year. The end of 2013 was also eventful, with the approval of two strategic long-term investments—Azerbaijan's Shah Deniz 2 development (p. 12) and Oman's Khazzan gas field (p. 14), along with the completion of commissioning of the major new units for the Whiting Refinery Modernisation Project (p. 26). On page 6 BP's chairman Carl-Henric Svanberg discusses the role of the board in a multinational organisation and why he believes challenging times can act as a catalyst for positive change. Elsewhere in the magazine, we visit the British Museum to find out more about its new BP exhibition *Vikings*: *life and legend* (p. 46) and we head to South Africa to find out about a project to turn old advertising hoarding materials into bags and pencil cases for disadvantaged school children (p. 64).

The primary emphasis is on the activities of BP as a whole thus providing a coherent and cohesive story about the business to the magazine's readership (all current and ex-employees as well as potential future ones). Added to these central articles are additional ones about exhibitions and development projects which place BP in a global context as an educated, reflective and considerate organisation—or rather as an organisation that *values* these qualities. Overall the tone of the articles is about innovation, global influence and rising to meet challenges of many kinds. So here we see the development and nurturance of certain values that are communicated to a readership that spans the globe, most of whom will never know one another but who are imagined as part of a shared community; a shared culture, sharing values.

Developing this idea, in a recent copy of the BP Magazine an article explores the 'Wonders of Australian Aboriginal Art' focussing on its patronage of the arts, tacitly promoting the desirability of having a multi-cultural or cosmopolitan outlook—a broader understanding of the world that BP is operating in rather than simply O&G technicalities.

The Wood Group uses its media in ways that can be readily compared to those used by BP in that they both use publicly available media channels to write about and report on issues that reach beyond the immediate, core business of the corporation. At the time of writing the 'featured news' section on its website included articles about Scotland's First Minister witnessing a partnership deal with China, a project aiming to get more girls into school in India, a gardening project by employees for Aberdeen's hospital, three articles about health and safety, three articles about investing in talent and a couple celebrating recent achievements and developments of the company. Overall the message is one of a responsible company with good prospects—again a cohesive message for both employees and the general public. At the same time, in a rather low key way, The Wood Group were reporting their charitable funding and the projects they had supported over the previous months. In a tone which reflects a somewhat paternalistic perspective, the

Wood Group write of its 'social responsibility' activities in a way reminiscent of early industrial philanthropists:

> Our charitable and community support is an important part of our social responsibility. We focus principally on the areas of health, education, poverty and environment. Alongside our ongoing support for two flagship charities, the Vine Trust in Tanzania and the ARCHIE Foundation in the UK, we supported other local initiatives. These include the Clontarf Foundation in Australia, which improves education and employment prospects for young Aboriginal men, and Cardiff Junior High School in Houston. We also support a wide range of local projects that our people care passionately about through our Employee Community Fund programmes in Aberdeen and Houston.[1]

On the other hand the tone of BP's report regarding sustainability is somewhat different, noting a need to build trust, to be fair, responsible and transparent:

> We can only operate if we maintain the trust of people inside and outside BP. We must earn people's trust by being fair and responsible in everything we do. We monitor our performance closely and aim to report in a transparent way. We believe good communication and open dialogue are vital if we are to meet the expectations of our employees, customers, shareholders and the local communities in which we operate.[2]

Comparing the two, BP's tone is more urbane, concerned with the world beyond energy—it reflects more values around cosmopolitanism and equality than the paternalism and philanthropy of the Wood Group. The point here is not to claim that one set of values is better or worse than another, but to point out that there are identifiable corporate values which permeate those corporations and become an accepted way not just of thinking about and understanding the world but also the corporation's role within that world and your place within that context. Whilst there are differences in the specifics of the values being created the process is the same—company publications and websites are used to nurture a sense of shared values which in turn fosters a sense of belonging to something, a sense of sharing outlooks with a mass of people the majority of whom will never be actually encountered but which each and every one can imagine as making up the company.

All in all, taking the above examples as a snapshot of CSR activity in the O&G sector it is clearly, and superficially, a means of business funding a variety of events and activities and projects for the benefit of those beyond the immediate concern of the company (employees, shareholders and so on). Published as an adjunct to annual reports and more generic business and financial performance reports these CSR reports and company magazines are at first glance nice add-ons to the core business of business—i.e. making a profit. However looked at in another way these reports and articles both generate and communicate the values of the company in a way which assists the coherence of the organisation in a global and imagined (i.e. part of the imagined rather than experienced realm) context. In order to get a better picture of how this process works we need to examine the ways these values

[1] http://www.woodgroup.com/our-values/social-responsibility/Pages/default.aspx

[2] http://www.bp.com/en/global/corporate/sustainability/bp-and-sustainability/our-strategy-and-sustainability.html

are rooted in a sense of history and inevitability such that they begin to exert a hegemonic which frames employees' experience of the company and the ways in which they imagine the nature of that company to be.

1.5 Back to the Beginning: The Corporate Appropriation and Reinvention of the Past

Benedict Anderson begins his exploration of the cultural roots of modern nationalism by drawing on the image of the tomb of the unknown soldier—a potent symbol around which imaginings of national identity coalesce. As he points out "The cultural significance of such monuments becomes even clearer if one tries to imagine, say, a Tomb of the Unknown Marxist or a cenotaph for fallen Liberals" (p. 10). Anderson goes on to demonstrate a close association between national imaginings of death and an associated sense of religiosity whereby the idea of the nation begins to carry somewhat sacred overtones—it becomes imagined as something more than a political, economic and geographic grouping of people and starts to draw on what Rudolph Otto might have called the numinous (Otto 1958 [1923]). Whilst it might be absurd to imagine a Tomb of the Unknown Marxist it is perhaps less absurd to imagine a plaque or sculpture outside the offices of a major oil and gas multinational dedicated to the oil prospectors who gave their all to find this precious resource.

Indeed, when it comes to the people whose exploits helped to found many of these companies, and reading the BP website about the beginnings of BP we are given an account of the harsh conditions faced by early explorers for oil:

> Giving up was not part of George Reynolds's character, even if he might admit that this particular search had often seemed doomed. It had taken 10 days just to get to Shardin, 8 months to start drilling and 6 years of toiling to find nothing of any consequence. Torrential rains had washed away 4 months of work on a link road to Masjid-i-Suleiman, where 2 weeks ago a drill bit had fallen off in one of two last-chance wells and taken more than a week to fish out. But vindication was in the air. By the early morning of 26 May 1908, the whole camp reeked of sulphur. At 4 o'clock the drill reached 1180 ft and a fountain of oil spewed out into the dawn sky. http://www.bp.com/en/global/corporate/about-bp/our-history/first-oil.html.

In such tales we can begin to discern some similarities between the corporate imaginings of the origins of major multinationals and those of nation-states—key characters in a shared history carry out exploits which lead with a kind of historical inevitability to where we are today.

Meanwhile Dinah Rajak (2011) describes how Anglo-American developed a sense of a historical beginning and identity through documenting and describing the work of its founder, Ernest Oppenheimer, in such a way as it sets the scene for the development of both moral and economic hegemony:

> At the centre of (this) fascination with gold and diamond mining stands Ernest Oppenheimer, who appears as founder of modern industrial South Africa, benefactor, philanthropist, civiliser and politician... This myth has been told and retold so effectively that it has firmly

established the status of the Oppenheimers as makers of South African History. (Rajak, op cit., pp. 67–68)

Here Rajak links the history of Anglo-American to the foundations of the Nation State of South Africa effectively illustrating how easily the two can fit together and just how many similarities there are between the myth-making and history-telling processes of nation states and those of global corporations.

In noting the generation and communication of a sense of shared origin amongst a group of people who will never know one another on a face-to-face basis the observations of Anderson and Rajak connect; a sense of shared origins leeches into an ability to *think* the nation (Anderson 2006[1983], p. 22) or corporation and that in turn leads to notions of common culture and shared values. Because members of the nation or corporation will never know all the other members on a face-to-face basis such shared values and sense of common culture are not developed through direct learning from family and other members of a face-to-face community as in more traditional 'cultures' (cf. Geertz, op cit.), instead we find that these values are generated using techniques that link our awareness to something more than the immediately known or 'experienced' world in order to create a sense of belonging to that world; for instance the print media[3] or websites.

More than simply connecting awareness to the imagined realm, the rooting of imagined communities (whether nations or corporations) in a sense of history and a time of myth making also brings a quality of both inevitability and ineffability to those shared values. As values become accepted as right or proper or desirable an unquestionable and almost sacred nature is carried into the taken-for-granted attitudes of those who have adopted those value sets. As Rajak points out and as can be discerned from the attitudes of the brief conversations I described in the introduction, the fact that certain things about a corporation are as they are because that is the right way to be becomes part of the awareness of employees. This process forms part of a hegemonic dissemination of values and understandings which are willingly adopted by those who form the imagined community that understands itself as a nation, or as members of a corporation such as Anglo-American.

A notion that the past is reinvented in order to service the needs of political elites establishing and maintaining a power base has been documented in many different contexts (Hobsbawm and Ranger 1984). This invention of tradition, of the historical origins of an imagined community, is not confined to nations and political elites but can also be noted in the ways that large corporations also achieve such a sense of rootedness and historical inevitability, and with that a sense of shared values. We saw, for instance that looking at BP's website[4] we can very soon find reference to its history and the values that informed its origins. BP's founder was William D Arcy and as the tale is told of the risks he took investing in oil exploration and nearly

[3] I have noted elsewhere (Buckler 2007) how contemporary forms of literature move consciousness away from the immediately experienced realm to the imagined realm, similarly Anderson draws upon literature to demonstrate the development of a kind of national consciousness.

[4] https://www.bp.com/

ruining himself, linked to the adventurous spirit and determination of the geologist George Reynolds as depicted in the excerpt above, we can see how particular values become central to the story:

> Hard work and community in an unforgiving place
>
> The Field of Naphtha was 210 rugged kilometres from the mouth of the Persian Gulf, where Anglo-Persian was building a refinery complex to turn the flow of thick crude oil into a usable product. Just getting adequate exploration equipment to the site had taken months. Now a pipeline would have to be built across the winding, mountainous route.
>
> Segments of pipe arrived in bulk from the United States, and crews took them as far as they could upriver by barge. Mules dragged them the rest of the way, with labourers taking over where the land was too steep for animals to pass. The work was slow and painstaking. It took 2 years.
>
> Meanwhile construction delays plagued the refinery site. At its completion, Abadan refinery would be the world's largest, supported by a diverse workforce: fitters, riveters, masons and clerks from India, carpenters from China and semi-skilled workers from the surrounding Arab countries.
>
> The company's British contingent included a medical doctor, Morris Young. He had come to Persia to look after the original exploration team and had found himself giving medical care to most of the people who lived near the drilling site. From a tent at Masjid-i-Suleiman, he went on to found a hospital there and another at Abadan.
>
> These would become two of the major medical centres in southwest Persia, helping the area cope with epidemic diseases and the problems of poor water quality. As for Dr Young, within Persia he would become something of a legend in his own time.

Here we have a story of hard work, determination, persistence, innovation and care which leaves a legacy. It also sets the development of the corporation in a global, cosmopolitan context staking claim to interests well beyond any national borders. Plus it establishes a grounding from which later work on social and community issues would make complete sense—it is in the company's DNA after all, there from the very beginning. Thus it was from within these values of risk taking, determination and persistence along with personal sacrifice that BP was born. Continuing the tale of the early years of the company we see the introduction of ideas around community, care for the workforce and internationalism—and the entry of a world famous figure, that of Winston Churchill. So the genesis of BP is rooted in certain values and characters. Clearly here we have a creation myth for the country which can be used iteratively to reinforce those values that the company wishes as core to the type of company it is in the present day.

The Wood Group is a multinational company operating largely within the oil and gas sector. It is of a rather different type and structure from than BP in that it is still essentially a family firm. Established by Sir Ian Wood it is still in its first generation although the story on the website attempts to give it a longer genealogy by relating it back to the Wood family businesses established at the start of the twentieth century. Interestingly, unlike BP, there is little talk of values and there is a focus on the future with the closing paragraph of the heritage page indicating future areas for development—something absent from the history pages of BP.

Our Heritage

> Wood Group has enjoyed a long tradition of success, from its early days in the 1900s when the Wood family's business began. William Wood, Sir Ian Wood's grandfather, founded Wood & Davidson, a ship repair and marine engineering firm to service the fishing fleet.
>
> Flash forward more than half a century to the 1970s, oil & gas reserves were discovered in the North Sea and presented an ideal opportunity to translate marine engineering experience into engineering and support services. The rest, as they say, is history. Today, in addition to the oil & gas and power generation industries, Wood Group has increased its focus on the environment by establishing the renewable energy services group and expanding our scope of operations within the alternative energy industry.[5]

We can see that these two differing companies are both drawing upon a narrative idea of their origin or creation in a tone which is reminiscent of myth or fable. This is intended to give an understanding of corporate origin which is shared by all who work for the company and which can then be used for rhetorical purposes to give a sense of history and continuity comparable to that described by Anderson when he writes of

> ...a secular transformation of fatality into continuity, contingency into meaning... If nation-states are widely conceded to be 'new' and 'historical,' the nations to which they give political expression always loom out of an immemorial past. (Anderson, op cit., p. 11)

In this way the past is used as a resource for moral meaning-making which allows the nation-state to present itself as an inevitable result of a combination of historical forces. For the transnational corporation it is the coming together of characters and values along with opportunities that brings the corporation, as if inevitably, into being—which turns "chance into destiny" to use Anderson's turn of phrase (loc cit)—an inevitability that provides a moral grounding for what will come later. It also provides an ethical base from which to approach the issue of corporate responsibility and from within a context of values rooted in a quasi religious sense of history with characters demonstrating qualities of sacrifice or prophecy. Whilst this is a significant move in terms of situating the corporation as a whole and CSR in particular within a framework of untouchable or unquestionable values it only marks the beginning of that framing and the subsequent uses to which the notion of CSR is put.

1.6 A Genealogy of Corporate Belonging

Just as both nations and corporations draw upon the resource of the past to establish a shared sense of origin and accompanying shared values, both nations and corporations also draw upon the notion and experience of kinship to construct a sense of community and belonging in the present. Rajak documents the tension between the use of kinship as a trope within corporations drawing on references to loyalty and

[5] http://www.woodgroup.com/about-us/our-heritage/pages/default.aspx

ancestry to help the powerful dominate the less powerful (2014, p. 268). Anderson on the other hand traces notions of relatedness in national consciousness back through "networks of kinships and clientship" (p. 6) and also personal loyalties (p. 77) demonstrating both the experienced and imagined nature of such relatedness and its use in building an imagined community with a sense of solidarity with all its constituent members.

Whilst the notion of family or kin does not per se connect to the same sense of the sacred or numinous as a shared origin in sacrifice it does still bear implications of care, loyalty and obligation that go beyond our everyday understanding of what corporations are about. We can discern from the ways that language is used as regards a sense of kinship or family that there is a distinct accompanying moral tone which establishes an understanding of a particularly desirable way to be—a sense of a moral aesthetic which informs what feels right. Indeed notions of family are a key way in which nations move away from face-to-face communities into the imagined realm, carrying with them all the implications of familiarity of the experienced realm and obligation to actually experienced and encountered beings.

Understandings and perception of the notion 'family' in the context of the imagined communities of corporations on the one hand and nations on the other hand are not mutually exclusive or even widely divergent. Ways in which nations use the notion of kinship as a rhetorical device to foster patriotism can be effectively extended to help illuminate the ways in which multinational corporations today generate a sense of belonging and shared solidarity in today's globalising and cosmopolitan world. So, for instance, in an open letter from the BP Group Chief Executive a liberal sprinkling of 'we' juxtaposed with mention of various celebrations and 'tragic' events means the letter reads something like a family account of the past year (as per the Queen in her Christmas speech).[6] It creates an impression of a cohesive unit—and implies one that can imagine itself as such. This sense of family is reinforced through the use of CSR in terms of developing a common purpose informed by shared corporate values, which reaches beyond the confines of the corporation but which also maintains the boundaries of that corporation.

On the other hand the tone of the Wood Group again comes across as rather more paternalistic—thus reinforcing a recognisable orientation towards the world, with a greater emphasis on leaders who will ensure that relevant values do indeed come to permeate the entire organisation:

> People are the heart of our business; we say it time and time again at Wood Group. To ensure we live up to this Core Value, we've assembled a group of passionate leaders who guide our company with respect, empathy, and open communication. Together, they foster a culture that promotes personal and professional development, respects a positive work-life balance, rewards competitively, and celebrates success at every level.[7]

[6] http://www.bp.com/en/global/corporate/sustainability/bp-and-sustainability/a-letter-from-our-group-chief-executive.html

[7] http://www.woodgroup.com/about-us/our-leaders/Pages/default.aspx

So again concepts and actions which could fall under the umbrella of CSR are used rhetorically to establish a sense of shared values and belonging which reinforces a sense of 'fit' or coherence which employees can understand on both an intellectual and affective level.

1.7 Mapping the Moral Terrain

In the final chapter of Anderson's (2006 [1983]) revised working of 'Imagined Communities' he writes of the ways in which geographies and histories are used to categorise and to manage national populations and imaginations. In another hegemonic move which bolsters the corporate cultures described above populations are grouped and categorised, places mapped and named, artefacts encased and labelled. This is done in such a way as to suggest that a self-evident truth about the world that is being represented through these categorisations—categorisations which ensure that the imagined community has an effectively imagined world to imagine its existence within. Alternative meanings and possibilities are rendered irrelevant fancies, experienced individualities subsumed under the needs of the greater, imagined community of the nation. A similar argument is put forward by James C. Scott (1998) when he notes:

> ...processes as disparate as the creation of permanent last names, the standardization of weights and measures, the establishment of cadastral surveys and population registers, the invention of freehold tenure, the standardization of language and legal discourse, the design of cities and the organization of transportation seemed comprehensible as attempts at legibility and simplification. In each case, officials took exceptionally complex, illegible, and local social practices, such as land tenure customs and naming customs, and created a standard grid whereby it could be centrally recorded and monitored. (Scott, op cit., p. 2)

In a similar move companies manage their own populations and locations in order to develop a shared understanding of the world which is easily transmissible to peoples and locations spread wide across the globe. Information around CSR programmes, specifically those concerned with forming and managing an interface between the companies' operations and the peoples those operations have a direct impact upon, is compiled into reports which are shared around the world, their local relevance becomes homogenised and set in the context of a global corporation. This move is achieved through the deft categorisation of people into 'communities' which can then be measured, assessed and evaluated and the terms on which the company engages with localities are set by the companies themselves. Rajak (ops cit) notes a similar move in the operations of Anglo American and we can also see other large multinational companies echoing this process (Mondelez,[8] Nike,[9] Statoil[10]). Whilst it has been noted that companies adopt reporting mechanisms

[8] http://www.cocoalife.org/Progress.aspx

[9] http://www.girleffect.org/

[10] http://www.statoil.com/en/EnvironmentSociety/Sustainability/Pages/SustainabilityReporting.aspx

according to the country context they are operating in (Chen and Bouvain 2009) it can also be argued that the ways in which different standards and reporting mechanisms are used encourages a categorisation of target populations and geographies into manageable units.

In terms of BP we can see this process at work in their ‘sustainability reports’, for instance in the 2014 ‘Our Progress on Sustainability’ report activities are grouped into a matrix style grid with headings for the kinds of issues addressed (‘The Energy Future,’ ‘How We operate,’ ‘Safety,’ ‘Environment,’ and ‘Society’). These subjects are then reported on against such headings as ‘What We Said We Would Do,’ ‘Where We Are Today’ and ‘What To Do Next’. Now, my aim here is not to critique these categories or question whether what BP is doing is good practice in terms of CSR, what these themes demonstrate is the way in which a large, imagined organisation, whether a nation or a multinational corporation, needs to manage information and understandings somehow—and this is done through a process of categorisation and quantification. This process of categorization removes the specific and local—so issues around the environment, for instance, are no longer considered alongside a local understanding of ‘environment’—which may include shamanic approaches, belief in supernatural forces, localised traditions regarding land tenureship and stewardship and so on.

Meanwhile the Wood Group, pursuing a somewhat different CSR strategy achieves this move by using the categories of ‘safety and assurance,’ ‘relationships,’ ‘social responsibility,’ ‘people,’ ‘innovation,’ ‘financial responsibility’ and ‘integrity’. Under each of these topics a number of reports can be accessed which briefly outline their meaning and occasionally quantify what will be done under those headings. Again, the activities of the company, and of those who comprise it, are grouped into categories which are removed from the local and specific and make it easier to manage and to communicate on a global, imagined level. In the examples here CSR becomes a means by which the enormity of the imagined realm becomes manageable and categorised in such a way that the company gives it coherence hence imbuing a hegemonic authority to the processes and values adopted by the company.

1.8 Conclusions

In this chapter I have demonstrated how large multinational corporations are able to use both the concept and the activities of CSR to generate a sense of being a cohesive whole in a way which can be likened to the processes that created the imagined communities of nation states described by Benedict Anderson. Using BP and the Wood Group for illustration I have demonstrated how a corporate culture, along with its attendant values and expectations exerts a hegemonic force throughout the corporation which ensures that certain values are accepted as ‘the way things are’ without much question and that this in turn leads to a degree of loyalty that is unexpected or unanticipated.

CSR is shown to be a collection of potential policies, strategies and activities which can all be glossed as being somehow socially responsible and which, to all intents and purposes, can be motivated by a variety of different intentions from acting in a purely philanthropic way to acting strategically to improve the reputation of the business. Whilst debates have raged, and continue to rage, amongst academics and practitioners alike as to whether CSR is or should be motivated by one set of intentions and philosophies or another, what all the perspectives have in common is that CSR provides a source of value creation for the business which allows it to operate as a cohesive unit in the imagined realm—i.e. the world that extends beyond our immediate, face-to-face environment. As such CSR is not underpinned by any absolute rules or regulations (Campbell, op cit; Osuji 2011) but rather is guided by sets of principles which can be loosely applied in a variety of situations and contexts. As such it is unsurprising that business resists attempts to pin down and regulate CSR, shifting the language that is used to meet whatever requirements there are in terms of maintaining the corporation's core values. So CSR is about relationships—creating and maintaining relationships within the context of a corporate culture—its meanings are co-created dependent upon need and situation (see e.g. O'Connor and Gronewold, op cit).

In demonstrating that CSR acts to enable the formation and continuation of globalised imagined communities further questions are raised as to what kind of moral obligation is placed on those communities towards their members. To continue the analogy with nation states, these is now a sense of global acceptance (even if the practice is imperfect) that nations are somehow responsible for and have a duty of care towards their populations. However, nation states themselves are not unproblematic bodies which can simply be taken for granted—as Anderson demonstrates they have evolved from earlier forms of community. Nevertheless if there is a general acceptance that they carry moral obligations towards their peoples then might not the same also be true of corporations—or might not the same become true as corporations become increasingly influential in terms of economies, politics and development? This underlines an obligation on business to go beyond the straightforward business needs of the company, in which case must CSR become a duty of the company regardless of its impact upon profit?

Answering such questions is beyond the scope of this chapter which can serve only to point out the possibility that there may be a moral responsibility resting on multinational corporations in the same way as there is upon nations such that they ought to become a vehicle for the delivery and safeguarding of rights. Perhaps this is what CSR is evolving into—through the creation of values (rather than simply economic value) the huge imagined communities of transnational corporations begin to take their place on the global political stage not because it is good business or even because it is good for business, but because that is the kind of body that they are—inherently political, value laden and developmental, acting in far more arenas than the economic alone.

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Chapter 2
Financial Capabilities and Poverty Alleviation: The Role of Responsible Financial Decisions

Tomasz Potocki

Abstract The recent financial crisis has shown a very low level or even lack of *financial capabilities* in most countries, but especially among low educated, low income and rural regions populations. Developing financial capabilities, which may lead to responsible financial decisions, is a part of growing responsibility of financial sector as well as financial supervision authorities. The topic, which is hotly debated by the World Bank, G20, European Commission, OECD, has also become a vital point of national strategies (i.e. Canada, UK, US, Australia, New Zealand) in the context of poverty alleviation and decreasing income distribution. Moreover, The importance of *financial capabilities* development is even more important in the face of overwhelming financialization, which led to an enormous increase of complexity of financial products, and showed that financial inclusion may not be the best solution to fight against social exclusion and poverty The article is a part of the discussion focused on CR, especially the so-called CSR 2.0 (see: Visser, The age of responsibility. CSR 2.0 and the new DNA of business, Chichester, Wiley, 2011), with moral philosophy and business ethics as a part of development economics research (compare with, Nussbaum and Sen, The quality of life, Clarendon Press, 1993; Sen, On ethics and economics, Blackwell, 1987, Inequality reexamined, Russell Sage and Harvard University Press, 1992; Development as freedom, Knopf, 1999a; Commodities and capabilities. Oxford India Paperbacks, Oxford University Press, 1999b; Nussbaum, Creating capabilities. The human development approach, The Belknap Press of Harvard University Press, 2011), as well as Ecological Rationality in developing effective decision heuristics (Gigerenzer and Todd, Simple heuristics that make us smart, Oxford University Press, 2000; Gigerenzer et al. Heuristics: The foundations of adaptive behavior, Oxford University Press, 2011; Todd and Gigerenzer, Ecological rationality, Oxford University Press, 2012). In this paper I explore financial capabilities concept, position that in the discussion about responsible financial decisions, explain its important role in poverty alleviation, and present possible institutional approach to *financial capabilities* building. This approach is based on three key

T. Potocki (✉)
University of Rzeszów, Rzeszów, Poland
e-mail: tpotocki@gmail.com

S. Vertigans, S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-319-35083-7_2

processes': economic socialization, financial education and financial instruments which are extensively discussed in the chapter. The central point in discussed Institutional approach is heuristics (decision's rules). Heuristics which are a vital point of ecological rationality approach to effective financial decision building. The analysis carried out by the Author focuses mainly on Poland, however the conclusions may be also of great significance for societies which have recently experienced radical socio-economic transformation.

2.1 Introduction

The recent financial crisis has shown a very low level or even lack of *financial capabilities* in most countries, but especially among low educated, low income and rural regions populations (OECD 2005, 2009; The World Bank 2013, 2014; European Commission 2008, 2010). Moreover, it proved that persons with low *financial capabilities* may be easily manipulated by financial institutions and fringe banks, and are more susceptible to bankruptcy as well as the resultant poverty (compare with: Greenspan 2002; Johnson and Sherraden 2007; Flejterski 2008; Iwanicz-Drozdowska 2011). The consequences of the lack of *financial capabilities*[1] refer both to individual households and the entire economy (Lusardi and Mitchell 2006, 2011, 2013; Lusardi and Tufano 2009; Van Rooij et al. 2007) and may also lead to growing income inequalities (Ameriks et al. 2003; Lusardi et al. 2012). Therefore, developing *financial capabilities* may significantly reduce the costs of legal aid and customer protection by the state (compare with: Atkinson and Messy 2013) and greater equality of freedom of choice (compare with Sen 1999a, 2002). It is particularly important to improve *financial capabilities* in post-communist countries (including Poland) and countries which experienced socio-economic transformation, which have not established any institutional structures supporting this direction, due to the political order, systemic transformation, financial development and finally financialisation.

As a part of the discussion focused on CR, especially so-called CSR 2.0 (see: Visser 2011), the article broadens the scope of responsibility of MNCs, banking sector, public administration and international agencies to poverty alleviation and quality of life improvement (especially education initiatives). It scrutinizes research achievements taken from moral philosophy and business ethics as a part of development economics research (compare with Nussbaum and Sen 1993; Sen 1987,

[1] Some literature references refer only to financial literacy, however, because of the fact that "Financial capability is considered a broader concept that also highlights action and behavior of the individual, and the relevance of outside institutions and regulations" (Hoelzl and Kapteyn 2011, p. 543), the Author uses only the term financial capability to improve the transparency of the discussion, in the awareness of limitations of this approach.

1992, 1999a, b; Nussbaum 2011) with special focus on Capabilities Approach to poverty alleviation.

The idea of *financial capabilities* derives from two main scientific directions: psychology (both: behavioral economics and economic psychology) as well as with Sen's Capability Approach to welfare and development economics (Anand and Lea 2011, p. 285; compare with Nussbaum 2011). Both of them share the same objective: "maximizing financial individual welfare". In the earlier case, it is accomplished by supporting decision-makers in taking good financial decisions. The key role in good financial decisions play heuristics (decision rules) applied by decision-makers, which are often confused with financial habits or even decision biases. Behavioral economics' perspective of heuristics inseparably attached them to optimalization theories, in which heuristic is successful when meet optimization criteria (axioms) (more in: Gilovich et al. 2002; Kahneman and Tversky 1979, 1992). According to this approach, the irrational decisions are the ones that do not meet optimization criteria, including a number of financial heuristics adopted by decision-makers, such as *default* decisions, conformism, cultural and religion norms or choice by imitation (Hastie and Dawes 2010, p. 17; compare with Sen 2002). The Author of the following chapter, mentioning the impact of behavioral economics, refers more to bounded rationality, which was initiated by Simon and developed then as ecological rationality by Gigerenzer and Todd. The quality of decisions is dependent in this case on establishing how adaptive is heuristic to the structure of environment. It indicates that applying such heuristics in the decision making process is, in fact, optimal but only from the perspective of decision-maker's adaptability to the environment (see: Gigerenzer 2008; Gigerenzer and Todd 2000; Todd and Gigerenzer 2012; Gigerenzer et al. 2011). It refers mainly to financial decisions taken by poor rural regions populations. It should be noted that it is impossible to evaluate the quality of decisions with the use of normative theories, when every choice of a decision-maker is related to either a small or a great loss (compare with: Diener et al. 2009, pp. 11–15; also with: Bertrand et al. 2004).

The financial habits mentioned in the literature on *financial capabilities* are very often a subject of the evaluation of the level of *financial capabilities*, which takes the form of measuring financial behavior in different areas of *financial capabilities* (FSA and BSA 2002; Atkinson et al. 2006; Kempson 2009). Moreover, according to the Author, heuristics play an important role in developing *financial capabilities* due to their educational significance. As proved by few studies, heuristic driven education is far more efficient than traditional approach to financial education, especially among low-income, low-educated and rural population (see: Drexler et al. 2014). This approach is particularly important, because in times of communism, systemic transformation and shortly after, countries of Central and Easter Europe did not educate their citizens about "good" financial habits but they acquired bad habits on their own and cultivated them, mainly due to "informational exclusions" (see Sen 1999a).

As mentioned above, the Author of the following chapter places a great emphasis on the role of ecological rationality, also in the context of institutional mechanisms of building, developing and protecting *responsible financial heuristics*. In case of *creating responsible financial heuristics* the Author discusses the role of economic socialization (primary and secondary), in case of developing the role of financial education and for protecting, the role of financial product design. Such methods allow to develop financial habits acquired in the process of economic socialization and are an element of the so called heuristic driven education (more in: Gigerenzer 2008; Altman 2012; The World Bank 2014; Drexler et al. 2011). The three actions, creating, developing and protecting, ought to be implemented at the same time, in order to enhance the efficiency of institutional operations. The lack of any element may lead to the situation in which financial education and financial inclusions implemented separately have a harmful impact on lives of people living in poverty and accelerate the process of their social exclusion (Johnson and Sherraden 2007, p. 122). All three actions performed at the same time are a fundamental objective of the holistic approach (as defined by Smuts, cited in Simon 1996, p. 170; see also: Sherraden 2010, p. 19), in which "the parts of a complex system have mutual relations that do not exist for the parts in isolation" (Simon 1996, p. 170). In this case it means the combination of three complementary actions: economic socialization, financial education and promotion of adequate financial instruments.

The aim of the following chapter is to present theoretical arguments and research results supporting the following thesis: "Creation, development and protection of decision heuristics is the key element of a holistic mechanism of actual improvement of *financial capabilities*, particularly among people at risk of poverty." The poverty here is defined "as a deprivation of basic capabilities, rather than merely as low income" (Sen 1999a, p. 20, Chap. 4), "as capability failure, not just as shortage of commodities or even of income and wealth" (Nussbaum 2011, p. 143). In Author's opinion lack of financial capabilities is such an elementary deprivation.

The analysis carried out by the Author focuses mainly on Poland, however the conclusions may be also of great significance for societies, in which there were no institutional structures increasing *financial capabilities* and there is still informational exclusion, such as post-communist countries, developing countries, or countries that have recently experienced radical socio-economic transformation.

The structure of the chapter supports the research goal. At first, the Author presents institutional conditions of limited *financial capabilities* in post-communist countries. After that, he analyzes the role of heuristics and ecological rationality in the creation of *financial capabilities*. The next step is the description of a holistic approach to the development of *financial capabilities* based on heuristics, and its three main elements: economic socialization, financial education and behavioral product design. An important research incentive is a very limited discussion on building *financial capabilities* through the use of achievements of ecological rationality.

2.2 Socio-Economic Transformation and Financial Capabilities

Although *financial capabilities* are mainly an endogenous variable, their lack, especially in post-socialist countries, is to be diagnosed among exogenous variables. As indicated by Bernheim and Schulz, who were one of the initiators of research on *financial capabilities*: "it would be surprising if the average individual, in isolation, with no practice and little or no training, would act as a perfectly rational, farsighted utility maximize" (Bernheim and Scholz 1993, p. 14).

The communist system did not support societies in saving. High inflation and permanent goods' deficit promoted even the opposite consumers' behavior (Goszczyńska 2010, p. 119). Moreover, this system did not require establishing the element of human capital, which would help in taking wise and rational financial decisions, i.e. financial capabilities. Paternalistic approach of a state to this matter in the form of "privileges", i.e. full protectionism resulting in professional and financial stabilization, encouraged passivity in decision-making (Ibidem, s. 231). It could be mainly observed among residents of towns and rural regions, deprived of the so called urbanized area income bonus. Such regions were characterized by three factors increasing the distance to big cities: financial one (too expensive education), socio-psychological one (self-exclusion resulting from the lack of motivation) and institutional one (poor quality of the lowest education levels) (Kozarzewski 2008, s. 172).

Due to the systemic transformation in Poland from the centrally planned economy to market economy only a limited group of households managed to adapt to the new reality, whereas a great number of them is doomed to failure (Szopa 2012, p. 9). Moreover, as the time went by, the pay-as-you-go pension schemes proved to be unreliable, mainly as a result of demographic transformation process (Flejterski 2007, p. 132). Therefore, the responsibility for future pensions was shifted from the state to the society, which was definitely not ready for the change from the perspective of financial awareness. It built the awareness through personal experiences of people using banking services and products. The first 10 years after systemic transformation were a time of both attempts of the Polish society to adjust to new rules of the free market, and serious of costly "attempts and errors" occurring at the same time as problems resulting from the so called big transformation shock (drastic decrease in income) (Bywalec 2010, p. 262). They included wrong financial, investment, saving and insurance decisions (or the lack of such decisions), which resulted in inefficient allocation of financial resources and therefore did not lead to the increase of society's financial welfare. What is more, they could undermine public trust in financial sector. According to Flejterski, this situation was responsible for building a limited financial awareness among members of the society (Flejterski 2008, p. 100). The significance of this phenomenon is proved by the research results showing that persons with an appropriate level of financial awareness are far more effective in planning their pensions, allocate bigger sums of money for this purpose and rarely fall into the trap of self-control, which finally guarantees financial security in the future (see more in: Hastings and Mitchell 2011; Lusardi and Tufano 2009; Lusardi and Mitchell 2006, 2013; Lusardi et al. 2009; Van Rooij et al. 2007; Świecka 2014).

The last several years are the continuation of a tendency from the 1990s of the twentieth century, i.e. dynamic financial development and financialisation. According to Martin "financialization is a phenomenon that has led to the embedding of the financial world into people's everyday lives" (Martin 2002 cited in: French et al. 2011, p. 805). Financial decisions, in Palley's opinion, are one of the three main transmission channels of financialisation to economics outcomes (Palley 2007, p. 15). Finlayson is of the opinion, that it contributed to a "change in individual relationships with finance, perhaps also in expectations and aspiration" (Finlayson 2009, p. 402) and proved the need for creating the so called "finance rationality" (Ibidem, p. 402). Additionally, Froud and et al. claimed that this influence is of greater significance, because "the financial markets [. . .] shape the inimizi of [. . .] households" (Froud et al. 2002, p. 120). Financialisation has changed the relation between individuals and financial market not only from economic perspective, but also from psychological, social and cultural ones. As pointed out by Harasim, the level of development of financial markets and the offered services has a significant influence on financial decision taken in households (Harasim 2010, pp. 28–30). At the same time, the more and more meaningful role of financial decision heightens the risk connected with financial decision and welfare. Flejterski claims that "in an advanced modernity economic welfare increase goes hand in hand with social risk increase, which gives rise to a new paradigm of the risk society" (Flejterski 2007, p. 59). According to Mandel, the present society is the so called "high risk society", in which entrepreneurs, individuals have started to think and act like market players (very often choosing speculation over investment) accepting high risk as an integral element of financial success (see: Mandel 1996). This phenomenon is accompanied by the fact that much more individuals rely in taking their financial choices on experts' advice (using the so called trust heuristics).

Because of the above mentioned processes, it is getting more and more difficult to take wise financial decisions. It is pointed out by Atkinson and Messy, who claim that the principal aim of institutional support in building financial capabilities is the change of attitudes, motivation and preferences (see: Atkinson and Messy 2013). It emphasizes the powerful role of psychological component in taking right financial choices. The complexity of this process is the resultant of two main trends. First of all, the ongoing information revolution taking place in the last 20 years makes the financial products more and more complicated, whereas new technologies and access to great amount of information give the society a deceptive sense of security and self-confidence (see: Gigerenzer 2014) in taking financial decisions, but in fact, it provides the financial institutions with additional possibilities to manipulate information (see: Shiller 2006). Second of all, because of imitating behavior typical for a free market economy, individuals have higher aspirations, which creates additional risk pressure in taking financial decisions and therefore promotes such behaviours as life on credit, lack of saving plans, infantilization of education and stagnation of life satisfaction (more on that in: Bywalec 2010, pp. 194–239). Szopa defines this phenomenon as "economism", claiming that "the main aspirations of modern societies are commodities and money" (Szopa 2012, p. 8; criticism in the context of capabilities in: Sen 1999a; Nussbaum 2011). If society's strong will and self-control are tested regularly, it may have difficulties with making right financial choices, even if its awareness is high. That is why, increasing financial capabilities makes sense only if it is completed with additional institutional mechanisms, which, instead of educating people how to avoid decision errors, they take them into account in designing behavioral financial products (compare with: De Meza et al. 2008). It is impossible to accomplish this aim without making use of achievements of economic psychology and educational activities will not bring tangible effects (Ibidem, p. 2), particularly because the psychological profile of transformation society is characterized by impulsiveness and reluctance to forward-thinking (Wójcik 2010 cited in: Bogacka-Kisiel 2012, p. 13).

2.3 Financial Capabilities and Financial Decision Making: The Role of Adaptive Heuristics

The recent financial crisis has proved conclusively that shifting responsibility for financial decisions from a state (public goods) to a free market (private goods) may have far-reaching consequences, especially in case of no or low *financial capabilities*. As shown on Fig. 2.1 both external and internal cognition limitations may be the source of complexity of decisions. Cognition limitations may result from

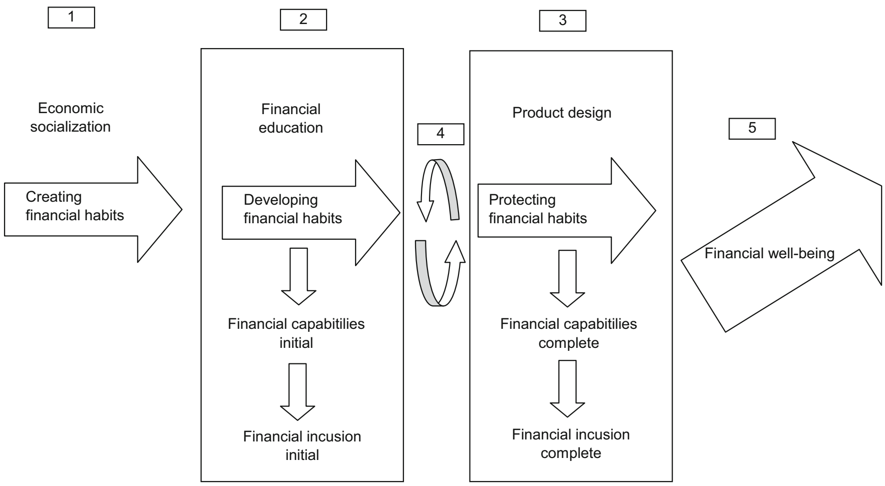

Fig. 2.1 Framework for developing *financial capabilities* based on heuristic-driven approach. *Source*: Own elaboration based on Sherraden (2010) and The World Bank (2014)

unfamiliarity with decision problem, too high aspirations of the decision maker and a limited time for the decision making process. The level of uncertainty is determined by the amount of available information, the number of decision alternatives and its cues. When faced with the above mentioned limitations, the decision maker uses mainly a group of heuristics, particularly because the cognitive process of collecting information is very selective and is very limited. Therefore, even well-educated, wealthy individuals with comprehensive knowledge and financial capabilities are not able to make right financial choices. In the face of such institutional circumstances, the uneducated, poor individuals from rural regions, who have not yet or incidentally used financial services are doomed to failure. As pointed out by OECD, providing access to financial services for a reasonable price in a fair and transparent way may not be enough (see OECD 2009). There is, however, a group of individuals, who due to other than just economic reasons (e.g. cultural, religious or social ones) resign from banking services (*the unbanked*) or use them only incidentally (*the underbanked*). In this case, in Author's opinion the only way to make wise financial choices maximizing financial wellbeing is to build (through economic socialization), develop (through financial education) and protect (through the right financial product design) adaptive *heuristics*.

This is all even more important given rising aspiration pressure between poor and rich people, which very often leads to impulsive financial decisions of the poor. The issue of too high aspirations is discussed in details by Schwarz (Schwartz 2005). He indicated that the present society functioning in times of consumerism and economism has too high aspirations, what makes it take optimization decisions. Nevertheless, in order to make such decisions the decision maker spends too much time on pre-decision processes. The time needed for the analysis of a big amount of information and decision options. That is the reason, why such decisions are connected with a significant cognitive effort, what, together with high aspirations, gives rise to high expectations concerning satisfaction from financial decisions. At the same time, even a slight difference between the real and expected satisfaction causes immense disappointment with the taken decision. In that case, using decision heuristics may allow the decision maker to eliminate the four types of cognitive dissonance occurring while attempting to take an optimization decisions:

- By lowering aspirations to a minimum level of satisfaction, which is in accordance with the method suggested by Simon and Kozielecki within bounded rationality (see: Simon 1956, 1981; Kozielecki 1977, 1986),
- By limiting time spend on searching for information, analyzing decision options and making choice, which is in accordance with the method suggested by Todd and Gigerenzer within ecological rationality (see: Gigerenzer 2008; Gigerenzer and Todd 2000; Todd and Gigerenzer 2012),
- By accepting that decision errors are an integral element of all intelligent decision systems, particularly if a given system "bets on a given score" (Kruglanski and Gigerenzer 2011, p. 99).

- By rejecting a natural need to have the sense of certainty and accepting uncertainty of the environment, which allows to reduce the deviations between subjective probability of rare event and their objective representation described by fourfold pattern of risk attitude within the Prospect Theory (see: Kahneman and Tversky 1979; Tversky and Kahneman 1992).

As indicated by Reyna and Brainerd, “a clear lesson from developmental neuroscience is that brain development is not simply about adding more and more capacity, but, rather simplifying and integrating” (Reyna and Brainerd 2011, p. 201). The term *heuristic* derives from Greek and according to PWN Encyclopedia it is “the ability to find new facts and the links between them, especially formulate hypothesis” [Encyklopedia PWN online]. From the perspective of the adaptive approach heuristics are decision strategies (prescriptive or descriptive) (compare with: Sloman 2002, p. 382), based on a compromise between the accuracy of a forecast and the effort devoted to its preparation. *Heuristic* is reflected by a continuous “compromised decision making” between an effort and accuracy (more in: Gigerenzer and Goldstein 1996; Gigerenzer and Selten 2002; Todd and Gigerenzer 2012). As pointed out by Frederick, “an adaptive decision maker [. . .] is not only aware that he is using heuristics, but modifies them strategically as choice conditions change” (Frederick 2002, p. 549).

Normative decision theories do not provide explanation of such behavior due to the fact that they do not consider possibilities to develop *financial capabilities* (compare with: Altman 2012), and to be exact, they do not pay attention to the role of approach (behavioral, cognitive and emotional components) in the decision making process, but concentrate only on the relations between cost-benefit analysis and the final result of the decision making process (Kozielecki 1977). The psychological element plays crucial role in *financial capabilities* and has a decisive impact on confidence and attitudes towards financial decision making (Hoelzl and Kapteyn 2011, p. 543). It refers both to behavior of an individual, and the relevance of outside institutions (Ibidem, p. 543) placing *financial capabilities* mainly in ecological rationality approach (see Table 2.1).

As show in Table 2.1 it is only the adaptive model that clearly indicates the considerable need to develop *financial capabilities*. According to normative theories (assuming the existence of a perfectly rational decision-maker) as well as behavioral theories (assuming the existence of irrational decision-maker) this component is of minor significance. The adaptive approach fills in the gap in achieving a high level of *financial capabilities* ignored by the two other models—the environment of the decision-making process, which favors making wise financial choices (access to services, high level of financial inclusion, low information asymmetry, transparent way of informing the decision-maker about the possible risk) and decision-maker’s cognitive limitations, whose acceptance requires shifting from the “maximizing” attitude to the “satisfying” one (creating the so called good heuristics).

Table 2.1 An overview of theories on decision making from the perspective of *financial capabilities*

	Definition	Type of models	Model name	Development of *financial capabilities*
Economic approach	Laws of probability theory, logic and normative axioms of EUT accurately describe human decision-making	Normative	Expected Utility Theory with extensions and modifications	Irrelevant (optimal decision does not need intervention or financial education)
Behavioural approach	People are fundamentally irrational and systematically violate norms of rational choice	Descriptive	Prospect Theory and Cumulative Prospect Theory	Irrelevant (irrational decision needs mainly institutional intervention like libertarian paternalism)
Ecological approach	People use adaptive heuristics to deal with financial products under limited time, knowledge and environment uncertainty	Adaptive	Ecological heuristics	Relevant (adaptive financial decision need both efficient institutional feedback mechanism and financial education)

Źródło: Own elaboration based on Altman (2012)

The role of heuristics is in this case providing "decision tools", which support creating, developing and protecting the right financial habits, such as (based on: Todd and Gigerenzer 2012, pp. 9–10; Gigerenzer et al. 2011, p. 17):

- Choice of the previously chosen option with the use of *default heuristic* (see also: Thaler and Sunstein 2009),
- *Imitate the majority heuristic* (see also: Boyd and Richerson 2005),
- Delegating the decision to an advisor with the use of *trust heuristic* (see also: Altman 2012; Shiller 2006),
- *Imitate the successful heuristic* (see also: Boyd and Richerson 2005),
- Choose a bank by its name using *recognition heuristic* (Goldstein and Gigerenzer 2002), supported by *tailing* (Gigerenzer and Goldstein 1996),
- Using *fluency heuristic*, when all names of alternatives are recognized (Schooler and Hertwig 2005),
- Applying elimination by aspects (Tversky 1972) or *take the best* methods, if the decision-maker has additional information about the alternatives (Gigerenzer and Goldstein 1996),
- Taking decision with the use of satisfaction heuristic, when the decision-maker has reached the minimum aspiration level (Simon 1955).

One may easily notice that it is possible to create hundreds of heuristic decision trees on the basis of several heuristics, by adapting them to the environment of the decision making process. It allows the creation of the so called *financial heuristics toolbox*.

To sum up, it should be once again emphasized that the institutional mechanisms of increasing *financial capabilities* have to take into account the behavioral element. As pointed out by the World Bank: “The focus of public policy should be on addressing market failure. [...] It is possible to enhance financial capability financial knowledge, skills, attitudes, and behaviors—through well-designed, targeted interventions [...] that address market failures, meet consumer needs, and overcome behavioral problems” (The World Bank 2014, pp. 3–4). It also enables creation of socio-economic conditions in which the combined capabilities (see definitions in Nussbaum 2011) are created and developed. It should be noted, that implementing the above mentioned solutions and polices is or will be possible only if a given country is characterized by a high saturation of supply institutional mechanisms (such as access to financial services and high level of financial inclusion), which enhance the described demand effects. There is no doubt that countries of Central and Eastern Europe and developing countries are a group of possible contributors from these policy instruments.

2.4 Institutional Approach to Building Responsible Financial Decisions

Without institutional mechanisms of measuring and then increasing financial awareness, including holistic approach, engagement of a number of stakeholders mainly on a local level, the EU and state funds invested in single educational initiatives will be money thrown down the drain, especially in face of the fact that in times of consumerism and economism the financial needs of low income populations are increasingly settled with irresponsible debt behavior. The institutional mechanisms of increasing financial awareness ought to be recognized as active demand methods, which help to prevent such problems as: marginalization, financial and social exclusion as well as the fight against poverty.

The reason of low level of *financial capabilities* among low income population from rural regions is to be found in a low level of formal education. This problem is much broader and more complex and is shaped by a number of institutional conditions. Moreover, it needs to be noted that in the recent and upcoming years the rural regions will absorb large EU funds in order to raise the level of life quality. If the absorption of funds is not accompanied with increasing *financial capabilities*, the infantilization of education promoted by the Polish media (compare with Bywalec 2010; Shiller 2006) will enhance the effect of “life on credit” and contribute to the distortion of hierarchy of financial needs and consequently financial behavior.

The holistic approach in institutional mechanism of increasing financial awareness suggested by the Author ought to be based on three key elements:

$$PS = \langle S, E, N \rangle \tag{2.1}$$

The first main elements of this approach are: economic socialization (S), which is the initial element of the creation of decision heuristics and, at the same time, shaping responsible financial behavior (Step 1 in Fig. 2.1). According to the international research, the social model, which is a socio-cultural background of a child together with the local diversity, plays the key role on this stage (Roland-Levy 2004). One may observe remarkable lack of financial awareness among children from rural regions and from low income families or the ones at risk of poverty. Such children get much worse results in the studies on goods exchange, sources of money in comparison to their peers from urban regions (more in: Perlik 2003 after Goszczyńska 2010; Webley 2005 after Zaleśkiewicz 2011). Therefore, children from rural and peripheral regions as well as the ones from households at risk of social exclusion and poverty should obligatory participate in economic socialization, especially in view of the fact that socialization itself supports building initial financial capabilities.

The second strategic element of the approach is financial education (E), which allows establishing decision heuristics (Step 2 in Fig. 2.1). "The right habits" developed on this stage are additionally established during the next stages of the process of financial education (in lower and upper secondary school). This stage should also be a moment when financial instruments are being used to promote initial financial inclusion (stage one and two) according to Bruner and Luckmann (see: Bruner and Luckmann 1983). It is a method which helps to develop appropriate saving and lending habits, which are well established in the process of education preceding the start in the adulthood. The education should be tailored to the recipients, especially in case of individuals from regions at risk of poverty (see Table 2.1). The research shows that the improvement of financial awareness among such populations is most noticeable if appropriate educational tools are provided. Similar research results were obtained by Lusardi and Mitchell, who analyzed the situation of farmers in China. They showed that farmer who participated even in a short course on financial education, much more often purchased agricultural insurances and allocated part of their income to pension schemes (Lusardi and Mitchell 2013, p. 42).

The third central elements of the approach are the financial instruments (N). So that the built, developed and established decision heuristics could persist, they have to be "protected" with the use of appropriate financial instruments (Step 3 in Fig. 2.1). If the right decision rules are protected, the decision maker enhances their financial awareness, social inclusion and the use of even more sophisticated financial instruments (Step 4 in Fig. 2.1), which help in effective planning of the purchase of expensive goods and increasing financial wellbeing (Step 5 in Fig. 2.1).

2.5 Heuristic-Driven Economic Socialization

The effects of socialization may influence the so called "daily habits" over time. Appropriate saving habits and socially rejected "life on credit" are becoming a norm. Flejterski claims that "effective educational tools are the ones that are able to influence fundamental character features" (Flejterski 2008, p. 100). It may allow to protect individuals and entire households from irresponsible money management, i.e. excessive borrowing, irrational management of household budget (Goszczyńska 2010, p. 235), as well as from incorrect assessment of financial risk, aversion to saving and obtaining insurance or from susceptibility to economic populism (Zaleśkiewicz 2011, p. 130).

The key role in the socialization process is taken at first by parents and then, in the next stages of school education, by school (Lusardi et al. 2009, p. 5). What counts in the effective socialization processes is, as confirmed by the research, parents' profession, particularly the occupation pursued by the mother (Roland-Levy 2004, p. 296; Lusardi et al. 2009, p. 6), as well as pocket money and the rules concerning it (see: Zaleśkiewicz 2011, pp. 131–132). Having parents with high economics education improves the level of financial literacy of children (Lusardi et al. 2009, p. 23). In other case, children should receive such support in financial literacy from school. Unfortunately, as pointed out by Iwanicz-Drozdowska in her own research, participation in the course in Basis of Entrepreneurship has not only been unhelpful in increasing financial literacy, but also the groups participating in such courses have achieved worse results in the study than their peers studying non-economic subjects (see: Iwanicz-Drozdowska 2011, p. 216; for Canada compare with: Buckland 2011). Therefore, one may reach the conclusion, that the introduced educational changes (introducing to the syllabus course in Basis of Entrepreneurship) are by far insufficient in the process of economic socialization of children in Poland and, according to Iwanicz-Drozdowska, the financial literacy should be placed on priority list of the Polish government (Ibidem, p. 11).

Processes of economic socialization should mainly apply to children, however, as noticed by Goszczyńska, "they may also refer to adults who experienced radical changes in their lives (. . .), which as a result of new phenomena in the socio-economic sphere, have changed their life roles and encountered situations new for a great part of the Polish society" (Goszczyńska 2010, p. 234). Roland-Levy is of a similar opinion and claims that "the socialization may concern anyone who is subject to any changes" (Roland-Levy 2004, p. 277). Undoubtedly, the already mentioned salary shock from the 1990s, decreasing state protectionism, current financialisation processes, increasing consumerism and the changing role of rural regions may be classified as radical changes mentioned by Roland-Levy. The processes of economic socialization ought to be applied both for children and parents, especially from households at risk of poverty and exclusion, as well as the ones without appropriate financial education, because it will provide considerable benefits for both groups (Lusardi et al. 2009, p. 23).

2.6 Heuristics Driven Financial Education

Financial education "is the process by which financial consumers/investors improve their understanding of financial products and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know to go for help, and to take other effective actions to improve their financial well-being" (OECD 2005, p. 27). It may, therefore, increase financial literacy and establish financial habits shaped in the process of economic socialization, reduce transaction costs, increase saving rate of households by eliminating serious barriers typical for rural regions, such as technology exclusion, cultural and psychological limitations, which result in a limited trust for the financial sector, typical for rural regions "cash preferences", excessive exposure to illegal or unethical banks' and fringe banks' practices as well as financial illiteracy connected with the lack of knowledge of basic economic terminology and mechanisms (see more in: OECD 2005, pp. 78–79).

The report issued by the World Bank mentions the so called teachable moment (The World Bank 2014, p. 82), it is the right moment to start education, which introduces changes of behavior, attitude, motivations and financial beliefs and is based on methods of *experimental learning* and *action learning*. Such methods enable to establish financial habits developed in the socialization process and to become a part of the so called heuristic-driven financial education (see: Gigerenzer 2008; Altman 2012; The World Bank 2014; Drexler et al. 2011). Hastings shares this opinion and emphasizes the fact that their effectiveness is much greater than the one of traditional methods still applied in most educational initiatives (Hastings et al. 2012, p. 30), especially in case of populations with a low level of *financial capabilities* (Sherraden 2010, p. 18; Johnson and Sherraden 2007, pp. 125–126).

An excellent example of heuristic driven education together with an early financial inclusion is the *school bank* project (Johnson and Sherraden 2007, pp. 126–131). Its main advantage is the fact that students while participating in financial literacy subjects, taught in most cases by employees of financial institutions (project partners), they have the possibility to save money on free accounts prepared especially for them. Due to introducing the right incentive mechanism (bonuses for: participation in the project and in courses on financial education, systematic payments, completion of the project or its continuation on higher education levels, etc.) individuals from low income families have the possibility to receive two or three times the saved amount of money (Ibidem, pp. 126–131). Nevertheless, programmes like the one mentioned above are still a rarity among all education projects (Sherraden 2010, p. 6). To the best knowledge of the Author, no programmes implementing the assumptions of Individual Development Account (IDA) have been launched in Poland yet.

2.7 Heuristic-Driven Financial Product Design

Legal and institutional protection of individuals with low *financial capabilities*, who have never participated in economic socialization and/or programmes on financial education, constitutes a considerable challenge for regulators and supervisors.[2] As already mentioned, this problem concerns low income and uneducated populations from peripheral and rural regions. According to Bywalec, "those to blame for this *status quo* are financial institutions, which mercilessly and cynically used gullibility and the lack of awareness of ordinary people" (Bywalec 2009, p. 8). Because of such practices and naturally ingrained prejudices of poor people towards financial institutions, the level of trust for the financial sector may reduce drastically (Bertrand et al. 2004, p. 13).

The supervisory institutions should seek to make the financial instruments increasingly accessible by offering them for a reasonable price, taking into account the system of incentives, simplifying products, which should be totally transparent in terms of fees and commissions (Sherraden 2010, p. 8; Hastings et al. 2012, p. 28). Properly constructed financial instruments ought to eliminate psychological barriers and influence clients' behavior (Atkinson and Messy 2013, p. 18). This characteristic makes them complementary with other mechanisms increasing financial literacy (i.e. education and socialization).

Thaler and Sunstein discuss the method of construction of the above mentioned financial instruments (see: Thaler and Sunstein 2009; in the context of low income individuals see: Mullainathan et al. 2012; Bertrand et al. 2004; Hastings et al. 2012; Sherraden 2010; Han and Sherraden 2009). One of the examples of such instruments in the context of barriers resulting from a low level of financial literacy is *Quick Enrollment* (Lusardi and Mitchell 2013, p. 45) or *Automatic Enrollment* (Hastings et al. 2012, p. 26). The rules of the projects say that if an individual wants to participate in IRA, they have to decide if they want to do that (or decide to resign from participation in it). It turns out that such financial instruments allows to increase the IRA participation indicator up to 3 times among new employees and up to 2 times among the existing ones (Choi, Laibson, and Madrian 2004 cited in: Lusardi and Mitchell 2013, pp. 46–47; see also: Thaler and Benartzi 2004). In both cases the best results are obtained in the group of employees with a low level of *financial capabilities* or the highest vulnerability to the low level of *financial capabilities* (Ibidem, p. 47). The effectiveness of this solution is related to its costs. As pointed out by Willis, "retirement savings defaults have been more effective than retirement savings education and cost little to put in place."

[2] As pointed out by Johnson and Sherraden, even the economic socialization together with financial education may not be enough for individuals or households from rural or peripheral regions, if these processes will not be accompanied with responsible financial inclusion (programmes such as: school banks), which takes the form of such processes as simplifying financial instruments and enhancing willingness to use them by introducing an appropriate incentive (bonus from an institution for systematic saving) (Johnson and Sherraden 2007, pp. 125–126).

(Willis 2011, p. 432), especially with incentives mechanism (Altman 2012, p. 683). On the other hand, Lusardi indicates that combining *Quick Enrollment* or *Automatic Enrollment* with financial education may reduce the number of people saving for retirement under the optimal level (Lusardi 2008, p. 31; see also The World Bank 2014, pp. 9–11).

2.8 Conclusion

The following chapter aims at finding answer to the research thesis: "Creation, development and protection of decision heuristics is the key element of a holistic mechanism of actual improvement of *financial capabilities*, particularly among people at risk of poverty." The reasoning presented by the Author provides positive evidence for the thesis. Additionally, this article emphasizes that financial capabilities should complement the list of Basic Capabilities since, as stated by Nussbaum, "the list is open-ended and subject to ongoing revision and rethinking" (Nussbaum 2011, p. 108).

A well-functioning society is a prerequisite for the development of a free market (Szopa 2012, p. 12). The Author is of the opinion that only *financially capable* society consciously uses and adopts financial heuristics, what leads to maximization of well-being. Thanks to financial capabilities development will help the person "to lead the kind of lives they value—and have reason to value" (Sen 1999a, p. 18). This is a moral obligation of the new CSR 2.0 and the call to responsibility, especially in the context of realizing human potential, enabling the freedom of financial choices as well as people path to growth (Visser 2011, p. 4).

In order to achieve this aim, the government should consider introducing obligatory financial education, already on the lowest levels of formal education. According to Hastings et al., it might take the form of a "financial driving license" (Hastings et al. 2012, p. 29). Placing in 2012 *financial literacy* in PISA studies serves as a confirmation of this new international trend (OECD 2014, p. 13). As claimed by Bywalec "the right to consumer education becomes one of the most important human rights (. . .) and serves as an important form of consumer rights protection" (Bywalec 2009, p. 122). This education is supported by socialization processes and other solutions based on achievements of economic psychology and behavioral economics. As pointed out by Iwanicz-Drozdowska "financial education plays a particular role in low income households, which experience some economical and social difficulties (. . .). They are at highest risk of falling into the trap of excessive borrowing" (Iwanicz-Drozdowska 2011, s. 15).

Heuristics have to play a significant role in institutional design if increasing *financial capabilities*, particularly because, as indicated by Smith, "rational actions (. . .) link ecological rationality with adaptive human decision and with group processes of discovery in natural social systems" (Smith 2009, p. 25). Moreover, in Author's opinion that responsible financial heuristics will determine a high level of *financial capabilities*, especially among individuals at risk of poverty, due to the fact that they are intuitive and result from decision-maker's experience, are presented in a natural and not too formalized language, and what is more, they are simple and therefore do not require too much intellectual effort (Kozielecki 1977, p. 451). Owing to the above mentioned characteristics it is fairly easy to build them (e.g. I diversification 1/N v. Markowitz Portfolio Theory); particularly if they are an integral element of cultural environment and social norms (e.g. do not put all your eggs in one basket). Additionally, one needs less time and money to create them. Nevertheless, the most important thing is to understand financial needs, motivations and preferred financial behavior of the society in question. It may both refer to the social environment (e.g. inhabitants of rural areas) as well as to the cultural one (e.g. individuals at risk of social exclusion). According to Kozielecki, collecting these information is essential, because "in a system of knowledge (also about finance: Authors comment) one may also find information about culture being the product of actions undertaken by an ordinary person [. . .] and the content of their awareness" (Kozielecki 1986, p. 11). Thus, if one skip in the research process the above mentioned stage (qualitative research techniques based on in-depth interviews and cognitive testing, focus group discussion); it may lead to omitting numerous determinants of financial need and behavior, and therefore not considering the rationality of a given financial choice of the analyzed socio-cultural group. There are a number of beliefs, superstitions, social stereotypes and demographic conditions whose omission seriously distorts a research process. They are significant because in everyday thinking the rational reasoning is determined by down-to-earth and common sense thinking. It is aptly defined by Hołówka, who says that "it is some kind of a conformism—accepted with no reservations and excessive thinking, norms and rules effecting in particular culture or society" (Hołówka 1986, p. 14). At the same time, it is possible to recognize a given activity as national only if we refer it to the environment in which the decision is taken. It is well represented by words of Simon: "Human rational behavior [. . .] is shaped by a scissors whose two blades are the structure of the task environments and the computational capabilities of the actor" (Simon 1990, p. 7), which means that "the environment variables play an important role in modification of individual preferences and changing the selected option" (Kozielecki 1977, p. 335). Gigerenzer emphasizes the link between ecological rationality and bounded rationality, saying that: "the rationality of the adaptive toolbox is ecological and refers to the match between heuristic and the structure of an environment, which is the essence of Simon's won analogy of a pair of scissors" (Gigerenzer 2008, p. 90). At the same time, the model proposed by the author and based on ecological rationality research helps to create, develop and protect financial capabilities "in such a way that they can count on it for the future" (Nussbaum 2011, p. 43).

The implementation of the above mentioned objectives (access to a common economic education and making individuals familiar with decision heuristics) is not possible without the support of local stakeholders determining adoption of the holistic approach in institutional operations. An indispensible element of this process is the engagement of a number of stakeholders, the so called "educators" (term used by Flejterski 2007, p. 102), i.e. parents, teachers, local authorities, non-governmental organizations, financial institutions and local media. If the development of *financial capabilities* promoted by academic centers, bank foundations or non-governmental organizations is not supported by institutional operations, it will not bring measurable benefits. As indicated by Buckland on the basis of OECD research, "local organizations are best placed to reach hard-to-reach group" (Buckland 2011, p. 38). At the same time, education initiatives and measurement of their achievements on the level of municipalities may be most beneficial for recipients, but it may also provide researchers with the largest possible amount of information, particularly due to the fact that it gives the possibility to perform educational experiments in the form of *experimental society* (Diener et al. 2009, p. 61). According to this approach, some municipalities are treated as experimental groups, whereas the other ones as control groups (without introducing the course on financial education). The measured effects may be used for creation of the so called development, quality of life, basic needs fulfillment indexes (Sen 1999b, pp. 29–30; see social capital example in: Guiso et al. 2002).

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Chapter 3
From Weak to Strong CSR: The Contribution of New Categories in the Account(ing) Ability of EoC Industrial Parks

Maria-Gabriella Baldarelli and Mara Del Baldo

Abstract The aim of this paper is to highlight some innovative dimensions of corporate social responsibility (CSR) that implicate the application of a charisma in the business context through the "pillars" of dialogue, trust, reciprocity and universal fraternity. These dimensions affect the mission, the governance and the accountability of the companies that are part of the Economy of Communion project (EoC). In particular, attention is paid to the EoC industrial parks that have become popular in the world and their characteristics will be compared to other types of business combinations, in which CSR plays a central role because of the goals that they have set themselves. Consequently, we will analyze the Italian EoC industrial pole based in Incisa Valdarno (Florence, Italy) focusing on the accountability approach here adopted by identifying the advantages and disadvantages of the combination of traditional accounting instruments with new tools that have yet to be designed to better express and communicate the innovative and creative business combinations.

3.1 Introduction

In this paper we want to highlight some dimensions of corporate social responsibility (CSR) that can be considered innovative because they are derived from a charisma that is lowered into the economic life, particularly in business (Lubich

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This paper is the work of a common research project. However, Del Baldo Mara wrote Sects. 2, 3, 5 and 7 while Baldarelli Maria Gabriella wrote Sects. 1, 4 and 6.

M.-G. Baldarelli
Department of Business Administration, University of Bologna, Bologna, Italy

University Institute of Sophia (Fl), Florence, Italy
e-mail: maria.baldarelli@unibo.it

M. Del Baldo (✉)
Department of Economics, Society and Politics, University of Urbino Carlo Bo, Urbino, Italy
e-mail: mara.delbaldo@uniurb.it

S. Vertigans, S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-319-35083-7_3

2001; Baldarelli 2009, 2011, 2013; Bruni and Sena 2013; Gallagher and Buckeye 2014; Baldarelli and Del Baldo 2013, 2015; Baldarelli et al. 2015).

These dimensions (the so-called "pillars": dialogue, trust, reciprocity and universal fraternity) are particularly useful in bringing social responsibility into corporate governance through the same processes of measurement and communication that we find in accountability (Golin and Parolin 2003; Bruni and Smerilli 2008). In particular, attention will be addressed to the companies that are part of the Economy of Communion project and more specifically to the industrial parks (the so called "poles") that have become popular in the world and their characteristics compared to other types of business combinations, in which CSR plays a central role because of the goals that they have set themselves (Bruni 2006; Gold 2010; Bruni and Uelmen 2006; Baldarelli 2006, 2011; Argiolas et al. 2010).

Consequently, we will analyze the Italian EoC industrial pole, that is named Polo Lionello/EoC Ltd and which is based in Incisa Valdarno (Florence) and we will focus our attention on the accountability approach here adopted by the EoC companies. We will do so by identifying the advantages and disadvantages of the combination of traditional accounting instruments with new tools that have yet to be designed to better express and communicate the innovative and creative business combinations that require appropriate studies. We will furthermore consider new measurement tools which are presented as an evolution of the traditional ones.

Under the methodological profile the tools adopted for the empirical research—which follows a qualitative approach based on a case-study (Yin 2003; Naumes and Naumes 2006; Eisenhardt and Graebner 2007)—was based on the analysis of the documentation obtained from websites: videos, financial statement EoC annual reports, social reporting and some articles and papers about the history of the two cases. Secondly, we carried out semi-structured interviews of half an hour each with the Head of Industrial Park in Italy (Eva Gullo) and managing directors of the twenty enterprises taking part in the Italian industrial pole (www.pololionellobonfanti.it).

The work brings together the inductive and deductive approach of analysis and is divided into two main parts. The first offers a review of the literature on EoC companies whose mission, governance and accountability are based on an ideal motive in that they are the fruit of an ethical substratum which directs every field of human behavior and, therefore, that economic behavior too (Argandoña 2003; Bruni 2006; Argiolas 2006; Gold 2010; Bruni and Uelmen 2006; Baldarelli 2006, 2009, 2011; Argiolas et al. 2010; Baldarelli et al. 2015; Peredo and Chrisman 2006; Spence et al. 2004; Molteni 2009). Second, through the use of different survey instruments (document analysis, interviews, internet sites analysis) it presents the case study relative to the Italian industrial park. The work ends with reflections of synthesis and further research insights.

3.2 The Theoretical Framework of the Economy of Communion and EoC Enterprises

The project of Economy of Communion (EoC) enterprises was initiated in Brazil in 1991 inspired by the charisma of Chiara Lubich, the founder of the "Focolare Movement" (Lubich 2001) to implement the culture of fraternity, coming from the Gospel, in the economic field and to try to solve poverty problems near the São Paulo area, which is a "symbol" of imbalances and social inequality, and where the districts of skyscrapers are countered by the poor outskirts of *favelas*. At present, the Brazil government is considering it as one of the most important models in developing the poorest areas. During the last two decades it has gradually developed all over the world: more than 800 enterprises, belonging to all economic sectors, are currently spread in the five Continents: 500 in Europe (240 in Italy); 258 in South of America; 34 in North America; 25 in Asia and 43 in Africa.

Since the project started it has attracted the interest of many scholars under the scientific profile; initially, mainly economists (Bruni and Pelligra 2002) and, later on, to those belonging to almost every discipline (Baldarelli 2006, 2011; Argiolas 2006, 2009, 2014; Gold 2010; Callebaut 2010; Bruni and Pelligra 2002; van Marrewijk 2003; Bruni and Crivelli 2004; Naughton & Laczniak 1993; Bruni and Uelmen 2006).

EoC enterprises do not only have solidarity as their final aim. They go beyond: they disseminate a new culture, acting as driver to promote the objective and implement the charisma of "universal fraternity" into the economic field as stated in the "Manifesto for an Economy of Communion action" that has been established in 1999 (www.edc-online.org). In 2008 new guidelines were designed to lead EoC companies to make their management and organization characteristics more evident based on the following main points: (1) entrepreneurs, workers, enterprise; (2) the relationship with the customers, the suppliers, the civil society, and the external subjects; (3) ethics; (4) quality of life and production; (5) harmony in the workplace; (6) training and education; and (7) communication. These principles have been promoted, at the same time, by way of the creation of "Schools for Entrepreneurs" (The University Institute of Sophia) and other training initiatives,[1] which, since 2001, have been aimed at orienting managers to the most important values of the project.

The EoC companies are fully included under the diversified world of the so-called Civil Economy and Economy of Communion (Benedict 2009) which concerns a vast archipelago of social, civic, political and economic institutions and includes the EoC companies, as well as many experiences in the world of cooperation and the non-profit sector, the ethical banks, microcredit, fair trade, the joint purchasing groups and NGOs. The cultural significance of this movement has ancient and deep origins, which can be identified in the Italian Civil Economy

[1] To find out about the latest initiatives and entrepreneurs' activities, please see: www.eoc-online.org

tradition[2] (Bruni and Zamagni 2004, p. 44) and has roots in the Middle Ages through the work of the Benedictine monasteries. It spread throughout Europe laying the foundations of a concept of work and economic activity, which linked to ethics and the promotion of the common good (Melé 2002; Cortright and Naughton 2002). The experiences of Civil Economy are the seeds of a new humanism, based on solidarity, cooperation and relationships, that feed a new ethos of the market and contribute to building a new economic anthropology. In this sense, they fully and authentically accomplish the CSR orientation, intended as “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large” (Holme and Watts 2000, p. 8).

The EoC project involves entrepreneurs, companies, associations, economic and social organization, including workers, managers, consumers, savers and investors, scholars, traders, poor, private citizens and families. All these actors, even belonging to different cultures and religions, share the common aim to drive the culture of giving, legality and attention to people and the environment, inside and outside of the company (Lubich 2001). EoC companies (both not for profit and for profit enterprise) integrate CSR activities into their core business and pursue a holistic development (Sorci 2007; Melé 2012), in the sense that businesses as creators of value for the whole community, pursue the common good, apply democratic and authentic forms of stakeholders engagement and even goes beyond CSR by contributing to constructing a civil, local and global economy (Baldarelli and Del Baldo 2013; Baldarelli et al. 2015; Del Baldo 2014a, b).

The distinctive “mission” of EoC companies reverberates within a series of objectives in the absolute conviction of wanting to actively take part in the betterment of collective well-being too and especially, to spring to the aid of those situations “nearest”, concerning material and spiritual poverty. EoC companies practice a managerial and entrepreneurial style that is not only marked by philanthropic orientation or charity but is oriented to concretely experiencing a new business and economic culture because it focuses on reciprocity. To address and solve the problem of poverty, the principle of “the communion of goods” has been turned into the EoC project. Although they operate in a competitive market, EoC companies render economic activity a place of communion, i.e. sharing among those who have and don’t have assets and economic opportunities (Lubich 2001, p. 33).

This communion is created by a free and an authentic cohesion both between different corporate figures (entrepreneurs, managers, employees, suppliers and customers) and among companies who share common values (that is companies

[2] In fact, the first institution of the Civil Economy refers back to the “Monti di Pietà”, while from the theoretical point of view, there are two publications in 1767—although several miles distant from each other—and that is that of Antonio Genovesi in Naple, *Lezioni di Economia Civile*, and that of Adam Ferguson, *La storia della società civile*, in Scotland (See Bruni and Zamagni 2004: 44 and following).

adhering to the EoC project as well as external ones). The culture of communion and unity is in fact a model with which entrepreneurs, managers and workers can freely reinvest the profits of EoC companies aiming for three objectives: (1) creating new businesses and strengthening existing ones (through increased productivity, employment, sustainable development, including supporting the State in helping the most vulnerable and poor people); (2) forming "new men", who are able to manage the companies by respecting the fundamental values of the person, through training activities aimed at spreading the values of brotherhood and reciprocity and (3) helping the poor at a local and global level. The poors are not assisted nor are they beneficiaries or external stakeholders, but they are "partners" of the EoC project because they donate their needs. Consequently business through creativity and productivity responds to their needs. Indeed, it is the poor who, by donating his/her needs, make themselves the motivational "promoter", albeit indirectly, to all the companies, which have to creatively activate themselves in order to provide the answer to his/her needs. Therefore, the poor stimulates the companies' productivity and the quality of production, which does not end with providing a service or a product, but goes beyond all that (Cornwall and Naughton 2008).

These three objectives are pursued through the division of companies' profits in three parts: one for the growth of the company, one for helping the poor, and the third for spreading the culture of communion. The active presence of persons (the poor people) who depend for their survival and development on the third of the assets of the companies of the project, sets off a mechanism of cohesion, which reciprocally and multi-directionally involves every subject internal to the company, that is: the partners, administrators, executives, managers and the staff, to name but a few. The emphasis is not on philanthropy but on sharing, in that each person gives and receives with equal dignity. EoC companies are "a life of Communion in which the Poor are active participants". Those who receive help are not considered "assisted" or "beneficiaries." Rather, they are regarded "as active participants" in the project, all part of the same community, who also live the "culture of giving" (Bruni and Uelmen 2006, p. 653). Consequently, the Economy of Communion entrepreneurs are not considered as "the rich" who share their surplus; rather, they are the first to live poverty, in an "evangelical" sense. This is because of their readiness to put their goods into communion and to face, out of love, the risks of business. Moreover, Providence (the so called hidden partner) silently, yet inevitably, enters into his management; Providence materializes in ideas and in the strategic and operational intuition that are thought of individually but also together with other interested subjects.

One can therefore conclude that EoC companies are attentive both to production and the distribution of wealth.

The EoC project is highly dynamic and open: the membership application, from the part of individuals and companies, is addressed to the local EoC committee, which assesses their commitment, their desire to share the goals of the project, the will to allocate corporate profits and to inspire the governance addressing the fraternity, the desire to form relationships with people on the level of reciprocity, respect and equality, and conceiving their own company as a means of fighting poverty and injustice (Baldarelli 2006, 2011; Argiolas 2014).

The EoC annual report on the destination of aids explains how resources have been used and highlights the results achieved: the creation of new job opportunities, support for starting micro-enterprises, aid for basic cultural education and university education (through a variety of educational activities including conferences, workshops, seminars, schools—school of civil economy; courses at Sophia University Institute founded in Loppiano, Florence; publishing house) and assistance to basic needs in emergency situations (Crivelli 2011; Rapporto EdC 2013/2014).

As far as giving freely is concerned, evidence of this is provided by the growth in the communion of company profits. Through the web survey what has emerged has been the willingness of companies to do even more by offering their time, professionalism and even resources in order to create new EdC companies. To love other companies as one's own is the factor of growth for the future of the project (Rapporto EdC 2013/2014).

In summary, the novelty of the EoC project is that communion can be appreciated as an economic category that involves a new culture. The EoC transforms the business structures from the inside (cooperatives, public companies, small and medium-sized enterprise, non-profit organizations) combining efficiency and solidarity, by setting the internal and external relations according to a communion-driven style of life and action, in structures of "Grace" (Gallagher and Buckeye 2014).

After having addressed our attention to the mission of the EoC companies, in the following sections we will briefly present the main distinctive aspect related to the governance and accountability systems and to the EoC industrial parks.

3.3 The Governance of EoC Companies

Regarding governance two aspects qualify the model. The first is the integration of ethical principles into the production of profit. The second is the wealth of the company thought of, not as an end in itself, rather as a means which allows the possibility of a much wider aim of universal fraternity. Then, the active presence of persons, who "depend" for their survival and development on the third of the assets of the companies of the project, triggers a mechanism of cohesion, which reciprocally and multi-directionally involves every subject internal to the company (partners, administrators, executives, managers, and the staff). This allows for the development and extension of a reciprocal control system. In this sense, the situations of need and urgency develop a type of control, even if "from afar", to operate by bettering the quality of those products and services provided, which thus become the expressions of the "value" of relations that have developed throughout the production process (Naughton and Laczniak 1993). This new virtuous circle, which is engaged within the internal control processes, is also useful for learning purposes, for sedimenting and circulating knowledge.

The balance between entrepreneurship and managerialism in EoC enterprises is based on the “tools” of communion. The first is relative to the “pact on the mission”. This pact must involve the sincere dialogue with stakeholders inside and outside the companies (Argiolas et al. 2010). The second tool is about the “communion of experiences” (motivations, difficulties, objectives) which enhance the cohesion and consequently transforms the management “process”. The third tool regards “the time of truth”, which is not simply a correction of a mistake committed by a person (whether an employee or external collaborator), as much as a path which allows him to improve, in qualitative terms, his relationships with colleagues and with the company and which actually makes reciprocity possible (Bruni 2007). The forth tool is the use of dialogue, to resolve doubts and “to start the journey” again with more tenacity.

The aforementioned aspects (tools) imply a change in corporate governance, both in the meaning which regards the systems of government power and in the procedures of management and internal control.

In this way, models of governance, based upon conflict, leave room for an innovative model, which rather than being based on conflicts, is based upon internal and external collaboration. In EoC companies, the role of the single manager gives way to a figure of chorus management, where everybody plays his/her “active” role and is involved in the management of the company in which there is a leadership that listens, promotes and involves the person. Furthermore it is capable of creating new services with the collaboration of others by making them total participants. Moreover, the EoC Company acquires the capacity to share, with coherency and trust, its own company experience with other companies, whether internal or external to the project, in order to succeed in survival and development. Indeed, the governance of a company which has the communion at its heart, as its main value, allows it not only to transmit trust and therefore create this “relationship capital” within all organizational levels and positions, but especially allows it to spread trust outside it, even at the time when it finds itself facing structural choices, such as the outsourcing of production as an alternative to the acquisition of another new company.

The decision-making process, which regards the structural choices outlined above, is complicated by a series of preliminary meetings, that allow the involved parties to clarify their positions. However such a way of proceeding, which lengthens decision-making procedures of the company’s top management, highlights the fact that decisions are taken jointly, in full respect for everyone’s position. As a consequence, problems are focused on especially at the beginning of the strategic process, but the trust generated creates a smooth transition onto the next stage of the process, with greater options to delegate in full respect of human values. Therefore that which may seem to be irrational behavior reveals itself to be opportune, allowing a slimming down of procedures and a full responsibility orientation at the various levels of the organization.

Furthermore trust, which spreads throughout the company, manifests its effects even outside and this leads to the facilitating of both formal and informal relations. Consequently through national and international inter-company relations “ethics also spread to company networks and, should there be common ethical grounds, as in the case of industrial poles, the network itself becomes the "moral subject" in its operativeness" (Rusconi 1997, p. 92).

3.4 The Accountability of Communion

In EoC companies, accountability is considered fundamental in orientating mission and governance as well as allowing the management of the values and principles of ethically keen companies (Baldarelli 2005, p. 97). To this end, a specific model of communication of economic, social and ethical responsibility was developed, the so called RainbowScore which is conceived as an organizational support for defining, programming and evaluating both the economic and ethical and value-based performances. In accordance with a unitary logic, this system contemplates seven aspects of the life and resources of the company (economic capital, relational capital, training and innovation, business culture, socio-environmental quality, human capital and corporate image/reputation and communication/involvement) from which value, intended in a multi-dimensional sense, springs.

> The history of all the companies operating in the EoC industrial parks, shows that none of them would be born if he had followed the simple economic calculation: if they had made the calculations by applying the normal criteria of accounting, all companies, without exception, would have faced a loss: the logic of the business plan would have shot down every business project (Ferrucci 2005, pp. 4–5).

The added value produced by companies increases due to the social "leverage" effect activated by each company, through the pole, in terms of new jobs and through the two-thirds of the profit intended for social purposes. The added value is therefore the entire network, because the perspective of the company and the environment intersect; at a single company level in the network, at a network level and at an enlarged level including other companies and networks outside of the industrial poles around the world.

> The sharing of company profits and private donations, put into motion by the Economy of Communion, has even this year exceeded one million and 300 thousand euro, a value close to last year's despite the economic crisis. The number of families assisted, totaling about two thousand, has remained unchanged. (. . .) In the year to come several local EoC entrepreneurs will support funding for valid entrepreneurial projects aimed at creating jobs for the needy. (. . .) For the juvenile sector, schools have been set up in Mexico, France and Croatia with the global participation of about 150 young entrepreneurs and academics coming from over 60 countries. In the next few years greater resources (scholarships) will be earmarked for the "Summer School for young people" (Rapporto EdC 2013/2014, p. 9).[3]

The anthropological-based vision of EoC companies translates into accountability of communion and is later applied to the relationship between accountability and

[3] See: www.rapportoedc, p. 8.

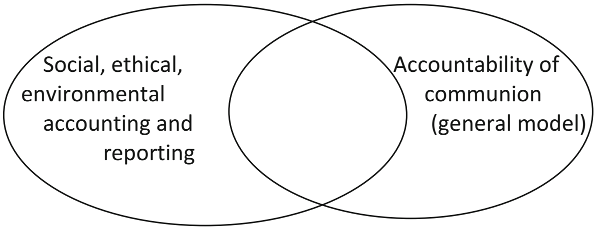

Fig. 3.1 Accountability and accountability of communion. *Source*: Authors' elaboration

human rights. Indeed, the construction of an "accountability of communion" falls within the widest category of social and environmental accountability (Gray 1997; Gray et al. 1996, 2010, 2014; Baldarelli 2013). By accountability of communion we mean a part of social and environmental accounting and we can identify it in the following diagram (Fig. 3.1). Indeed, only a small part of accountability is represented by "other"; that is, by qualitative and quantitative measuring, which, because of their peculiarity, are considered as making up part of other disciplines such as philosophy, morals, sociology, etc.

The above Fig. 3.1 shows that there are relationships among pillars and tools of "communion" and social accounting, especially about the democratic and relational emancipation process that is the main reason of source of social accounting and reporting research.

To better explain the dimensions that are involved in the common area and to try to clarify some dimensions that are there included at present we try to introduce certain dimensions which may contribute to construct social, ethical and environmental accountability and reporting of communion, presenting elements that are considered of importance to this goal which are dialogue, trust and reciprocity.

Moreover, the same are contemporaneously placed in relation to the typology of the stakeholder with whom the company enters into contact (Argiolas 2006, 2014; Bruni 2006; Gui and Sugden 2005). In order to summarise our way of reasoning, we have designed the following table (Table 3.1).

We believe, indeed, that the social, ethical and environmental accountability may be a valid tool in contrasting a new "relationship poverty" and in bringing the relationships, and therefore the dialogue, to their own true meaning and importance.

Table 3.1 is divided into some columns. In the second column there are pillars of EoC enterprises. The first pillar is dialogue, by way of which the relationship develops, has been closely examined by Italian accounting scholars, in particular, among others, Catturi who states however that accountability is the expression of human relationships within the company as well as outside it (Catturi 2007). The second one is trust which is very important and relates to the quality of personal and enterprise relationships that EoC enterprises are able to develop along with all

Table 3.1 Pillars, tools and aspect of accountability of communion

Stakeholder typology	Pillars of communion	Tools of communion (used from time to time)	Aspects of communion (used from time to time)	Summary of indicators
	Dialogue	– The Pact on Corporate Mission – The Communion of Soul – The Communion of Experience – The Moment of Truth – The Private Talk	– Red – Orange – Yellow – Green – Blue – Indigo – Violet	Indicators which for each stakeholder highlight the degree of dialogue/tools/aspects
	Trust	– The Pact on Corporate Mission – The Communion of Soul – The Communion of Experience – The Moment of Truth – The Private Talk	– Red – Orange – Yellow – Green – Blue – Indigo – Violet	Indicators which for each stakeholder highlight the degree of trust/tools/aspects
	Reciprocity	– The Pact on Corporate Mission – The Communion of Soul – The Communion of Experience – The Moment of Truth – The Private Talk	– Red – Orange – Yellow – Green – Blue – Indigo – Violet	Indicators which for each stakeholder highlight the degree of reciprocity/tools/aspects

Source: Our elaboration of Golin and Parolin (2003)

stakeholders that they relate to. Combining dialogue and trust, we can have different typologies of reciprocity,[4] that is the third pillar of EoC accountability.

[4] "Mode of managing transaction is reciprocity i.e. non-contractual transfers in cash or kind occurring within a group or a community according to a logic of fairness, solidarity or mutual insurance. Examples are numerous in traditional economies . . . but reciprocity has a role to play even in modern economies" (Gui and Sugden 2005, pp. 27–28).

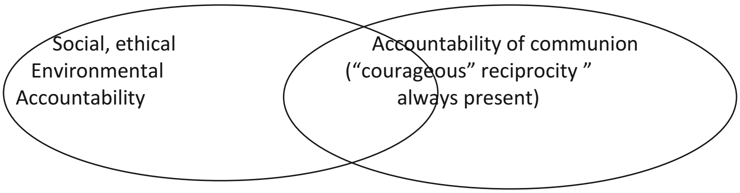

Fig. 3.2 Accountability and accountability of communion. *Source*: Authors' elaboration

Indeed, social, ethical and environmental accounting and accountability of communion consider a relational base to be of some weight, where there is always, among other typologies of reciprocity, the "courageous"[5] type. There are several types of reciprocity: the first one is based on the contract, in which one gives good and then receives the correlated price; the second typology of reciprocity is based on friendly relationships that do not stop on the contract, but create more occasions for cooperation and social relations. The third one is characterized by gratuity that means that the enterprise is able to always cooperate with other enterprises in any case (Bruni 2006; Argiolas 2014). Reciprocity, in this case, always disposes the enterprise to cooperation and if it were not there, even to a minimum degree, the accountability of communion could not develop.

The diagram presented previously, finds yet further specification in that which follows (Fig. 3.2).

Communion can be carried out every time and in every aspect both of person and business daily life. To represent it through a metaphor, the light can be considered. When a light beam passes into a prism it is refracted in seven colors (red, orange, yellow, green, blue, indigo, violet). The following are the interpretations of these colours.

In the Red aspect, we involve all economic dimensions of the enterprise. We include here relationships with poors. Important part of this aspect is that communion must enter in each relation inside of the enterprise, because it is nonsense to help poors without using communion in relationships inside of an entity.

Orange underlines that communion relations must be developed inside and outside of the enterprise in the respect of all stakeholders, such as clients, suppliers, competitors, local community and international community.

Yellow aspect involves the importance that entity operates ethically and using justice, following low and agreements that may be subscribed.

Green aspect involves the enterprise in the respect of environment and health and integrity of workers in general.

Blue refers to buildings in which workers operate, that must be nice and clean. It involves the organizational structure that must ameliorate communion relationships among people.

[5] "Courageous" reciprocity, we repeat, however, always cooperates ". . .with this form of reciprocity, because it explains that non-conditionality, is the presence of an intrinsic reward which the actor obtains doing the action itself, before and independently from the outcome" (Bruni 2006, p. 90).

Indigo is about the importance of training for workers. It is in relation to the importance of staff training. Training that is not exclusively orientated to enterprise interests, but that is able to consider the quality of life and worker's professional and human development too.

Violet involves internal and external communication system. It underline the relevance of each one in connection with others using information and communication network. This network favors communion of positive such as negative experiences among staff and line people. So for example take part of the violet aspects all instruments such as: procedures, information systems, technology, newspapers, accountability, etc.

As in the "rainbow" the shift from a colour to another is not separated, at the same time in the life of enterprise does not exist a strong borderline between an aspect and the other one (Golin and Parolin 2003; Van Marrewijk 2003; Argiolas 2014). We discussed before about the tools of communion and we suggest to differentiate these tools relating to the three pillars, because we will better measure results of performances and to be more transparent in accountability process.

This process is not completely defined and, therefore, new ways of measuring open up as we are studying also a form of measuring that highlights the value created, even in the presence of negative income from an economic point of view, therefore, also in the presence of an economic-corporate imbalance.

Accountability of Communion involve: pillars, aspects and tools, that we analysed in the previous paragraphs, but more research cases must be analysed to define clearly the dimensions of the common area between the two typologies of accountability.

3.5 The EoC Industrial Poles: A "New" Type of Network

Based on the original inspiration, the EoC project gave (and gives) life to the industrial parks (or poles), which were founded starting from the towns where the Focolare Movement was present and especially in the poorest countries, to make a concrete contribution to alleviate poverty. The industrial poles testify to the concreteness of the EoC project and are an essential component (Baldarelli and Del Baldo 2015). The EoC industrial poles do not only arise for economic reasons, concentration, productive efficiency and elasticity, but are also a visible sign of a different way "of making economy" (Ferrucci 2005).

Over the years, seven industrial parks have been created: two in Brazil and one in Argentina, Croatia, Belgium, Portugal and Italy. Three other poles are currently in a start-up phase, in Brazil, the Philippines and Germany[6] (Table 3.2).

As we can see in Table 3.3, we describe the features of networks in general and then features of EoC industrial parks. In relation to the other enterprises, we can

[6] http://www.edc-online.org/it/chi-siamo/poli-produttivi.html

Table 3.2 The EoC industrial parks

Established industrial parks	Start up industrial parks
Pole Spartaco (Sao Paolo, Brazil)	Pole Francois Neveux (Benevides, PA, Brazil)
Pole Lionello (Loppiano, FI, Italy)	Pole Philippines (Philippines)
Pole Solidaridad (O'Higgins, Argentina)	Pole outside the box (Germany)
Pole Ginetta (Igarassu, PE, Brazil)	
Pole Mariapoli Faro (Krizevci, Croatia)	
Pole Belgio (Belgium)	
Pole Giosi Guella (Abrigada, Portugal)	

Table 3.3 From the company in the network/cluster to the company in the EoC industrial parks

Networks' characteristics	EoC industrial parks' characteristics
1. High frequency and continuity of relationships	1. High frequency and continuity of value-based relationships
2. Reciprocity of interactive information flows despite the information asymmetries	2. Reciprocity takes many forms, but a reciprocity open to cooperation is always present
3. External relations affect and permanently change internal relations	3. External relations and internal interactions; change in a reciprocal process
4. Strategic pluralism (each business pursues its objectives)	4. Single company objectives aimed at achieving a common goal already pre-ordered and based on ethical and value-driven orientation (logic of giving, principles of communion and fraternity)
5. Shared language	5. Anthropological shared language, from which the economic language derives
6. A leading firm only coordinates the network	6. Presence of a company that provides the first funds for the industrial park start-up; provides services to the companies and coordinates the activities
7. Possible presence of a leading company, which also interacts with other networks to develop projects	7. Entrepreneurship is widespread; there is not a real leading company because reciprocity drives for a substantial coordination, effective and equitable among all members
8. Networks are among for-profit companies	8. Mixed networks which include both for-profit and non-profit companies
9. The network involves small and medium-sized enterprises	9. The EoC industrial park is not closely related to small and medium-sized businesses, although most are of this size. It also incorporates aspects of mutual trust based on transparency and opportunistic behaviors, but it turns into a "network of Communion"

Source: Our elaboration

underline that there is the high frequency and continuity of value-based relationships, because EoC poles are based on a common ethical background and anthropological shared language.

The second and the third one are about reciprocity, that takes many forms, but the "courageous" reciprocity is always present as we told in the previous chapters.

The presence of a company that provides the first funds for the industrial park start-up as well as services to the companies and coordinates the activities is very important to share values and for consolidation of new enterprises. Entrepreneurship is widespread and there is not a real leading company, because reciprocity drives for a substantial coordination, effective and equitable among all members. In industrial parks we find mixed networks, which include both for-profit and non-profit companies.

Finally, the EoC industrial park is not only related to small and medium-sized businesses, although most are of this size. It also incorporates aspects of mutual trust based on transparency and opportunistic behaviors, but it turns into a "network of Communion".

The industrial parks of the EoC project should be placed among the phenomenon of inter-firm collaboration and inter-organizational networks, which implies a plurality of relations formed through time among a number of businesses that identify themselves as instruments in which they can actualize shared interests and objectives (Birley 1985; Axelsson and Easton 1992; Nohria and Eccles 1992; Fletcher 1994; Håkansson and Snehota 1989, 1995; Ritter and Gemünden 2003; Österle et al. 2001; O'Donnell 2004). EoC industrial parks can be conceived as a new economic and organizational model (Bruni and Porta 2006) due to distinctive features: first for the importance attributed to "reciprocity" in the relations between companies inside and outside the pole and companies outside of the network (Bruni 2006); secondly, for the interdependence between the for-profit and non-profit organizations, and thirdly for the impact of EoC principles on the mission, governance and accountability (Matacena 2010) of the companies and the poles themselves (Table 3.3).

3.6 The Italian Industrial Park: The Lionello Bonfanti Pole in Incisa Val d'Arno (Florence)

In Italy the data obtained from the Centre for Italian EoCs shows that there are approximately 230 businesses and some of these are located in the industrial pole close to Florence.

The idea of building an Italian industrial park after the experience of the first one ("Polo Spartacus"), created in Brazil in the Nineties, came to fruition in 2001. On the occasion of the tenth EoC project anniversary, its foundation was stimulated by some economists, who for years have been studying the project and who have understood the importance of increasing the visibility of the interesting experiences of the EoC companies in order to overcome the so-called "critical mass" (Zamagni 2007). Therefore, one reason for the birth of the Italian Polo is that of visibility for companies participating in the project, and for all other external companies interested. A second reason is related to the growth, recording the number of EoC companies in a 10 year period and the need for increased training and experimentation in order to best implement the principles of the project in question. Hence the choice of creating an industrial park in Loppiano, Italy (near Florence, in Incisa Val d'Arno), drawing inspiration from the original slogan "we are poor but many", which allowed the company "Espri Spa" to reach the amount of capital necessary to build the structures and start the activities of the EoC companies. In fact, it was decided to set the nominal value of shares at 50 euros, allowing everyone to be members of the Italian society, which supports the Polo, called EoC spa. The Spa owns the land and buildings (7,400–11,400 m^2), and leases them to companies (devoted to production of goods and services, as well as sales and professional offices), who want to share the project (currently more than 20). EoC spa coordinates training activities: an academic laboratory training, study and research at Sophia University Institute, promoted in 2007 by Chiara Lubich, to train young people ("teaching the wisdom") on the basis of humanistic management principles, as well as responsible and sustainability-oriented principles.

The mission of the pole is summarized as follows: "The purpose of the pole is to be a positive and visible witness of the Economy of Communion in Italy. In addition to the companies that will be set up, the pole connects those businesses that refer to it, or which are oriented to it".[7]

The shareholders of the company that promote and coordinate the pole with a shareholding of more than 5 % of capital, may exercise the voting rights only up to 5 % of the capital itself. To date, all members have a share of less than 5 % (Statute, Art. No. 24). Article 36 of the Statute states that 30 % of the profits, minus legal reserves, is devolved to a special fund for the needy. The corporate governance system is designed to involve shareholders in view of communion, which is the basis of the EoC project itself. Moreover, governance aims to stimulate dialogue especially among companies and institutions. Dialogue represents a key element of communion, and is also useful for preventing business crisis.

EoC coordinates activities through the provision of centralized services such as the afore-mentioned training or organized visits to the Polo destination for individuals and groups who come from all over the world to see the EoC operationalization in Italy. Companies operating inside the industrial park more effectively pursue ethically oriented objectives and engage in constructive dialogue, as claimed by entrepreneurs: "*The main reason for joining the pole is to be fully part of the EoC project*, *but of course we will seek new opportunities and synergies with other companies that adhere to the project. Our goal for the company is to grow*, *operate in the market and produce profits to share with the poor* . . . *That* '*something more*' *in short*, *inherent in the project and the EoC*, *that is* '*the culture of giving*', *attracted us*" (EcieCitylights).

To emphasize these aspects, below are some excerpts from interviews with cited entrepreneurs. "*In the EoC*, *I saw an aspect of economic life that I liked and that completed my current size*. *I accepted this challenge because staying in the pole*, *in a sense*, '*forced me*' *to live more fully and authentically in the content of the EoC*"

[7] See: *Economia di Comunione*, 19, 2003, p. 10.

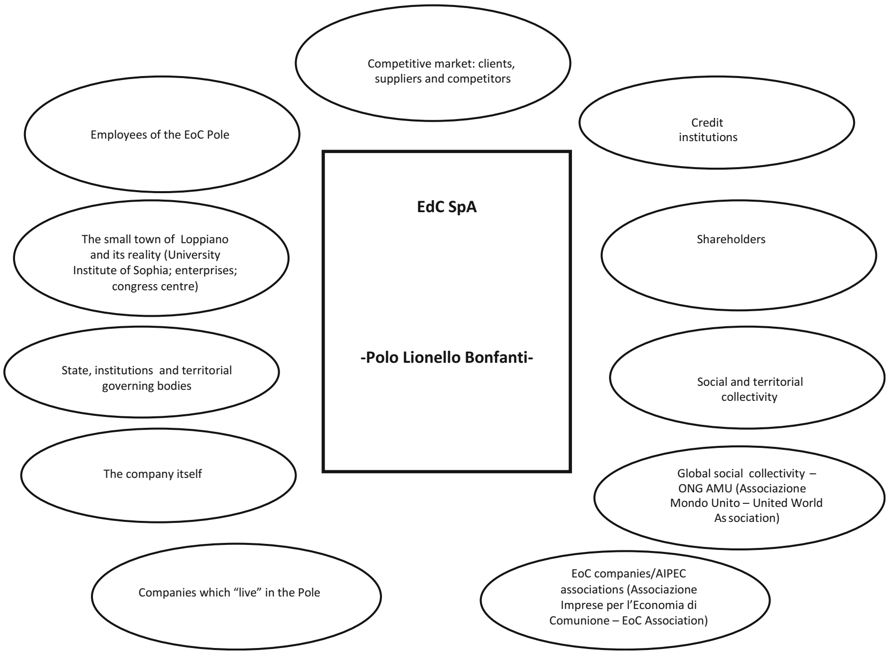

Fig. 3.3 Stakeholders’ map of EoC Ltd

(Alberto Embroidery & Partners, entrepreneur). “*When the industrial park* “*Lionello*” *was born we were delighted. It seems to constitute a real opportunity for communion of skills and experiences among people and among the companies involved in the whole project. For us, the pole mainly offers an opportunity to live the EoC values, in particular in the field of our consulting and auditing field of activity*” (G. Mazzanti, GM & P Consulting).

The industrial park was set up in 2006 and defined by the same President Eva Gullo as “a beacon of credibility” for the EoC. Currently it houses shops, labs, production and service companies, professional consultation and training firms. Over 20 companies from various sectors are located inside. The pole offers areas for different types of events. The primary services provided are training courses, professional training courses, the management of conventions and events and the renting of premises. The pole has obtained the quality certification ISO 9001 Vision.[8] For the first time in 2015 a process of social accountability has been started which has highlighted as a first step the stakeholders’ map, as can be seen from the following diagram (Fig. 3.3).

[8] The ISO 9001 certification is suited to all kinds of organizations and has been well consolidated all over the world as a quality management system. It is suitable for organizations in all sectors of industry and will help your company to improve management processes in order to compete at both local and global levels.

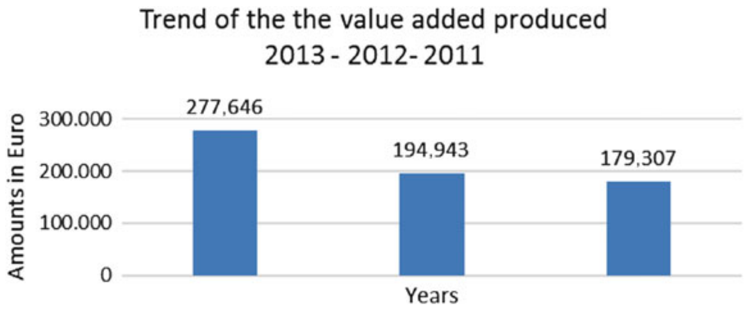

Fig. 3.4 Value added (2011–2013). *Source*: Our elaboration

Furthermore, a gradual increase in the added value produced has been highlighted and it may be underlined that the wealth produced by EoC Ltd. From 2011 to 2013 has increased, as can be seen in the following figure (Fig. 3.4).

3.7 Conclusions

EoC businesses attempt to go beyond the borders that exist between profit-making companies and not-for profit ones through collaboration networks that take the form of industrial parks.

Moreover, they are conceived as companies that develop the "globalization of solidarity" (Gold 2004) since, considering the actual conditions of the countries wherein they operate, they have developed (or are developing) a model of growth and relationship that, while following the initial model of the first pole in Brazil, adapts itself to competitive and environmental circumstances and situations specific to the area. Consequently, they give life to unique models for each country that are suited the specific local context.

In these years of activity, EoC companies have shown their ability to develop a process which allows the transition from weak social responsibility to strong social responsibility as it is based on a strong foundation of common values and cornerstone beliefs: dialogue, trust and reciprocity (Argiolas 2014), even if, as in the case in question, this might create some difficulty therefore the transition phase must be carried out with extreme care.

As a matter of fact a paradox is created in our opinion in EoC Ltd. Concerning the identification of the stakeholders' map. Such a paradox, as highlighted by the activities and initiatives developed by the industrial pole, lies in the objectives it has established. These objectives are aimed at developing a new culture of fraternity, bringing to the surrounding areas and its own context the values of the Economy of Communion. This leads the pole to continuously strive to be the "linchpin" of a new culture and implies that its attention is primarily focused on external cultural aspects. Consequently the "inhabitants" of the pole, the so called "internal client", are expected to assimilate the new culture by virtue of their presence in the pole, whereas in reality this is not actually the case. Therefore a greater attention to the external realm is subconsciously and subtly generated as opposed to less attention to internal aspects. This reflection is also confirmed by the analysis of other poles from different parts of the world including the recently created pole in Germany: "Outside the box" (Baldarelli and Del Baldo 2015).

Hence the wealth produced by the EoC Ltd. Pole is redistributed to the outside, but in our opinion the same attention should be paid to the inside by not taking for granted that the stakeholders' growth takes place automatically simply by virtue of his presence in the pole. This is verifiable by a series of reasons which can initially be identified through common values dictated by Civil Economy and the Economy of Communion. Another reason why such growth is considered automatic is the brave choice to bring one's business into the pole and finally the tendency to take a great risk by transferring one's business or part of a business into the pole.

Finally, another point to underline concerning the difficulty with strong responsibility regards the management of the created value. The pole is a company like all others and has its own features and characteristics, however it has to conform to certain fundamental rules such as affordability which should receive the same attention as social, environmental and ethical aspects. These aspects should be carefully considered, precisely because of the difficulties highlighted, in order to "guide" the transition between weak and strong responsibility to avoid getting stuck halfway and not being able to move further on.

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Chapter 4
Public Interests and Corporate Obligations: The Challenge from Consequentialism

Claus Strue Frederiksen

Abstract In this chapter, I discuss the division of labour between private enterprises and the state. According to stakeholder theorists, a state should take into account the interests of all of its citizens, whereas a company should focus on the interests of its stakeholders. I focus on a challenge presented by one of the most famous and influential ethical theories, namely consequentialism. According to consequentialism, there is, at least in principle, no such thing as a division of labour between private enterprises and the state since every moral agent (including individuals, states, and corporations) should try to promote the good, seen from an impartial perspective, meaning that everybody's interest should be taken into account (Kagan 1989). I conclude that stakeholder theorists are unable to meet the challenge presented by consequentialism by traditional means, i.e. by referring to social proximity principles. However, they might be able to defend their position by basing stakeholder theory on a particular kind of consequentialism.

4.1 Introduction

One of the most widely debated subjects within the field of corporate social responsibility (CSR) is the division of labour between private enterprises and the state. Traditionally, the debate has been between stockholder theorists and stakeholder theorists. According to stockholder theorists (e.g. Friedman 1970), the division of labour between private enterprises and the state is clear: The state should look out for the public's interests (build roads, uphold law and order, etc.) while companies should focus solely on the interests of their stockholders (mainly understood as trying to maximise profit). In contrast, stakeholder theorists (e.g. Donaldson and Preston 1995) believe that the matter is a bit more complicated. Even though they agree with stockholder theorists that the state should take the interests of every citizen into account, they do not believe that corporations have

C.S. Frederiksen (✉)
University of Copenhagen, Copenhagen, Denmark
e-mail: clausf@hum.ku.dk

S. Vertigans, S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-319-35083-7_4

obligations only toward their stockholders.[1] According to stakeholder theorists, companies have an obligation toward all of their stakeholders, including employees, suppliers, local community, customers, and others. Generally, the challenge for stakeholder theorists has been to demonstrate that stakeholder theory is not too demanding, i.e. does not imply that companies have to take too many different interests into account (Freeman et al. 2010; Heath 2006; Stieb 2009).

In this chapter, I focus on the equally relevant but less widely debated challenge presented by one of the most influential and (among moral philosophers) accepted ethical theories, namely consequentialism. Consequentialism is a teleological theory, which means that it evaluates the moral status of actions solely on the basis of their consequences. In short, consequentialism states that agents are obligated to always promote the best overall consequences in the world (Kagan 1989).[2] According to consequentialists, there is, at least in principle, no such thing as a division of labour between private enterprises and the state since every moral agent (including individuals, states, and corporations) should try to promote the good, seen from an impartial perspective, meaning that everybody's interests should be taken into account. The challenge presented by consequentialism thus also concerns the scope of stakeholder theory, but unlike stockholder theorists, consequentialists do not believe that stakeholder theory demands too much. On the contrary, consequentialists believe that stakeholder theory demands too little by failing to demand that companies and states take into account a wider range of interests (e.g. the distant poor). One of the ways in which stakeholder theorists can try to refute the challenge from consequentialism is by referring to social proximity principles, i.e. principles in which a specific social relationship generates a special duty. Some scholars, including Freeman et al. (2010), believe that the special social relationship that companies have with their stakeholders generates special responsibilities. Reference to social proximity principles also seems to be the strategy that companies take when presented with the challenge from consequentialism (Frederiksen 2010). That is, it is the *special social relationship* that companies and states have with their stakeholders and citizens that is believed to generate special responsibilities.

In this chapter, I present a normative evaluation of whether social proximity principles can justify claims that companies and states have special responsibilities toward their stakeholders and citizens. For example, does social proximity between companies and their employees generate special duties or responsibilities? I will examine two social proximity arguments, which I call the 'proper valuing of

[1] Stockholder and stakeholder theorists might disagree about what is actually in the interests of citizens. In general, stakeholder theorists tend to favour a larger state than do stockholder theorists.

[2] Note that when I refer to consequentialism in this chapter, I refer to so-called act-consequentialism as opposed to rule-consequentialism. In short, act-consequentialism states that an act is right if and only if it leads to the best overall consequences in the world. Rule-consequentialism, on the other hand, states that an action is right if and only if it is in accordance with a rule whose general acceptance would lead to the best overall consequences in the world. For a further discussion of different kinds of consequentialism, see Frederiksen and Nielsen (2013) and R. G. Frey (2000).

relationships argument' and the 'different moral levels argument'. I then analyse whether the challenge from consequentialism (i.e. that stakeholder theory demands too little) can be met. I do so by examining whether the stakeholder approach to CSR clashes with consequentialism, focusing solely on the obligation of companies and not on the duties of states. I examine whether a stakeholder approach to CSR is consistent with consequentialism in some specific cases. Before examining the two proximity arguments, it is useful to present a case that illustrates the basic attitudes toward public interests and corporate obligations.[3]

4.2 Setting the Scene: Stakeholders and Non-Stakeholders

Imagine you are the CEO of a multinational company. One day, your factory manager in India informs you that a gigantic cyclone has destroyed a large part of the city in which your factory is located. Your factory has not been damaged, but a large proportion of the city's population has lost everything and is in desperate need of food, shelter, and medical supplies. Wanting to take action, you realise that if your company donates $50,000, it will be able to help 5000 of these desperate people. However, before making any decision, you remember an e-mail, which you received from Oxfam a couple of days earlier, informing you that if your company donates $50,000, it will be able to help 10,000 people somewhere in the world. You are thus left with three options (for the sake of argument, I assume that there are *only* these three options available). First, your company donates nothing, thereby helping nobody (here it is assumed that this option results in a slightly higher return to the stockholders and that this does not lead to any major contributions to charitable causes). Second, your company donates $50,000 to the people in the Indian city in which your factory is located, thereby helping 5000. Third, your company donates $50,000 to Oxfam, thereby helping 10,000 people somewhere in the world where your company does not operate. Which should you choose?

According to stockholder theorists, the first option seems to be the correct one since spending $50,000 on helping the local population (or faraway strangers) does not seem to be in the stockholders' best interests.[4] Now, stockholder theorists disagree on whether the state has any obligation in such situations: libertarians generally believe that the state should not assist in such cases whereas

[3] Due to limited space, I will not examine in depth some issues that would require attention in a more comprehensive philosophical analysis of the relationship between CSR and public interest, e.g. the difference between the concepts of individual/personal responsibility and collective/corporate responsibility.

[4] Of course, there is an argument that such donations are in the interests of the stockholders. For example, we can imagine that helping the local population will in some cases strengthen the company's brand and make the local population extremely grateful. In short, since stockholder theory implies that companies should only consider the interests of the stockholders, companies should not assist others unless it is in the interest of the stockholders.

non-libertarians tend to believe the state should assist citizens in need. Both libertarians and non-libertarians believe that their solution is in the public's best interests; they just disagree as to which interests people have and how much weight they should be given. For example, libertarians such as Nozick (1974) and Narveson (2003) tend to regard formal individual freedom, e.g. freedom not to pay taxes, as much more valuable than do non-libertarians such as Nagel (2005) and D. Miller (2007).

According to consequentialists, the company should, all else being equal, choose the third option, since this seems to maximise the overall good. The same goes for states: i.e. they should only assist locally if this maximises the overall good. In short, consequentialists reject special obligations toward stakeholders or fellow citizens unless, as we shall see later, such obligations can be justified from an impartial perspective.

Since stakeholder theory implies that companies have special responsibilities toward all of their stakeholders, including the local community, stakeholder theorists would probably argue for the second option, that the company should help people in need in the local area.[5] As mentioned above, stakeholder theory is thus under pressure from both sides: stockholder theorists believe that stakeholder theory demands too much (by taking too many different interests into account), whereas consequentialists believe that stakeholder theory demands too little (by taking too few interests into account).

Why should companies and states care more about the interests of their stakeholders and citizens than the interests of non-stakeholders? Why should a company assist stakeholders if it can assist twice as many strangers in faraway places for the same amount of resources? To a consequentialist, it immediately seems strange to choose the lesser good (helping a smaller number of stakeholders than a larger number of faraway strangers) since everybody's interests should be taken equally into account. Stakeholder theorists might try to defend their position by referring to a social proximity argument. Let us examine the first social proximity argument, known as the 'proper valuing of relationships argument'.

4.3 The Proper Valuing of Relationships Argument

Scheffler presents the proper valuing of relationships argument thus:

> We human beings are social creatures, and creatures with value. Among the things that we value are our relations to each other. But to value one's relationship with another person is to see it as a source of reasons for action of a distinctive kind. It is, in effect, to see oneself as having special responsibilities to the person with whom one has the relationship. Thus, insofar as we have good reasons to value our interpersonal relations, we have good reason

[5] I assume here that stakeholder theory also implies that states have special obligations toward their own citizens since the theoretical foundations of stakeholder theory imply that special relationships generate special obligations.

> to see ourselves as having special responsibilities. And, accordingly, scepticism about such responsibilities will be justified only if we are prepared to deny that we have good reasons to value our relationships. (Scheffler 1997, pp. 200–201)

Scheffler's point, in short, is that special responsibilities are a necessary condition for having valuable relationships since we cannot value a relationship with another person without seeing ourselves as having special responsibilities. So, according to Scheffler, we cannot choose to have relationships and at the same time reject special responsibilities. Moreover, it seems unreasonable to dismiss the possibility of having relationships since having relationships seems to play an important part in our lives since humans are social creatures.

R. Miller makes a similar point and argues that equal worth does not require equal concern. He elaborates, saying that even though he does not regard his daughter as having greater worth than the girl next door, he does not have the same concern for the girl next door as he has for his daughter (R. Miller 2004, p. 102). Like Scheffler, R. Miller thus argues that you are not able to be a proper parent if you do not demonstrate special concern for your child. According to R. Miller, the same is true for the proper valuing of the relationship between compatriots. This kind of relationship also leads to special concern, i.e. special duties. R. Miller argues that because citizens help impose laws; one has a stronger duty towards fellow citizens than towards foreigners (R. Miller 2004, p. 105). However, R. Miller stresses that the main reason for special duties towards fellow citizens stems from a duty of loyalty, which arises in many shared cooperative activities. Thus, he argues, for example, it would be quite wrong for the members of a philosophy department to not fill in for a sick colleague (R. Miller 2004, pp. 106–107).

If Scheffler and R. Miller are correct about the link between special responsibilities and relationships, then they seem to have produced a very powerful argument in favour of the existence of special responsibilities. It is important to note that neither Scheffler nor R. Miller explicitly mention companies and their relationships with their stakeholders. Nonetheless, their argument seems to support the stakeholder approach to CSR, in that companies have (stakeholder) relationships, similar to other moral agents. For example, some companies have a very strong relationship with their employees, who stay loyal to the company because they feel appreciated and identify with its corporate values (Cunha 2002).

4.3.1 The Objection from Contractarianism

Scheffler acknowledges that some critics might argue that relationships, unless entered into voluntarily, do not generate special duties. For example, the relationship between a company and its employees is (ordinarily) characterised by being entered into voluntarily by both parties. To force someone to work for a specific company or to force a company to hire specific people seems obviously unfair.

Involuntary special duties are thus unacceptable because they place a burden on the agent.

In this regard, Scheffler argues that we have other (burdensome) moral responsibilities, which are not based on our consent, including responsibilities not to inflict harm (Scheffler 1997, p. 202). Even if a company has not given its consent to refrain from using forced labour, this does not imply that the company has no moral duty not to use forced labour. The problem facing critics, according to Scheffler, is that they must show why special responsibilities need to be voluntary when other moral obligations are not. Besides, as Dworkin notes, many types of relationships, for example family relationships, are not formed on the basis of deliberate voluntary actions, in the same way that people join a club (Dworkin 1986, pp. 197–198). The critics' demand for voluntary action would mean denying that family members should prioritise each other, which seems unacceptable. However, the critics might answer that agents only have moral obligations if they are mutually advantageous (and therefore not too burdensome). This is true for negative duties as well as for positive duties. Narveson suggests that this approach leads to general (negative) duties not to harm others and (in some cases) weaker (positive) duties to help others, i.e. duties that people are not punished for omitting to fulfil (Narveson 2003). Regarding duties to aid others, Narveson states:

> Morality is a general understanding among people, who must be presumed to be self-interested, whatever else they are. The moral understanding requires mutual interest. In the case of aiding others, then, we look for expected benefits and expected costs, and assess duties where it would be, on the whole, beneficial to everyone to accept a duty to aid, reinforceable by some amount of social pressure. (Narveson 2003, p. 426)

Applying Narveson's argument to the context of stakeholder relationships suggests that a company should show special concern for its stakeholders only if it is in the interest of the company. Narveson's position thus accords with stockholder theory. Although this might sound reasonable to some, it is not the way in which we ordinarily regard morality. As Kymlicka says, "The mutual advantage approach is not an alternative account of justice, but rather an alternative to justice" (Kymlicka 2002, p. 136). The point is that we ordinarily believe that actions and inactions can be right or wrong even if they are not mutually beneficial. For example, even though it might be mutually advantageous (from a rational agent perspective, i.e. human perspective) to totally disregard animal welfare in order to produce cheap meat or test cosmetic products, animal welfare still seems morally important to most of us. It thus seems unlikely that the contractual approach, in Narveson's or any other form, is a plausible alternative to Scheffler's and R. Miller's accounts with regard to relationships. This does not, however, mean we should accept the proper valuing of relationships argument. Other scholars have argued that moral agents can have relationships without any non-instrumental special responsibilities. For example, Singer argues that since relationships cannot exist without some kind of special responsibility and since it would be a great loss to live without relationships, we should accept special responsibilities for instrumental reasons (Singer 2004, pp. 13–20). Below, I discuss the objection presented by Singer and other consequentialists.

4.3.2 The Objection from Consequentialism

Consequentialists, such as Singer, are willing to accept special responsibilities as long as an impartial justification can be provided. Therefore, if relationships, which imply partiality, make the world a better place (seen from an impartial perspective), then agents should have relationships. Some, however, such as Williams, argue that relationships should not be based on a consequentialists (impartial) approach since this will destroy the true nature of relationships. The problem is, according to Williams, that this (impartial) approach demands "one thought too many" since it requires that agents constantly evaluate their relationships on a consequentialist basis, i.e. whether any given relationship, seen from an impartial perspective, promotes the best-possible outcome (Williams 1981, p. 18). From a corporate perspective, the consequentialist approach implies that companies should care about the wellbeing of their employees if and only if this secures the best outcome for the world as a whole.

At first glance, Williams seems to be correct in saying that the consequentialist approach destroys the true nature of relationships. We should help our friend because he is our friend and not because it promotes the overall good. Similarly, companies should care about their employees because they have a special relationship with them and not just because (or if) it promotes the overall good. It thus seems that, if we do not wish to abandon relationships, we must accept special responsibilities.

Consequentialists, however, do not seek to abandon relationships. They may point to Hare's two-levels approach, consisting of an intuitive level and a critical level (Hare 1981). According to Hare, moral agents should not constantly evaluate what actions will promote the overall good. This kind of evaluation seems counterproductive, even from a consequentialist perspective. Agents should instead consider, at the critical level, which moral intuitions they should follow in practice and should choose principles that promote the overall good. In considering a mother's partial care for her child, Hare concludes:

> If the intuition is one that ought to be inculcated (and this cannot be determined without critical thinking), the most likely way of doing the right thing in normal circumstances would be to follow the intuition. (. . .) If we ascend to the critical level and ask why it ought to be, the answer is fairly obvious. If mothers had the propensity to care equally for all the children in the world, it is unlikely that children would be as well provided for even as they are. (Hare 1981, p. 137)

The point is first of all that relationships and special responsibilities can be considered consistent with an impartial consequentialist approach because these relationships are justified at the critical level. Furthermore, these relationships function on the intuitive level like ordinary relationships. That is, we should (in practice) care for our friend because he is our friend. Hare thus seems to give an instrumental justification for special responsibilities, which does not destroy the nature of relationships.

The main difference between Scheffler's (and R. Miller's) theory regarding special responsibilities relative to Hare's two-level theory of morality thus not concern how agents, in some cases, ought to act; the difference instead concerns the justification for those actions. However, note that the two kinds of theories (i.e. Hare vs. Scheffler and R. Miller) might have different scopes, meaning that they might not agree regarding which relationships ought to count as relationships and thereby generate special responsibilities.

Scheffler explicitly states that the theory he outlines is not committed to a fixed view of either the strength or the content of special responsibilities (Scheffler 1997, p. 199). However, at the beginning of this essay, he states that relationships may consist of agents belonging to the same group, for example the same community, country, or nation, and might therefore generate special responsibilities toward, for example, a fellow countryman (Scheffler 1997, pp. 189–190). This indicates that Scheffler's theory, even though he does not wish to be precise about its scope, could be extended to include a company's relationship with its various stakeholders, including the local community. Whether the same is true for Hare's theory is an empirical question since, at the critical level, we should only approve of partial behaviour if it promotes the overall good in practice.

The question is thus whether a stakeholder approach to CSR, in which companies have special responsibilities towards their various stakeholders, promotes the overall good in practice. It is worth noting, as both Murphy and Jones emphasise, that even though proper valuing of friends and family clearly seems to imply partial behaviour toward these groups, it is less obvious whether other relationships, such as the proper valuing of shared nationality, also imply partial behaviour (Jones 1999, p. 134; Murphy 1999, p. 118). As Jones argues, one of the important elements in living a meaningful life is intimacy, which seems to support the argument for partiality towards family and friends (Jones 1999, pp. 138–139). But arguments for partiality towards stakeholders and fellow countrymen cannot rely on such an argument since these relationships are not intimate. The question is thus whether other reasons can be given in defence of the value of the stakeholder relationship. I will try to answer that particular question below, in the 'different moral levels argument', in which Nagel and D. Miller argue that non-intimate relationships can generate special duties, and in the section regarding the consequentialist argument. However, I wish to emphasise that if defenders of the stakeholder approach to CSR want to justify their partial theory on the basis of Hare's two-level theory, then they must demonstrate that the partial behaviour on the intuitive level can be justified on the impartial critical level.

4.4 The Different Moral Levels Argument

D. Miller and Nagel argue that morality consists of different levels, including the national level and the global level. According to both D. Miller and Nagel, differences between the national level and the global level indicate that compatriots have special duties towards their fellow citizens, which they do not owe to everybody (D. Miller 2007, 2008; Nagel 2005). Nagel's and D. Miller's arguments are not identical since Nagel is a statist and D. Miller is a nationalist. From the former perspective, citizens are bound together by the state institutions they share. From the latter perspective, citizens are bound by their shared nationality. Nagel's and D. Miller's arguments also focus on the proper valuing of relationships. However, their arguments, unlike Scheffler's and R. Miller's, do not focus on close relationships, such as those with family and friends, but on state and national relationships. Regarding duty towards our fellow citizens, Nagel states:

> This duty is *sui generis*, and is not owed to everyone in the world, nor is it an indirect consequence of any other duty that may be owed to everyone in the world, such as a duty of humanity. Justice is something we owe through our shared institutions only to those with whom we stand in a strong political relation. It is, in standard terminology, an associative obligation. (Nagel 2005, p. 121).

According to Nagel, the relationships that fellow citizens have with one another generate a duty of justice since as members of the state, citizens make unique demands on each other through the institutions they share (Nagel 2005, p. 130). Additionally, he stresses that the state is not a voluntary association but instead an involuntary association since its members, for the most part, have not chosen membership of that particular state (Nagel 2005, pp. 132–133). It is important to note that Nagel acknowledges that questions regarding place of birth as well as social and natural talents are equally arbitrary. Just as we do not decide which social and natural talents we are born with, we do not decide which society we are born into (Nagel 2005, p. 128). Nagel's argument is thus not based on the idea that people deserve to be members of a given society regardless of their social and natural talents. Instead, he argues, following Rawls, that it is only within the institutionalised society that we should seek to equalise arbitrary inequalities (Nagel 2005, pp. 127–129). D. Miller also argues that even though nationality is an arbitrary feature, this does not imply that we have no duties towards compatriots that we do not owe to everybody. In this sense, D. Miller stresses, like R. Miller in his example regarding special concern for his daughter, that just because a feature is morally arbitrary, it does not follow that unequal treatment cannot be justified on the basis of that feature (D. Miller 2007, pp. 32–33). However, unlike Nagel, who believes it is the nature of the state that generates special duties toward compatriots, D. Miller argues that it is national identity that gives rise to special duties (D. Miller 2008, pp. 389–390). The point is that because the members of a nation identify with each other and therefore value these relationships, they also recognise that this identification gives rise to special duties to compatriots. D. Miller stresses that we value our nationality not only for instrumental reasons but also for its own sake, i.e. we believe it has intrinsic value (D. Miller 2007, p. 38). However, D. Miller does not believe that all types of relationships that members value for their own sakes generate special duties. Instead, he points out that members of the Mafia or a racist group do not have special duties to each other even though some of the members might find the relationship to have intrinsic value. According to D. Miller, it is insufficient for the generation of special duties that relationships be intrinsically valued by members. The relationship must also be intrinsically valuable and must not be based on the unjust treatment of outsiders (D. Miller 2007, pp. 35–36). Even though it might be difficult to draw the line precisely, this actually seems to rule out the Mafia and racist groups giving rise to special duties.

It might seem unclear how D. Miller's and Nagel's arguments regarding different moral levels can be of any use to defenders of the stakeholder approach to CSR since the arguments regard institutionalised states and nationalities, rather than stakeholder relationships. However, Nagel's statist approach, focusing on the relationship between states and their citizens, can be said to resemble the relationship between corporations and their stakeholders because this also operates under a shared set of legislation and standards.[6] In addition, D. Miller's nationalistic approach is very similar to a corporate culture approach, focusing on shared values between the company and its stakeholders. For example, most corporations expect that all of their employees, including the CEO and members of the board, identify with and act in accordance with the company's values. It is also recognised that many customers prefer to do business with companies that act in accordance with certain values, e.g. companies that respect international labour rights or certain environmental standards. With regard to Miller's argument, it is furthermore worth noting that stakeholder relationships at first glance seem to be at least as much in accordance with D. Miller's three conditions (having intrinsic value, being intrinsically valued by its members, and not being based on the unjust treatment of outsiders) as are national relationships. If we begin with the conditions regarding intrinsic value, then some stakeholders, such as employees, might regard the relationship to have intrinsic value, and the relation seems to be at least as valuable as that of nationality. Now, some might object that nationality is both more valued and more valuable than, for example, the relation between employer and employee. As Caney stresses, however, some nations treat some of their own members very poorly, for example by persecuting or marginalising them because of their sexuality, religion, skin colour, or political conviction (Caney 1999, p. 127). The point is that stakeholder relationships in general seem just as valued and valuable as

[6] Recall that Nagel also stresses that it is the involuntary aspect of the institutionalised national state that generates special duties toward our fellow citizens. Companies' relationships to some of their stakeholders do actually seem to include such an involuntary aspect since companies do not seem to choose either their customers or their local communities. In contrast, neither employees nor suppliers seem to include any kind of involuntary aspects. That said, Nagel's argument, if it is sound, still seems useful to the defenders of the stakeholder approach to CSR, at least to demonstrate that relationships can generate special duties even if they are not intimate like friendships.

nationality because even though some stakeholder relationships might not be valued or be said to be valuable, the same goes for some national relationships. This is also true for the condition regarding justice. As Caney points out, many nations have deemed (some) outsiders to be backward and uncivilised and demonstrated aggressive attitudes toward others, while some have even committed genocide (Caney 1999, pp. 126–127). So even though some companies have treated outsiders badly, companies in general do not seem to be crueller than nations in general. D. Miller's argument for special duties towards fellow citizens, like Nagel's argument for special duties, seem useful to supporters of a stakeholder approach to CSR. The reason for this is not because stakeholders are fellow citizens and co-nationals and that the same obligations apply. The reason is instead that relationships of stakeholders with corporations may be seen as analogous to relationships between citizens and the state.

Thus, the question is whether we should accept one of the variations of the different moral levels argument presented by Nagel and D. Miller: the statist or the nationalist. We should reject both variations because they are both highly problematic. First, it seems quite arbitrary, as both Caney and Tan point out, to choose the nation or institutionalised society as the scope of justice (Caney 1999, pp. 129–130; Tan 2003, p. 442). Why is it only, as Nagel believes, within institutionalised society that we should seek to equalise arbitrarily inequalities? Why should we not seek to do so globally? We might just as well use religious background or some other arbitrary feature to determine the boundaries of justice. Second, but more importantly, even if we accept that (like other social relationships, such as friendships) nationality or the relationships between members of an institutionalised society enjoy, as Tan neatly puts it, a certain "normative independence" because they are valued for their own sake at least on the practical level, we must still justify that these relationships generate special duties unconstrained by the impartial ideal of justice (Tan 2003, p. 447). The problem is that it seems unacceptable to consider neither friendships nor national relationships on a morally independent level, in which agents are not limited by the impartial ideals of justice. As Hare suggests, special concern must be justified at the critical (impartial) level, meaning that we may only show special concern for our friends, compatriots, or co-workers as long as this does not conflict with the impartial demands of justice. We should thus reject the different moral levels argument because this ascribes significance to either state institutions or nationality as a referent of moral independence even though these are arbitrary referents. This means that supporters of stakeholder theories, in defending their position against the challenge from consequentialism, cannot refer to a social proximity principle. Next, I will examine whether this challenge can be met by arguing that consequentialism is not in conflict with the stakeholder approach to CSR after all. Due to a lack of space, I will focus exclusively on the possibility of justifying a stakeholder approach to CSR from an impartial perspective, meaning I will not discuss whether it is possible to justify that states should prioritise their own citizens from an impartial perspective.[7]

4.5 Consequentialism and the Stakeholder Approach to CSR

Consequentialism requires that agents, including companies and states, choose the act that leads to the best overall consequences for the world as a whole. Unlike utilitarianism, which states that agents should maximise wellbeing or happiness, the consequentialist is not committed to any particular account of the good, which means that nothing prevents the consequentialist from adopting a pluralist account of the good (Kagan 1989, pp. 6–8). However, in the following, I assume that promoting wellbeing plays a major role in any plausible consequentialist theory. The question is whether supporters of the stakeholder approach to CSR can meet the challenge from consequentialism by claiming that stakeholder theory is not in conflict with consequentialism after all. The immediate answer seems to be 'no'. The problem is that if companies are required to promote the overall good (i.e. choose the action that will lead to the best consequences from an impartial perspective), then it at first glance seems that they should abandon the stakeholder approach to CSR since prioritising stakeholder groups does not seem to always maximise the overall good. It is, of course, an empirical question whether prioritising stakeholders always maximises the good. However, it seems plausible to assume that companies, all else being equal will, at least in some situations, be able to do more good if they do not prioritise their stakeholders. For example, imagine that it will sometimes do more good if companies use their resources to help people in the undeveloped world, for example by fighting hunger and disease, rather than spending their resources in the affluent Western world. In this case, the onus is on supporters of the stakeholder approach to CSR to demonstrate that prioritising stakeholders always promotes the best-possible overall outcome.

Here, the defenders of stakeholder theory might turn to Hare's two-level approach regarding the intuitive level and the critical level in order to defend their position. As mentioned above, Hare believes that agents should not constantly evaluate which actions will promote the best-possible outcome because this would be counter-productive. Instead, agents should decide, on the critical level, which moral intuitions and principles they should follow in practice. This implies that parents have special duties towards their own children because this kind of partial behaviour promotes the overall good. Now, defenders of the stakeholder approach to CSR might say that, even though we can find some examples where it would

[7] For a thorough discussion of states' responsibilities and the possibility of impartial justifications for special responsibilities, see Singer's famous book *One World*: *The Ethics of Globalization*, from Singer (2002).

seem at first glance to be better if companies did not prioritise stakeholders, this does not mean that we, on the critical level, should not decide that it would be better for companies to prioritise their stakeholders on the practical level. The point is that, from a stakeholder perspective in general, companies should prioritise stakeholders, even if in some cases there is a good argument for prioritising non-stakeholders over stakeholders. However, this line of argument is unconvincing since companies are able to have relationships with their stakeholders without needing to prioritise them.

The defender of the stakeholder approach to CSR might nevertheless argue that when companies prioritise their stakeholders, they simultaneously get a better return on their investment and strengthen their brands. If, for example, an insurance company supports a local traffic safety initiative, then it helps by making the streets safer, which also strengthens its brand as a responsible company, which cares for its stakeholders, who comprise a substantial component of the local community. The insurance company would probably not receive the same return on investment or even the same public goodwill if it supported the global fight against AIDS instead of prioritising its stakeholders. Thus, with regards to the choice between helping closely related or faraway communities, all else is not equal. This might turn out to be an important point because if a company is getting $95 in return for every $100 spent on stakeholder-related CSR projects, then it is actually only spending $5. Thus, if a company could choose between donating $100 to its stakeholders (for example, the local community) or $5 to strangers in faraway places, then it might be in accordance with consequentialism if a company prioritised its local community. Because even though it might do more good to donate $100 to strangers in faraway places than it would to donate $100 to local stakeholders, it seems unlikely that donating $5 to faraway strangers would do as much good as donating $100 to local stakeholders. However, some might still insist that companies should help people in faraway places because they would still be able to do more good spending $5 in faraway places than spending $100 locally. Unger, for example, believes we would be able to save 2 of the 3 million children dying every year from dehydrating diarrhoea if we spent $5 in faraway places (Unger 1996, p. 2). It is thus important to note that the claim that companies are able to do more good if they prioritise their stakeholders also depends on the empirical assumption that they are unable to do more good (for a much smaller amount of money) in faraway places than if they prioritise their stakeholders. Additionally, the calculation I am making here implies that we do not show any special concern for the worst-off people since spending the money locally seems to clash with versions of consequentialism that demand that we prioritise the worst off. Furthermore, the question is also whether companies' brands will be significantly more strengthened if, with regards to CSR, they prioritise their stakeholders instead of faraway strangers. If this is the case, then companies, with regards to CSR, might have good reason to prioritise their stakeholders over faraway strangers. It is worth noting that, in one review of the literature examining CSR, 54 of 127 studies examining the link between corporate social performance (CSP) and corporate financial performance (CFP) reported a positive relationship between (CSP) and (CFP) whereas only seven found a negative relationship (the rest of the studies had either mixed results or found no significant relationship; Margolis and Walsh 2003). In another meta-analysis the authors conclude that "this meta-analysis shows that there is a positive association between CSP and CFP across industries and across study contexts" (Orlitzkyet al. 2003, p. 423). These studies say nothing about whether helping locally contributes more to financial performance than does helping in faraway places. However, since corporate social performance usually means prioritising stakeholders, the studies indicate a positive relation between the stakeholder approach to CSR and financial performance. It is also important to note that prioritising one group does not mean ignoring everybody else. Just as parents prioritising their own children does not necessitate that they must disregard the needs of others, companies prioritising their stakeholders need not disregard the needs of others.

Besides, some multinational companies operate in parts of the world where the local people are as badly off in terms of access to shelter, food, and medicine as poor non-stakeholders elsewhere. This means that a dollar spent in these areas might do as much good as a dollar spent in faraway places, all else being equal. Thus, companies operating in these kinds of areas need not have a much larger return on their CSR investment if they help locally, rather than if they help in faraway places, before they can justify their stakeholder approach to CSR. So even if we imagine that the return on the local CSR investment is just slightly better than the returns on the faraway CSR investment, this might still mean that some multinational companies can do more good, seen from an impartial perspective, by helping locally rather than by they helping in faraway places.

On this basis, I conclude that it might be in accordance with consequentialism if companies, because of the return on their CSR investment, prioritise their stakeholders over faraway strangers. This means that companies might be able to meet the challenge from consequentialism by saying that the stakeholder approach to CSR is not in conflict with consequentialism.

4.6 Conclusion

This chapter shows that supporters of stakeholder theory cannot convincingly meet the challenge from consequentialism by referring to some kind of social proximity principle. They thus cannot justify that companies or states have non-instrumental special responsibilities toward their stakeholders or their own citizens. Supporters of the stakeholder approach to CSR may, however, be able to defend their position by arguing that it is not in conflict with consequentialism after all. This is, of course, subject to certain empirical assumptions being true. However, if it is true that companies get a larger return on their investments when prioritising their stakeholders than when they spend the same amount of resources on relief projects with little or no strategic relevance to their business, then the stakeholder approach to CSR might be in accordance with consequentialism. This means that the division of labour suggested by the stakeholder approach should be acceptable to companies. It remains an open question whether an impartial justification supports the view that states should prioritise their own citizens.

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Chapter 5
Agribusiness CSR Practices on the Establishment of Underdeveloped Supply Chains: Evidence from Tanzania

Felix Adamu Nandonde, Pamela John Liana, and Paul R. Sachs

Abstract The rise of modern food retailing in developing economies is criticised for marginalising the small scale agribusiness actors. The marginalisation is due to high requirements on delivery and set food standards which are obstacles to most of small scale actors. The current project explores the CSR practices of agribusiness entrepreneurs in Tanzania in improving the underdeveloped value chain of fresh meat and processed peanut butter. Interviews were conducted in Arusha and Morogoro in Tanzania with managers, owners and beneficiaries of the practices. By using thematic qualitative case studies of the interviews, the study reveals that trust, regular supply of the products and relationship are very important for the CSR supply chain establishment. Furthermore, the study shows that reduced credit facility and rudimentary technology are major challenges that threaten the practices of linking small scale farmers to modern food distribution in Africa. The recommendations are offered regarding the steps for further improved underdeveloped supply chain. This study adds value on the CSR practices of agribusiness entrepreneurs from developing economies.

5.1 Introduction

To stimulate development in African markets access is a fundamental stepping stone (WTO 2013). Different initiatives have been implemented on the continent with the interest of linking African producers with the developed market. One

F.A. Nandonde (✉)
Aalborg University, Aalborg, Denmark
e-mail: fan@business.aau.dk; nandonde@gmail.com

P.J. Liana
The Open University of Tanzania, Dar es Salaam, Tanzania

P.R. Sachs
NHS Human Services, Philadelphia, PA, USA

S. Vertigans, S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-319-35083-7_5

example is the Fairtrade products scheme. Nevertheless, a recent report shows African farmers are marginalized (WTO 2013). There are many reasons for marginalization of small scale farmers' access to developed market. Among these are unattainable food standards, lack of finance and institutional voids (Dolan and Humphrey 2004). Nonetheless, Africa has seen the rapidly emergence of modern food retail. Less is known on how to help small scale farmers' access market through this new food distribution in the continent. This study will fill that gap with the focus on CSR support of firms in developing economies with the specific case of Tanzania.

Studies of CSR and value chain focused much on governance of actors such as ethical practices (Boyd 2003; Greenhalgh and Tallontire 2005). Further, studies give much attention to the multinational corporations (MNCs) practices with the foods bought from developing economies and their impact on small scale farmers in the developing economies (Alvarez-Rivero and Bhandarkar 2007; Hartman 2011). Some firms in developing economies that can meet standard and quality criteria are still marginalized due to financial conditions.

With the rise of modern food retailing in African empirical evidence shows that local farmers are marginalized at their home market. Studies show that consumers in Africa are migrating to these stores (Chege et al. 2006; Gorton et al. 2013). Nishiura (2010) argues this change has impact on the economy and agrifood marketing system in Tanzania. Linkage of local food suppliers to new food distribution in Africa through CSR practices of actors in the value chain could be highly desirable.

Lack of understanding of the impact of CSR in Africa is a major problem (Idemudia 2014). Empirical evidence shows that small scale farmers are marginalized from international and regional modern food retailers in East Africa (Elepu 2009; Amoding et al. 2014). Furthermore, upstream growers in Tanzania are highly affected by any market changes such as price (Rasheli 2013). Literatures of the global value chain shows that upgrading is one of the most important means of linking marginalized suppliers in the value chain. Through upgrading, marginalized producers can work with lead firm and in particular from developed world to attain knowledge and soft skills for them to meet set standards. However, less is known on how local food suppliers and local goods growers/producers can be linked to the rapidly rising food retail.

To understand the impact of the CSR practices on the local community on Africans, it is important to understand the type of CSR practiced by agrifood business in Africa. Hartman (2011) calls for more studies on CSR and food value chain. This study intends to fill those gaps by examining the impact of local agribusiness firms on establishment of undeveloped value chain in Tanzania.

The chapter will provide an overview of the transaction theory and CSR drawing attention to the usefulness of the food sector in the developing economies. This overview is followed by a literature review on CSR and food in Africa. This is followed by a methodology sections and findings part. The last section is discussion and suggested policy implications of the study for the developing economies.

5.2 Transaction Cost Economic Theory

Agrifood business in Tanzania is characterized by small scale farmers who are trustworthy fulfilling of promises and commitments to other actors in the value chain (USAID 2008). Integrating these small scale farmers into the larger system requires various administrative costs such as monitoring, contract and negotiations (Hobbs 1996). As a result of these costs, most of upstream actors become marginalized or to face difficulties in accessing local, regional and international markets. The costs can be minimized if a firm becomes vertically integrated.

CSR practices in the value chain are considered as one way of linking local food processors with the market. To understand how agribusiness firms establish CSR practices in among irresponsible actors in Tanzania, this study draws from transaction cost economic theory (TCE). Previous studies show that irresponsibility is very common in Tanzania business environment such as cheating, over pricing, and adulteration (Bjerkas and Kagirwa 1994; Gibbon 1997; Kurwijila et al. 2005; Kabissa 2014). De Bruin and Moore (2004) argue in the absence of ethical behavior the transaction costs among actors are increased.

In brief, TCE suggests that economic actors select a governance mode that best mitigate the transaction costs associated with opportunities (Antia et al. 2010). TCE assumes CSR is not free (Orlitzky et al. 2011). Rather, firms have to consider the cost of finding a partner, the cost of negotiating agreements and the cost of monitoring (King 2007). The theory can help understanding of how food processors choose their partners in agrifood value chain. Some of the previous studies used TCE to investigate environmental protections (King 2007; Dooley et al. 2011), upstream petroleum supply chain (Dirdal et al. 2007), and effective management of code of conduct (Andersen and Pedersen 2006)

TCE theory is most dominant in business to business relationship research (Antia et al. 2010). The theory developed by Coase (1937) and advanced by Williamson (1975, 1985) originated from economics and has been widely used in politics, marketing and business. The theory holds that due to the uncertainty and risk of dealing with opportunistic exchange partners, some market transactions are quite costly and may be cheaper to govern in an alternative economic organization. The concept is based on two major pillars: opportunity and governance (Antia et al. 2010).

Humphrey and Schmitz (2004) defined governance as the non-market coordination activities and are defined as the ability of some firms to impose and enforce the parameters under which other firms in the chain operate. In general these are imposed by the dominant buyers in the value chain.

The choice of governance is determined by three factors: the frequency with which the transaction is undertaken, the asset specificity of the transaction and the level of opportunity (Williamson 1979; Hansen and Kuada 2006). The *asset specificity* refers to a condition where by the resources invested to support a particular transaction cannot be easily redeployed to alternative uses without significance loss in value (Husted 1994). However, in the upstream of agriculture commodities it is very rare for commodities to have no alternative value. For example poultry farm engaged in contract farming can act in an opportunistic way provided the new buyer comes with an offer better than the contracted one.

Williamson (1979) defined *opportunity* as the self-interest seeking with guide. Briefly, actors in the vertical relationship may sometimes exploit a situation for themselves and not for the benefit of the other actors in the value chain. *Bounded rationality* occurs when an individual's ability to evaluate accurately all possible decisions is limited. For example, in Tanzania where agrifood is subjected to government interventions and bans are likely, an ability to make individual decisions will be limited by this uncertainty. *Information asymmetry* refers to the situation where all parties to a transaction face the same, but incomplete, level of information (Hobbs 1996). This occurs when one party has better information than another. In the short run, managers must consider transaction costs in all strategic decision making. Empirical evidence shows, however, that in the long run CSR can increase trust among and possibly reduce transaction costs (Hosmer 1995; Jones 1995).

The relationship between CSR and TCE exists on the vertical coordination concept that governs the TCE. This is what referred as governance in the literature of value chain. Therefore, vertical coordination is very important for the product to be at the market place. Figure 5.1 shows that farmers are faced with many challenges such as lack of inputs, access to agri-finance and good agronomy skills. To access rapidly rising market of food distribution in Africa small scale farmers rely greatly on supports from a lead firm.

Vertical coordination in the study of value chain can be viewed as a continuum (Hobbs 1996). On one extreme, there is spot market with multiple buyers where price determines their relationship. On the other extreme the market is vertically integrated and products move though different value addition under the directions of the lead firm. The key concepts that govern this economic activities according to TCE are the degree of uncertainty, the degree of asset specify and the frequency of the transaction. Figure 5.1 shows that through CSR activities of food processors, small scale farmers can improve their production which later can be bought by them for value addition and sold to consumers through supermarket.

A firm with a low level of *uncertainty* advances itself in a spot market transaction (Hobbs 1996). Spot market is characterized with low price, unreliable buyers and lower quality goods. Therefore, support to the firms in spot market is needed from the lead firm for them to access well organized markets which have stipulated conditions of quality and delivery.

To be integrated in the vertical coordination a *specific* goods has to be produced as per the directions of the lead firm. Figure 5.1 shows that the goods which are not specific are likely to can have many alternatives at the spot market and can fetch lower price if they are bought at all. Therefore, inputs or packaging are very important to upstream producers to meet the requirement of the downstream actors in the value chain support from the lead firm.

The last point is the *frequency of transaction* between actors in the agrifood value chain. The higher the frequency of goods exchanged between buyers and the

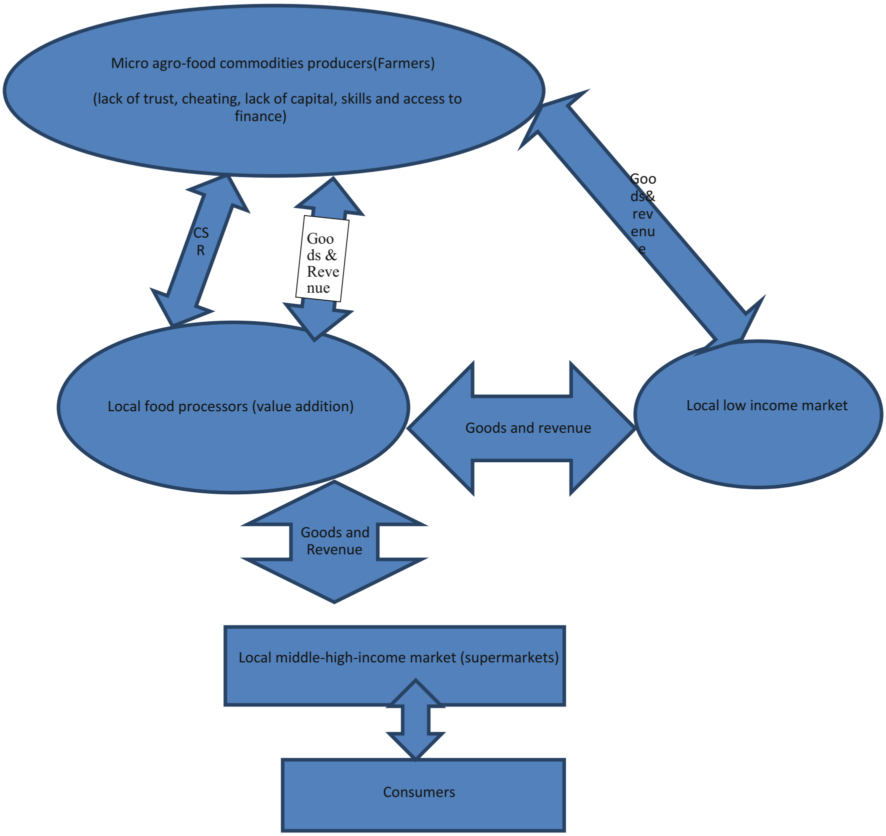

Fig. 5.1 CSR practices and Integration of local food suppliers in supermarket. *Source*: Modified from Trienekens (2011)

sellers the better the reputations among actors. No firm would like to tarnish its image by acting in the opportunistic way (Hobbs 1996). In general, providing support is an initiative from one side, but getting the output from initiatives is very important among actors in the vertical coordination. Figure 5.1 shows that farmers have can either sale to open market or food processors that have access to supermarket. Hence, cost of monitoring would be high to food processors due to that uncertainty and opportunistic behavior. For example, some farmers in Tanzania put stones or other foreign objects in cotton to increase weight (Businessweek 2014; Kabissa 2014). Kabissa (2014) indicates that buyers in some situations retaliate by tampering with scales. In any case, the inspection and screening of goods has to be high to an extent that an inspection officer has to be employed during delivery. Otherwise, the price has to be reduced to accommodate loss in kilograms as a result of that unethical weighting behavior.

5.3 CSR and Food Value Chain in Africa

Issues of CSR in the value chain in Africa have been studied for a long time, however, the focus of the study was on the ethical food with interest of connecting small scale farmers with the developed countries market (Robinson 2009). To get access to these market growers in developing economies had to adhere to good agronomic practices, abandoning child labour and working in the group. As a condition of linking producers to buyers, CSR was voluntarily implemented by small scale farmers to facilitate their integration into the global value chain. These CSR practices were accepted by farmers in developing countries with the assurance that they would lead to a premium price from ethical trade compared with conventional market.

Later the CSR concept changed when sophisticated consumers started to link ethical practices with the image of the products. Studies on CSR can be grouped into three areas: animal welfare, labour rights and procurement practices (Hartman 2011). Studies on CSR on food from developed countries focused on addressing stakeholders claims (Lamberti and Lettieri 2009; Heyder and Theuvsen 2012), consumers' preference for CSR claim (Loose and Reamud 2013; Hartmann et al. 2013; Bradu et al. 2014), and procurement practices in the value chain (Giovannucci et al. 2014; Bourlakis and Spence 2009).

Studies on CSR and food have led to equivocal results. MacDonald (2007) found that farmers from developing countries are empowered in the coffee value chain. Another commissioned study conducted in Tanzania by Bekefi (2006) found that SMEs can be linked to the market through CSR support schemes. However, some other studies see that farmers from Southern hemisphere have less participation and hence the goal of CSR would be minimal. For example, Phillips and Tallontire (2007) call for more transparency in the cocoa value chain from Ghana by the UK firms. Nelson et al. (2014) call for more participation of small scale growers on the setting GLOBALGAP food standard.

Studies in Africa on CSR concluded that to solve social, economic and environment problems law and regulation are important in order to mandate practices that otherwise would not be selected voluntarily (Hinson and Kuada 2012; Fig 2004). This assertion is consistent with Carmen and Merino (2011) who found that in order to benefit the nations of the Southern Hemisphere more has to be done in a particular country. Ponte et al. (2007) found that social problems in South Africa have not been reduced by the corporate since the introduction of Black Economic Empowerment (BEE). Briefly, researchers suggested that CSR has not yet benefited developing economies in linking them with the global economy. Nevertheless, empirical evidence shows that African companies are willing to implement CSR (Dawkins and Ngunjiri 2008).

With the rise of supermarkets in Africa, small scale farmers were marginalized (Weatherspoon and Reardon 2003). Food standards seem to limit small scale farmers in developing economies to access the general market. The market has also been difficult to enter due to threshold level of capital needed (Neven et al. 2009). However, there are conflicting issues of standards and market access in Africa. Swinnen and Maertens (2009) in the study conducted in Senegal found that despite tightened food standards, exports and farmer income rose sharply.

5.4 Methodology

This study used qualitative case study approach to investigate selection of upstream actors in Tanzania business context. Lyons (2005) argues that case study approach is good for understanding human dimensions. Data were collected in Morogoro and Arusha in Tanzania. Participants were selected after the researcher contacted the Municipal Business Office on the number of agri-processing and those which are selling to the supermarket. Furthermore, the researcher visited supermarkets to find items which are in the store then collected the contact information from there before asking for the appointment. One of the researchers visited the respondents' offices and asked for their participation in the study. After the acceptance to participate in the study, interview appointments were arranged.

Semi-structured interviews were conducted with similar questions for each of the participating respondents. The format was implemented with the pre-determined set of questions and other merged questions from the dialogues (Crabtree and Dicicco-Bloom 2006). Questions that guided the interviewer were: How do you select a partner of raw materials? What do you do to have reliable supplies? The technique is good for people with limited time (Jarratt 1996) and allows the researcher to control the dialogue. The participants involved in the study were busy and overloaded with day to day control of their firms. The semi-structured seems to be important for the study. The interviews, which were conducted at the participants' premises, lasted on the average of 40 min.

Seven firms were identified to be suitable for the studies but four firms rejected to participate in the study. Table 5.1 shows three firms participated in the study. Two firms are family owned companies and one is a partnership. The issues explored in the interviews were level of control of product, operations and supports. Data were collected through tape recording of the interviews with participants' consent. Data were analyzed manually by coding.

Table 5.1 Some of the companies participated in the study

Company name	Established	Location	Deals with	Respondents
Mzomo Services Limited	2008	Morogoro	Meat Chicken suppliers	Owner
Darsh Industries Limited	1998	Arusha	Agrifood processors	Production Manager
Meat King	1996	Arusha	Meat processing firm	Owner

Case 1. Mzomo Services Limited

Mzomo Services Limited is a family business dealing with poultry meat processing with its base in Morogoro, Tanzania. The company owned by a Kenyan man, Mr Jackson Omondi who stayed in the country for 15 years. The family business started with growing maize on a piece of land in rural Morogoro district at the Matuli Village. In 2008 Mzomo changed from maize farming to poultry keeping. The family business introduced their brand at the market, Matuli chicken. Matuli is a place name, hence geographical branding.

To meet the market demand for broiler chicken in urban areas in Tanzania the business contracted 72 poultry keepers in Morogoro Municipal. Major buyers of Matuli chicken are hotels, restaurant, and modern food retailing stores. The family business has two distribution outlets in Morogoro to reach retail consumers of hybrid chicken meat.

The Matuli chicken brand has penetrated to higher end retailer stores like Village Supermarket in Dar es Salaam. Other supermarkets which are selling Matuli chicken are Uchumi and Wuhan supermarkets in Dar Es- Salaam stores. Simply Matuli chicken is distributed to modern stores in Dar es Salaam only. Figure 5.1 show Matuli packed chicken parts.

Case 2. Darsh Industries Limited

A family company owned by a Tanzanian, Mr Bhadresh Pandit, was established in 1999. The firm deals with tomatoes processing. Currently the family business, which used brand name ‘RedGold’, produces: tomato sauce, garlic, chilli sauce, tomato paste, fruit jams, peanut butter, maize flour, honey and variety of masala.

RedGold is extremely well known in Tanzania, and operation is located in Themi industrial area. The firm started with capacity of processing 800 metric tons annually. Currently the family business has reached capacity of processing 16,000 metric tonnes of a variety of agrifood annually. RedGold has employed 206 permanent employees. The family business has 12 super dealers and 54 dealers in 21 regions in the country.

Case 3. Meat King Limited

Meat King Limited started in 1996 by a Danish lady, Lesley de Kok, and is based in Arusha, Tanzania. The family business deals with fresh and frozen pork, poultry and beef. Beef is imported from Kenya or South Africa but chicken and pork meat is sourced from local markets. Other products sold by the firm are milk and other dairy products, sausage and fish.

In 2013 Meat King received a grant of US$ 820,000 from IFC for the construction of a modern slaughtering facility in Moshono Arusha, Tanzania. The family business has 30 employees. Meat King distributes its products through direct and indirect. Direct marketing channel is in Arusha and Dar es Salaam for modern food retailers. Other good distributed to hotels in Zanzibar, Arusha and Dar es Salaam.

5.5 Findings

The authors are aware that the results from this methodology are greatly limited by the small idiosyncratic sample size. Nonetheless, it is felt that the findings provide some illustration of the issues of CSR and agrifood business. Moreover, they are a starting for further research.

5.5.1 Products Availability

For all companies the availability of products was an important strategy for the move to CSR. Although demand for products was increasing, constant and reliable suppliers were a challenge. Tanzania is facing a challenge of having sufficient reliable suppliers so that food processors can have a constant supply of raw materials. Our findings comply with the general assumptions of the value chain concept that through market linkage firms can have adequate supply of the raw material required. The participants said that:

> It's very important for us to see first what you can produce. Our criteria are simple; we are highly insisted on consistency supply and kind of animal feeds one is using.
>
> We started to keep chicken here but the business expands more than we can handle. We were keeping 3000 birds a month.
>
> Now we are keeping down 20,000 birds a month. So the market demand is four times that what we can produce.
>
> No! Not our own farm we have women that we have set up a group. They are in business to keep the chicken for us.........but it's a one way to guarantee that we will get good chicken.

These comments suggest that the respondents were careful on selecting of small scale farmers who can work them. Antia et al. (2010) argue that firms in the value chain select actors who can help them in inimizing opportunity cost. The tendency of food processors is to engage with an upstream actor who has established her or his framing activities adhere to TCE.

5.5.2 Market Linkage

As competition in the food industry increases most of the local food processing companies interviewed felt under pressure to be seen as reliable by suppliers. This necessitates having good and timely suppliers of raw materials. Therefore for them CSR is implemented with intention of linking upstream poultry keepers with the growing market in Tanzania. This finding correlates with Perez-Alema and Sandiland (2008) who noted the linkage of coffee producers from developing countries with the developed markets consumers. The demand is above their capacity. For them to succeed they need to link other local food suppliers to the market buying their brand and their already established network.

Another challenge to producers in developing countries is difficulty in compliance with the set food standards due to financial problems. By working with the food processors as the suppliers of the chicken or meat their goods can access the market. Research has shown that some chicken processing factory are taking on value addition activities like packaging, branding and distribution which could not be possible for single small scale poultry keeper to reach a reliable market like supermarket.

> We started to keep chicken here but the business expands more than we can handle. We were keeping 3000 birds a month. Now we are keeping down 20,000 birds a month. So the market demand is four times that what we can produce. So instead of investing the money in infrastructure, so let's invest the money in trading. So we started giving contract. We want to link 1000 household with the market. The market is there and I used to tell guys please produce stuff of high quality and we will package it nicely.
>
> There is one group in Arusha, Women Development Entrepreneurs in Arusha that is producing it. They are processing, and we are doing marketing for them.. Actually these small.....small organizations are facing problems of marketing. They can produce the goods but they don't sell it in the market. So, that group of women even has been mentioned in our label.

Labeling and standards seem to be important requirements to access to supermarkets in developing economies. The present study indicates that, through linkage to specialized suppliers, producers can be linked to modern stores in Tanzania. Issues which emerged to be strong are labeling and bar code marking which are very costly for a single small scale livestock keeper.

> Some supermarket would like to have labeling. And some supermarket may require bar code, Nakumatt for example. So if you don't have barcode for Nakumatt will hit for 10 % to do the labeling for you. It's a condition, so for somebody without bar code has to reduce 10 % of your price.
>
> In Dar-Es-Salaam we have 20 vehicles which are going at the market everyday with our goods. In Arusha we are working with our distributors, even though factory is based here. These distributors at initial stage helped us a lot.

5.5.3 Product Safety and Standards

The demand for high quality food and that has influenced most middle income consumers in migrating towards modern food retailing in Africa (Alphonce and Alfnes 2012; Sehib 2013). To accommodate this demand, retailers must gain better control over production, trade and distribution in order to guarantee the quality and value added to the product for them to compete for these consumers. Pressure is concentrated on producers to meet various standards for their produce. Local food processors would like to have intrinsic and extrinsic attributes factors that could enable them to attract consumers at the market. Conditions required to be compliant with laws that govern food sector in Tanzania could be easily achieved by local food suppliers.

The present study indicates that one way food processors control quality is by limiting choice of day old chick that they have to buy from a certain company. One of the participants said that:

> One of the biggest criteria is weight. Most people take small birds we don't collect those. A bird has to be 1.5–1.6 kg and above. We don't take bellow that. You must take your chick either from Interchick or Mkuza and you must use Hill fed.
>
> As of now we are using animal feeds produced by Hill Food. One can buy direct from them or we can help him to have the supply.

Limiting farmers' purchase of animal feeds from other buyers could enable firms in the specialized value chain to produce high quality commodities. For example, in Uganda 80 % of the animal feeds at the market are deliberately adulterated and contaminated with foreign object like sands, sawdust and ash (Kagolo 2012). Therefore, it may be beneficial to limit poultry keepers' ability to buy from just any supplier rather than a particular identified firm which meets the standards of asset specificity as articulated in the TCE (Williamson 1979). Although a chance of limiting a farmer's to sale to other side buyers is low, setting this guideline shows commitment one has to the other actors if the farmer purchased animal feeds from a specified company.

On the other hand, one of the major challenges for most of small scale farmers is to meet the cost of compliance and certification from food standards such as Tanzania Bureau of Standards (TBS), Tanzania Food Drugs Authority (TFDA) and Tanzania Revenue Authority (TRA). Therefore, once upstream suppliers have connected with the value added company that company must focus on quality of produce and processors have to meet the country quality regulations. This arrangement enables small scale farmers to access modern retailers through specialized suppliers with the required certificates from standards organizations in the country.

> But yah there are some challenges. In particular when you are dealing with TFDA (Tanzania Food and Drugs Authority) and TBS (Tanzania Bureau of Standards), their charges are very high. But if you register with TFDA or TBS they will ask about Tshs 780,000/=. That is the cost of the registration process alone. I have to start this product. It is not like that you register and you finish every year you have to pay the fees. Nowadays, TFDA has changed the pattern now they are asking for 5 years. For 5 years you have to renew, but for TBS every year you have to renew.

5.6 Economic Responsibility

One of the assumptions of CSR is that firms can and should help the surrounding community. In Tanzania poverty is a major challenge and about 80 % of population depends on agriculture. This means any initiatives that improve agriculture activity or make it more economically sustainable will be important because a large number of a population can be impacted directly.

It was found that of the participating firms economic responsibility is considered to be the foundation of the CSR action. In the food supply chain their interest is not to make profit but to help their community to improve economically by paying good price and assurance of their market. Adi et al. (2006) in the study conducted in Nigeria had the similar findings that firms involved in CSR in developing economies had intention of solving communities' problems.

> We want to link 1000 household with the market. The market is there and I used to tell guys please produce stuff of high quality and we will package it nicely.
>
> These companies were buying the seeds. While they are buying the seeds, they cut tomatoes remove the seeds. But what about the remaining parts of the tomatoes, juicy and pulp of tomatoes? They were throwing it. Then we observe this as the bad phenomena. And the job was very laborious to farmers. But we have the machines that can separate juice, tomatoes and pulp without any damage or harm to the seeds. That one now we are doing it for the farmers. And we are paying for the juice and the pulpy. In the last three years we were doing well with tomatoes paste from local tomatoes. We are getting about 75 % from local market. Early days was vice versa, 25 % locally and 75 % imported concentrate. But now we have changed the pattern by talking with farmers and by having good relationship with the farmers.

In general the present study shows that firms in Tanzania act voluntarily to the benefit of the community. Our findings correlates with the study conducted in Lebanon which found that business firms solve local stakeholders' problems by intervening through business activities (Jamali and Mirshak 2007).

5.6.1 Building Capacity of Suppliers

Agrifood processors who participated in the present study felt that building capacity of suppliers is an important part of CSR practices. Our finding is similar with the Huq et al. (2014) in a study conducted in Bangladesh. One form of capacity building is by providing day old chicks and animal feeds to farmers with the informal contract that will be collected when the chickens are ready.

Lack of trust threatens the CSR practices of agribusiness firms in Tanzania. Our findings correlates with USAID (2008) finding that trust between buyers and suppliers is a major challenge in agrifood business in Tanzania and even a contract does not guarantee that trust.

> It's very hard to do contract farming in here. It's very, very, hard. It is difficult to engage in contract farming. Because, farmers if someone goes with money they sell the chicken. For those with good relationship with us, we give them loan; . . ...we give them cash when they deliver the goods. They don't have to wait for the money. So they bring to us.
>
> We used to give them Day old chick and feeds and then we will deduct it during the sell. We 'burn our fingers'; we lost a lot of money. We lost almost 50 million. Were people we gave them chicks, we gave them feed. The day to collect chicken there is no chicken. Now, is a bit harsh. I wish we could do it in a better way. You pay cash, so if you come with cash you get feed. Basically I guarantee you a market.

5.7 Discussion and Policy Implications

The purpose of this paper was to investigate food chain CSR implemented by firms in developing economies. The study found that linking marginalized small scale farmers in Africa with the rapidly growing modern retail sector is critical to this CSR process. The CSR practices have shown two aspects to CSR implemented by local food suppliers: market demand and community support.

Agrifood processors strengthen the underdeveloped supply chain as the way meeting market demand. Similarly, Forsman-Hugg and Heikkurinen (2011) found that food suppliers in Finland combine CSR with strategy. On the other hand, this study found that CSR practiced by agrifood processors in developing countries are as much not influenced by the laws. This finding is similar to that of a Ghanaian study of Hinson and Kuada (2012).

Food processors from developing countries understand the importance of establishing underdeveloped firms for the interest of capturing the market growth. However, this move is faced with the challenge of untrustworthy partners in the value chain.

This present study focused on the CSR implemented by local firms that operate within Africa while previous studies were on the exporting food processors. Nevertheless, some issues such as environmental impact and what local food processors are doing in terms of good agronomic practices were not well articulated. One of the major challenges of Tanzania is child labour and studies on adherence on reducing child labour were conducted for the exporting firms under the guidelines of ethical food processing and distribution. There is a need for more studies on how local agro processing firms selling on the rising modern retailing in Africa address ethical issues such as reduction of child labour and fair payment for the suppliers or growers.

Previous studies on CSR in developing countries and agrifood supply chain focused much on MNC (Alvarez-Rivero and Bhandarkar 2007). Nevertheless, most of the firms that link local food growers in Tanzania and Africa in general are family owned companies which in most cases are not publicly traded and do not feel pressure from stockholders as do MNCs. Nonetheless, these family owned businesses have an enormous impact on the local economy particularly in developing countries. Matten and Moon (2008) argued that CSR practices between countries are different due to historical, economic system and social issues. Just a few decades ago, Tanzania was a socialist country. More work is needed to assess the enduring impact, if any, of this past socialist planning economy on the CSR practices among the players in the value chain in the present day. Also more focus has to be on all firms to understand how they operate and CSR implementations strategy.

Future study on CSR in Africa can focus on the impact on consumers' preferences on the products produced by those claiming to implement CSR principles. Currently in most of the developing countries CSR can be seen as both voluntary and involuntary (which follow the legal and regulation issues). Study is needed to see how consumers perceive these two different CSR approaches and their impact to the listed firms in the continent.

This study has contributed to the body of knowledge by focusing on the CSR practices of family business from developing economies. Furthermore, the study shows that developing economies CSR practices are influenced by market demand and not community support as claimed by previous studies (Hinson and Kuada 2012). However, these findings need to be taken with precaution because the present study used only firms that implemented CSR through snow balling. Some of the firms which once practiced and later abandoned CSR could not be contacted to investigate why they abandoned CSR practices.

5.7.1 Policy Implications

Previous studies on food value chains from developing economies assumed that the major challenges of linkage were lack of infrastructure support, availability of resources, and efficient and effectiveness coordination in the value chain (Trienekens 2011). Our findings show that opportunism polarizes initiatives of private and family business which have an interest of linking small scale farms to modern food distribution in Africa. Briefly there is low trust among actors and especially when working with small scale farmers. Marquez and Refficco (2009) argue that reciprocal trust is very important for linkage people at the bottom of pyramid people to prevent them from being otherwise marginalized.

This finding shows that for Tanzanian farmers and entrepreneurs to benefit with rapidly rising supermarkets in Tanzania they must also be taught soft skills of customer service including how to build interpersonal relationships and to maintain clear and objective communication. These soft skills will help them establishing trust and maintaining reputation in the business of today. Our proposal is consistent with Liana and Nandonde (2013) for their study conducted in Tanzania's agribusiness value chain. Furthermore, Boselie et al. (2003) put forth a similar proposal for an enforceable legal framework to protect the economic stakes of parties in the CSR linkage support in Tanzania.

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Part II
Sociological Corporate Social Responsibility

Chapter 6
A Sociological Approach to the Problem of Competing CSR Agendas

Jill Timms

Abstract CSR as both a concept and a practice is of immense interest to the social sciences, being situated within the realms of the business-society relationship. Questions of how commercial and societal interests interact, and the consequences, have been a focus of sociology since the formation of the discipline. CSR can be seen as a recent move within this dynamic relationship, with the 'social' element of CSR stubbornly remaining fundamental to its character. To date though, sociological contributions to understanding CSR and its potential have been limited. This is changing, however the potential contribution of the social sciences is vast given the theoretical, methodological and empirical insights to be drawn on. This chapter focuses on the contribution sociology can offer and does so mainly by addressing a key concern associated with CSR, that of competing agendas. These arise from the diverse claims made about what CSR does or should aim to do, and result in conflict that draws energy away from and creates barriers to sustainable change. How can a sociological approach help to understand this contested nature of CSR, and improve the possibility of a CSR that unifies rather than divides? Drawing on sociological research into the mobilisation of CSR by groups engaged with the responsibilities of business, four categories of competing agendas are offered: professional, political, activist and corporate. From this, CSR is seen as a battleground and the terrain of the struggle is made more visible. A sociological perspective identifies rival pressures and power relations within these competing agendas and makes concrete the challenges that must be addressed in order to develop a dominant approach to CSR that all can positively engage in for the betterment of society. Sociological analysis of how CSR activity is extending globally into ever more spheres of activity, including policy and development arenas, also demonstrates how vital it is for competing agendas to be unpacked and conflicts addressed.

J. Timms (✉)
Coventry University, Coventry, UK
e-mail: jill.timms@coventry.ac.uk

S. Vertigans, S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-319-35083-7_6

6.1 Introduction

The aim of this chapter is to consider the contribution sociology can make to a multi-disciplinary approach to CSR. It does so by exploring a sociological analysis of CSR agendas: the sets of proposals, claims and activities associated with what CSR is or should be. A categorisation of competing approaches is presented which has been developed from research in the field, setting out political, professional, corporate and activist CSR agendas. This is important as through making more visible the contestation involved in promoting conflicting versions of CSR, it is possible to understand more about the power relations and motivations involved, as well as the challenges faced in trying to move the CSR field forward.

Sociology as a discipline has long been interested in the relationship between business and society, with the origins of business seen to be based on changing dynamics between different economic classes. The notion of responsibility has been significant to the study of these changes, providing a contextual understanding of how ideas about the social responsibilities of business have changed over time and depend on wider political, cultural and economic factors (Blowfield and Frynas 2005; May et al. 2007). Sociology is about understanding the connections between broad social changes and the experiences of those impacted, so analysing changing notions of business responsibility is important sociologically. For example, in Britain the traditional paternalistic responsibilities of landowners were dramatically affected by industrialisation. The perceived irresponsibility of bringing workers into urban factories without adequate social provision was countered by philanthropic industrialists whose family businesses became archetypal responsible employers, such as George Cadbury, Robert Owen and Joseph Rowntree (Cannon 1994). This paternalism was expressed by going beyond legal requirements to workers, taking on responsibility for their healthcare, community housing, and the social and religious lives of employees and their families. Motivations included religious belief, such as Quakerism (Cannon 1994), guilt (Rigsby 1998), and a desire for status by the nouveau riche plutocrats wishing to conspicuously displaying their wealth and benevolence (Camplin 1978).

The separation of ownership and control of businesses again had a major impact, where managers need to meet the demands of different parties. The stakeholder model of the organisation widens the responsibilities of business from paternalism to workers, to a complex network of reciprocity and obligation between shareholders, communities, the environment and government, as well as employees (Carroll 1999). Then in more recent times the impact of globalisation has become a key concern for sociologists. In terms of responsibility this opens up fascinating questions about the complex relationships of obligations and responsibilities between those involved in global networks of production and supply, as well as the influence of cultural differences and clashes between traditions and expectations. A sociological approach offers the opportunity to analyse such changes within wider theoretical frameworks of societal development, and provides research tools to investigate the consequences of these at individual, family, community and societal levels.

I argue that the rise of CSR as a concept and practice needs to be seen as a contemporary move in this continually evolving relationship between business and society. Here I present a sociological analysis of conflicting approaches to how CSR is defined and promoted. I begin by considering recent sociological contributions on CSR, before setting out the problem of competing agendas of responsibility. I explain my framework for analysing what I describe as 'the terrain of the struggle' and the research methods used. The categorisation of CSR agendas I developed is then explained and the importance of unpacking this contestation discussed. I conclude by reflecting on the need for more sociological studies of CSR to contribute to the multi and inter-disciplinary approaches that are necessary if we are to expand our academic insights.

6.2 Sociological Contributions to Understanding CSR

Sociological literature that directly engages with CSR is, as yet, limited. This is showing signs of expansion, but at a slow rate given the centrality of economic life and the business-society relationship to the discipline. A key theme for sociologically orientated writings that do engage with CSR as a concept is that of power relations. CSR is discussed as part of processes whereby corporations attempt to protect and promote a social role for themselves. Shifting power relationships between civil society, business and the state are explored in terms of how the rise of CSR has or should impact them (Banerjee 2008; Oliviero and Simmons 2002). This focus can involve a wealth of views. For example, Utting (2005) claims businesses are proactive in mobilising around CSR, rather than doing so from coercion, whereas Banerjee (2008) sees CSR as an ideological movement to legitimate the power held by large corporations.

A related theme is CSR and corporate lobbying. Dinan and Miller (2007) see CSR activities as contributing to the public relations (PR) efforts of corporations, as well as to the significant and increasing work corporations are doing to influence government policy and practice. Within this strand of the literature, CSR is questioned as a potential tool to assist corporations in avoiding more stringent regulation of their businesses or to actually promote de-regulation in certain areas (Jenkins 2005; Sklair 2001; Sklair and Miller 2010).

The social responsibilities of businesses towards workers is a theme my own work has focused on, and one that becomes ever more complex as global networks of production become ever more complex (see for example Timms 2012). Whether the growth of CSR can improve the conditions of the poorest workers in global supply chains is addressed by Wills and Hales (2005), with the structural causes of global inequality seen as particularly problematic. Stohl et al. (2007) consider the contribution of CSR policies to development agendas, with others focusing on the claim that businesses have a social responsibility to alleviate poverty (Blowfield and Frynas 2005). As part of this, Newell (2005) raised questions of advocacy as poorer sections of society are often less able to contribute to CSR debates. Indeed, Khan and Lund-Thomsen (2011) discuss CSR in terms of imperialism, Banerjee (2008) in terms of being ethnocentric, and Sklair and Miller (2010) in terms of Orientalism. Therefore much of the theoretical discussion of CSR from a sociological perspective is concerned with changing relations between businesses, states and civil society, and their consequences.

Another strand of literature focuses on the empirical study of the CSR industry and the impacts of CSR initiatives on those affected by them. Ethnographic work here also draws on anthropological traditions and benefit from a detailed understanding of place, relationships and experiences. For example, Shamir (2005) researched for two years within a CSR promoting not-for-profit organisation, finding that CSR was used as a managerial tool to increase brand loyalty and employee commitment. Rajak's (2011) ethnography of both the pro-CSR organisation Business in the Community and a transnational mining company also found that CSR was used to exercise power internally and externally too, using social improvement projects to create relations of dependency.

Studies that focus on the impacts of CSR include those concerned with local outcomes, such as Khan et al. (2010), who document the problems NGOs faced when implementing Western-designed CSR programmes in Pakistani football-stitching factories. Others focus more on the processes developed to facilitate CSR, such as the growth in private social certification. Fransen (2012) offers a sector-wide study of private labour standards in the garment industry, showing how these voluntary regulatory systems have developed as a particular form of CSR, within a wider context of globalising business practices and social and environmental pressures. My work on supply chains for mega-events shows a developing trend of procurement policies being used to demand improved standards, linking into ideas of ethical consumption and often resulting from the pressure that non-governmental organisations (NGOs) exert through their awareness raising (Timms 2015).

The point here is that sociology and the traditions of the social sciences can contribute much to a more holistic academic approach to CSR. Indeed, it is already doing this as the selected highlights provided above demonstrate. However, these offerings are not yet drawn on significantly in a multi-disciplinary way and this is an opportunity lost.

6.3 The Problem of Competing Agendas of Responsibility

To underestimate the importance of how CSR is defined is dangerous. All too often CSR can be dismissed as a meaningless or woolly concept because it is used to describe so many diverse ideas and practices. However, I argue that the opposite is true. Rather than being worthless, my research shows that CSR is battleground where different groups compete to imbue the concept with their own meaning, fighting to promote the version of CSR that best suits their needs. As will be shown, these versions can be complementary and conflicting.

The continued growth of the professionalising CSR industry, even in times of global economic crisis, is testament to the value some place on being able to shape and control CSR agendas. From a sociological perspective then, discussions about a definition of CSR are not only about semantics, but can reveal changing relationships of power between different groups in society. Investigating the terrain of this struggle over CSR is important for making visible the pressures and processes involved and for making concrete the challenges involved in developing a collaborative approach to CSR for the betterment of society, whatever that might involve. One way to conduct such an investigation sociologically is focused on next.

6.3.1 Researching the Terrain of the Struggle

My work on CSR over a period of nearly 20 years, has led me to develop a three-dimensional approach to researching CSR related ideas and activities (Timms Forthcoming 2017). I use this as a way to negotiate what I describe above as the 'terrain of the struggle' over CSR. Each of the dimensions involves a central question about how CSR is mobilised, and I have analysed three main types of data in this way. The first is documentary sources, including CSR reports, managerial texts, press articles, freedom of information requests, company and personal archives, and websites and varied documents of corporations, governments and CSR engaged organisations and networks, whether pro or critical of CSR. The second is data from interviews with people who engage in some way with CSR, including CSR directors, consultants, journalists, teachers, policy makers, those impacted by CSR activities and their advocates. Then third is data collected from observations and participation in a wide range of events, including CSR conferences, summits, exhibitions and training workshops, meetings of different stakeholders, and diverse activist protests and actions. For all data I consistently apply this framework for researching the three dimensions of contested CSR territory.

Dimension 1: Terminology

This first dimension is concerned with how CSR is described, the language used and the visual representations offered. The discourse of CSR is hotly contested, with multiple labels and phrases associated it, as well as eclectic images. The discourse can go through phases or fashions, with wording sometimes used interchangeable and sometimes to emphasis different aspects (Valor 2005). This could, though, be motivated more by the marketing of professional services than by changing meaning. A few examples include: corporate citizenship, responsible stakeholder engagement, ethical business, green business, green wash, triple bottom-line, corporate accountability and corporate sustainability. Therefore I do not begin researching with a definitive definition of CSR. How others define it and how it is represented forms part of the research.

Dimension 2: Content
The content of CSR makes up the second dimension of contested territory. Firstly, this can be expressed as who corporations are accountable to and have some social responsibility for. This tells us something about the value different relationships are given and how notions of reciprocity are understood. Secondly, content can be expressed in terms of what key themes or issues are associated with CSR. Again these change over time and may be influenced by business type and events such as scandals (McMillan 2007: 17–18). Examples include: human rights, environmental impact, tax and investment policies, working conditions, philanthropy, poverty alleviation, sustainability, child labour and ethical procurement.

Dimension 3: Standards
The final dimension is concerned with standards and is the most contested. This focuses on how standards should be set, at what level, who should do this, how they will be monitored and enforced. Analysing this dimension is vital for understanding where an approach fits on the vast continuum of possibilities, which can include legally binding global regulation, private social certification schemes through to voluntary internal codes of conduct.

Applying this framework to each sample of CSR data can help gain a fuller picture of how a source is approaching the concept. Taking the dimensions together can indicate the meaning the source gives to CSR, who they see corporations as responsible too, the types of responsibilities and how they believe these should be enforced. Of course it is not always possible for each sample to provide a complete picture, especially with some documentary sources. However, this approach gives a consistent framework for the analysis that facilitates comparisons between sources and over time.

6.4 A Categorisation of CSR Agendas

The above framework was used to develop a categorisation of CSR agendas. Four main categories were identified: political, corporate, professional and activist. It is important to acknowledge that these categories are not discreet and do overlap, but the research highlighted dominant messages common to the four distinct categories and the messages promoted by these are useful for understanding the dynamic power relations between them.

For comparative purposes, I present a summary of these messages in Table 6.1 below. In the sections that follow, each category is discussed in further detail, exploring how the three dimensions of my CSR framework contribute to the analysis, and examples are given to offer a flavour of how the main messages can be expressed.

Table 6.1 CSR agenda categorisation and summary of main messages[a]

Category	Key messages conveyed
Political	CSR encourages best practice Acting responsibly is good for competitiveness and business growth CSR is important for national business profile and world reputation Voluntarism offers a tool for negotiation with business
Corporate	Business has a positive social role even when or especially in crisis CSR offers a sensible solution to problems being faced globally Through self-regulating CSR, corporations already go beyond expectations Businesses with strong CSR are good to buy from/invest in/work for/live near
Professional	CSR is an expert field essential to business survival Competitive advantages can be gained by being at the cutting edge of CSR CSR is important for relations with stakeholders CSR is performed by individuals with good ethics and gives a 'moral' identity
Activist	CSR demonstrates the failure of voluntarism and the need for regulation CSR can be a tool for engagement and leverage Greenwash provides ammunition for personal/corporate embarrassment CSR can be a tool to question corporate-political power in global capitalism

[a]Table adapted from Timms (Forthcoming 2017)

6.4.1 *Political*

This first category is indicative of a relationship key to how CSR is expressed and experienced, the relationship of states to business. Observing the changing political discourse on CSR can suggest where the balance of power within this relationship resides. Different levels of political institution engage with CSR and the makeup of governments and institutions can change regularly and are context specific. However, consistent messages can be identified.

Political efforts to promote CSR are regularly justified by the message that it encourages best practice, evident at local, national, regional and transnational levels. This demonstrates how the dimensions of the CSR framework connect, as the terminology of 'best practice' immediately promotes a standards approach of voluntarism. Inter-governmental expressions of this include the EU CSR strategy's Agenda for Action to 'disseminate good practices' (European Commission 2011: 8–9); Ruggie's (2011) UN Guiding Principles for how businesses should behave in respect of human rights; and the influence these have on other transnational codes, such as the UN Global Compact and the OECD Updated Guidelines for Multinational Enterprises which includes best practice for CSR in supply chains (OECD 2011). Huge challenges exist in the application of these, but efforts to create them are of interest for the role they play in agenda and norm setting. Within local and national contexts, differences in political CSR promotion is well documented (see for example Williams and Aguilera 2009). The UK government, for instance, has taken a lead in championing CSR, such as by creating the world's first Minister for CSR in 2000 and through government support for the business-led CSR initiative Business in the Community (BITC).

This best practice message is strongly linked to the second, that doing business responsibly is good for competitiveness and growth. Politicians can use CSR as a tool to promote economic development and regeneration, for example subsidising CSR initiatives that reduce unemployment (Moon 2004). CSR can be particularly useful to governments during times of economic downturn, evident at regional as well as national level. For example, the Renewed EU Strategy 2011–2014 for Corporate Social Responsibility claims that ‘renewed efforts to promote CSR’ are essential for ‘sustainable growth, responsible business behaviour and durable employment’ (European Commission 2011: 4).

The third political claim is that CSR is important for national business profile and world reputation. Here politicians seek the benefits that being a CSR leader can bring, both in terms of creating a national brand associated with high standards and also promoting national businesses operating and exporting overseas. In the UK, MP Stephen Timms (no relation to the author) held the post of CSR Minister three times. In interview he told me of that time: ‘we were seen as the leaders in CSR, we were the place where the interesting ideas were being developed’. The post no longer exists, but two official groups do: the All Party Parliamentary Group on International Corporate Responsibility (APPGICR) collaborating with NGOs, and the Associate Parliamentary Group on Corporate Responsibility (APGCR) which includes paying business members. The varied and sustained activities of these groups again suggest a benefit for politicians associated with creating and maintaining a national reputation for CSR, as well as benefits for those able to influence it.

This links to the final political theme: that promoting a voluntary version of CSR provides politicians with a tool for negotiating with business. A recent UK government publication—a response to a call for views on corporate responsibility—defines it as ‘the voluntary action businesses take over and above legal requirements to manage and enhance economic, environmental and societal impacts’ (BIS 2014: 3). This is important for both CSR dimensions of terminology and standards, and is consistent with previous official definitions, with the only major change being of label from CSR to CR in 2008. For Baroness Greengross, Chair of the APGCR, it is about ‘spreading the philosophy’ so is necessarily voluntary (in interview). The opportunity for negotiation can arise by pressuring businesses to contribute to governmental goals in exchange for allowing business behaviour to be voluntarily ‘regulated’ through CSR, rather than increased legislation. Although often subtle and difficult to perceive within lobbying relationships between businesses and politicians, clear instances indicate the opportunities CSR provides. One case is the UK government’s Change4Life programme, launched by the Department for Health in 2009. By the following year, budgetary pressures threatened its closure so negotiations were made with the food industry to cover the £75 million shortfall. This ‘new partnership’ involved explicit agreement that no stricter regulation would be imposed on the fast food industry if businesses funded Change4Life as a CSR initiative. Health campaigners were reportedly shocked by the Health Minister’s claim that these businesses now ‘understand the social responsibility of people having better lifestyles’ (Ramesh, 7 July 2010). Therefore political agendas that focus on how CSR can promote best practice, growth and national reputation, all reinforce a voluntary form of CSR that can be useful to politicians and can strengthen their position within business-state relations.

6.4.2 Corporate

Corporate discourse on CSR is particularly varied, including the obvious CSR reports, codes and websites; product, recruitment and investment marketing; to more hidden participation in corporate education, industry events and lobbying. It also varies widely depending on industry and product, reputational risk issues and past scandals, as well as place. However, again common messages can be identified from the corpus.

The first is a general but significant one: that business has a positive social role. This involves an ideological claim that commerce is not only about what individual businesses offer, but that together business organisations can and should be a force for positive societal change. CSR initiatives aiming to contribute to broad social goals, such as poverty alleviation, education, health and democracy programmes, evidence this. However, these initiatives come under criticism when they deflect attention away from the impact a corporation's core activities have. Tony Greenham, from the New Economics Foundation, claimed in interview that promoting a social role for business can be both a defensive practice as to help avoid reputational disasters, but also can be a promotional practice to attract people to the business and products. This can involve companies supporting social programmes such as children's football that have nothing to do with the impacts of the business. Greenham explained: 'I mean you know I would rather they do it than didn't, but the idea that it adds up to anything that will fundamentally get us towards a high well-being, low carbon, social justice future is, if anything, a distraction'. His take explains why a social role is just as or perhaps more important in economic crisis, if businesses want to avoid any blame and instead wish to be seen as part of the solution, which is the second message.

CSR is promoted as offering a sensible solution to world problems and related to this is the third message, that through a voluntary commitment to CSR, corporations are already exceeding expectations. In terms of the second CSR dimension of content, the issues included here are often planetary ones, such as climate change water access, environmental destruction and disease. Growing corporate involvement in development programmes as part of their CSR suggests a desire to step in, particularly when states are less able to do so. An example is the Business Fights Poverty alliance (known as Business Action for Africa until January 2015), aiming to reduce poverty largely through the encouragement of enterprise (Scholte and Timms 2009: 84–85).

Promoted through this category is the claim that self-regulated CSR can be rigorous and that further legal frameworks to control corporate behaviour are unnecessary, bad for the economy and unworkable, particularly transnationally.

As a clear expression of the category's approach to the third CSR dimension of standards, the vast and growing number of codes of conduct, certification and private regulatory schemes and monitoring processes are all testament to the commitment corporations have to promoting this message. Such efforts are being made at local, national, regional, brand, industry and transnational level, with an example of the latter being the business-led CSR standard ISO260000 Guidance on Social Responsibility (International Standards Organisation 2010).

The fourth message indicates the promotional benefits possible through voluntary CSR, claiming that businesses with strong CSR are good to buy from, to invest in, to work for and to live near. One of the most visible signs of CSR promotion success is the way that negotiating ethical claims has become part of everyday experience, and not only for ethical consumers who seek out opportunities to support 'good' business. Of course this depends on place, but building wells through the beverage you buy, educating midwifes through the nappies you choose, supporting sustainable ocean management by paying for a plastic bag, and reading about the good deeds and ethical credentials of the businesses you buy from, walk past or read about, are examples of how corporate CSR discourse is becoming pervasive and the terminology normalised, often hardly noticed (unless you are researching it and so see it everywhere). The links between the CSR dimensions of terminology and standards are important here, as it is the voluntary approach being promoted by the ever-increasing reach of everyday CSR discourse. Then the growth in agencies such as ethicalcareers.org indicate how working for a responsible firm is a criteria for some job hunters, with recruiters including their CSR profile as a selling point to attract the best candidates. Similarly, CSR credentials are highlighted in reports and invitations to investors. Together with specialist ethical investment platforms and indices, such as FTSE4Good launched in 2001, these indicate the prioritising of non-economic criteria by both businesses and investors. Corporate agendas of CSR then promote voluntary CSR as facilitating beneficial relations with many stakeholder groups.

6.4.3 Professional

Professional CSR agendas mostly involve promoting the corporate messages discussed above, but claim this is best done from a position of expertise. In doing so, CSR specialists and their agencies attempt to create an expert realm within the growing CSR industry and develop ways to defend their professional boundaries.

The message that CSR is a specialist field essential to business survival, is a dominant one, despite the eclectic range of those claiming expertise. Processes of professionalisation are an established interest for sociologists of work. For the CSR industry these have included CSR career structures becoming formalised; a growth in specialist CSR training and qualifications; its inclusion in wider business course curriculum; and a proliferation of CSR research centres, networks and consultancies (Timms Forthcoming 2017). For example, the CSR Professional Services

Directory started in 2005, held the details of over 360 specialist companies by 2015 (www.ethicalperformance/directory). A professional identity is increasingly emphasised by those interviewed, supporting this claim that CSR is vital and to do it well requires the use of trained specialists with expert knowledge.

A related claim is that competitive advantage can be gained by working at the cutting edge of CSR. Businesses do not only have to engage in CSR to survive, but can thrive from being committed to doing this well and innovatively. Competition amongst business over their CSR is evident and encouraged through the development of CSR awards. The industry magazine Communicate organises several of these, including the Corporate Engagement Awards ‘to celebrate the best corporate partnerships, sponsors and CSR programmes’ (www.communicatemagazine/awards). The magazine’s Editor, Molly Piece told in interview how awards are important not only for confirming CSR leaders and encouraging best practice, but also for providing networking opportunities.

The third message is that CSR is important for stakeholder relations and CSR professionals are best at creating, facilitating and evaluating such relationships. CSR is seen as a tool to promote a positive corporate image to consumers, investors, suppliers, employees, government, the community and others who come into contact with the business. This includes groups who may be critical of a company, such as environmental and social justice groups. Greenwash is relevant here, the label critics use to discredit CSR claims for not representing reality or because they distract from what can be termed as corporate social irresponsibility (CSI), (Timms Forthcoming 2017). Greenwash is interesting in terms of the first CSR dimension of terminology, providing an alternative or critical way of understanding CSR, but also in terms of the content dimension, as the claim is made that CSR has no depth or focuses on the wrong issues. One UK based pro-CSR consultancy even provides a Greenwash Guide to help spot and avoid it (Futerra 2010). Professional CSR discourse then, promotes the idea that benefits can be gained by investing in stakeholder relations, such as by working with NGOs on CSR policies and delivery. A case study of the London Olympics presented in Timms (2012) offers an insight into how this can work, with the NGO and trade union campaign PlayFair 2012 contributing to ethical supply chain policies at the Games.

The final message appeals to the personal egos of those involved in CSR. By suggesting that CSR is performed by individuals with good ethics and provides a moral identity, engagement is made more attractive. This can serve both to draw people to the profession of CSR and to promote their expert version of CSR to corporate employees. Many CSR specialists interviewed describe it as a passion or even a calling. Some find this after being unhappy in corporate work, whereas younger hopefuls describe pursuing a CSR career at great cost in terms of educational investment and internships (often unpaid) taken to gain experience and contacts. Indeed, the CSR issues involved in unpaid internships and their suitability for the CSR field given its role in pioneering responsibility, contribute regular heated discussions within CSR networks I belong to. So this is a profession still in development, but one keen to mark its territory and influence agendas.

6.4.4 Activist

As with all these categories, it is important to reiterate how fluid the boundaries are and how interesting crossovers persist. For example, those working in corporations and as CSR consultants can be motivated to work towards change in a similar way to activists in NGOs, and politicians engaged in CSR may also support the work of social justice groups. Likewise, activism around CSR does not have a consolidated goal, but is often topic specific and can range from being militantly critical to wholeheartedly supporting CSR's global proliferation. Between these extremes, there is innovative work being done to promote a version of CSR that helps groups to further their goals, whether concerning environmental protection, human rights, access to water, education, poverty, working conditions, women's rights or specific goals like saving the white rhino. Despite this diversity of aims, the way CSR is mobilised by activists suggests some commonality of agendas.

The first message is that CSR demonstrates a failure of voluntarism and so claims that hard regulation is essential. Indeed, many campaigners prefer the term 'corporate accountability' rather than CSR, demonstrating again how the standards and terminology dimensions of CSR relate. A call for legislation to enforce responsible behaviour suggests the practical mechanism favoured by some within this category, but also indicates an ideological position regarding what the relationship between business and states should be. The argument made is that any form of voluntary CSR will always be limited by how it affects profits. Work as part of this agenda involves promoting legislation, often for transnational business activity, such as the development of the Grocery Code Adjudication Bill in the UK focused on the responsibility of supermarkets and their suppliers wherever they are in the world. Groups working to promote legal frameworks include the Corporate Responsibility Coalition (CORE) and the European Coalition for Corporate Justice (ECCJ).

A pragmatic approach is evident in the second key message, that CSR can be a tool for engagement with corporations and offers leverage within discussions. From this perspective legislative changes are either seen as unnecessary or unrealistic in the short term, so activists mobilise CSR discourse to persuade corporations that civil society can contribute to their responsibility work. This gets them a seat at the table, offering activists an opportunity to influence policy and for corporations this satisfies stakeholder engagement goals. However, differences exist even within NGOs as to how much collaboration is possible or desirable without undermining the legitimacy and usefulness of their critical voice. A case study of campaigns for workers in the flower industry shows how these debates and tensions can be played out (Timms Forthcoming 2017).

In terms of how activists use CSR within their campaigns, the third key theme involves CSR greenwash and how it provides ammunition for embarrassing individuals within corporations and can threaten the reputation of the business as a whole. Targeting corporate CSR codes and presenting evidence of how they have been violated provides a way to pressure for change in behaviour and for a more robust approach to CSR. For example, when the luxury clothing company Burberry attempted to close one of their last UK factories, campaigners directly referred to Burberry's CSR policies and claimed its plans violated commitments on community and employee relations (Timms Forthcoming 2017). One method activists used was to try to get Burberry removed from the FTSE4Good ethical investment indices, claiming it no longer met the ethical criteria because it had violated its own CSR codes through the way the closure was done. Greenwash has also inspired the development of mock award ceremonies too. For example, a Greenwash Gold campaign was launched around the 2012 Olympics where people voted on which Olympic sponsor should be given Gold, Silver or Bronze for being the least ethical. These types of accolades can make good press copy and are obviously not the sort companies wish to win.

Finally within this category, CSR can be a tool that contributes to a bigger aim, to question corporate-political power in global capitalism. Indeed, CSR itself can be seen as a response to criticisms of corporate domination in a globalising economy. Corporate scandals play a role (Oliviero and Simmons 2002), as well as financial crises. The same features of globalisation that promote the spread of capitalism also facilitate global resistance to it, with transnational campaigns and spaces for solidarity being created both virtually via technology and physically through collaborations such as parallel summits, social forums and the occupy movement. These provide opportunities not only to critique corporate power and its relationship to states, but also to develop alternatives. The Burberry closure mentioned is an example of a local issue that generated a transnational campaign. It is noteworthy that campaigners got their plight raised as a political issue at the regional Welsh Assembly, at the UK Parliament—with Burberry executives obliged to give evidence to a Parliamentary Inquiry—and at the European Parliament (Timms Forthcoming 2017). Although the factory closed, some victories were made and the role of government in holding corporations to account was spotlighted. Then at a global level, the World Social Forum (WSF) is an example of how activists not only highlight irresponsible corporate behaviour, but critique the economic system that fuels it (Glasius and Timms 2005). Activist engagement with CSR discourse can play a role, such as at the 2004 WSF which had a particular focus on responsibility towards workers around the world under the banner 'Labour at WSF' (Waterman and Timms 2004). Therefore activist agendas of CSR facilitate engagement and leverage with corporations, but can also question how socially responsible capitalist globalisation itself is.

6.5 A Sociological Analysis of CSR Contestation

Why does this matter? What can be learnt from identifying and understanding these conflicting agendas? From a sociological perspective, CSR as both a field of practice and as a type of discourse merits analysis because of what this can tell us about changing relations of power and their impact on societal expectations of business and governance. It is vital to go beyond questions of whether CSR is purely marketing, to examine how the terms of debate are being set regarding ideas about responsibility in the global economy. The three dimensional approach to analysing CSR provides a framework for this investigation. The resulting categorisation of CSR agendas (summarised in Table 6.1), indicates that the meaning of CSR is not only being shaped by corporate voices. Other actors are putting significant efforts into mobilising CSR to question, oppose and shape policies and practices.

Investigating this contestation is important for understanding changing relationships between workers, communities, corporations and those who attempt to regulate them. Only by knowing what factors impact these relationships, is it possible to move the CSR field forward. A sociological analysis helps to situate the CSR battlefield within a broader context of social change in an era of globalisation. Examples of where the interests of sociologists are directly relevant to conflicting CSR agendas, include the growth of transnational corporations at a time when elements of state power are in decline or threatened; the practices and processes involved in professionalisation; and the rise and challenges faced by global civil society. As part of a multi-disciplinary approach then, sociological traditions can be drawn on to deepen understanding of how CSR is developing and the battles being fought to influence this. The contestation needs to be addressed as it draws energy away from and creates barriers to sustainable change. This is not only a theoretical issue as it relates to the key business-society relationship, but a practical one too, because what is promoted as the dominant form of CSR has consequences for the lived experiences of workers and communities worldwide. Indeed, as Sklair and Miller (2010) demonstrate that corporations are extending CSR activities to ever more spheres of activity, including development and policy arenas, the need to address this becomes ever more urgent.

6.6 Conclusion

This chapter began by setting out how key the business-society relationship is to sociology, and argued that CSR is a recent development within this. The problem of competing CSR agendas has been used to demonstrate how a sociological approach can help understand the processes and pressures involved in how CSR develops overtime. Those voices able to wield the most influence promote their model of CSR, but it is not only corporations attempting to do this. A battle is continually being fought and the terrain of this struggle needs to be understood if CSR is to unify rather than divide. Sociological theory and methods can contribute to this. The illustration offered here includes the three dimensional framework for investigating CSR discourse, utilising questions of terminology, content and standards (Timms Forthcoming 2017). From this, a categorisation of political, corporate, professional and activist CSR agendas demonstrates not only the contestation that exists over what CSR is and should be, but also begins to make visible the efforts made to promote certain versions of CSR, as well as the consequences and resistance.

My aim here is not only to highlight the merits of a sociological approach to CSR, as a single-disciplinary approach will always be limited in its scope. It is through building on the contributions of different disciplinary practices, theories and methodologies that a useful multi-layered approach to analysing the multi-faceted nature of CSR can be developed. Understanding what different perspectives, including sociological ones, can offer is therefore vital. More sociological research of CSR is needed, but for this to be of most benefit, it must actively contribute to and encourage wider academic engagement with CSR, as this volume aims to do.

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Chapter 7
New Directions for Corporate Social Responsibility and Health?

Chris Yuill

Abstract Health is a fundamental element of human wellbeing. As such, many Corporate Social Responsibility activities are aimed at improving health, typically externally of communities living in the locality of the extraction of energy resources, though also internally of employees. What this chapter advances is that whilst such activity is welcome and demonstrates a willingness for corporations to positively interact with either local communities or their employees, that intervention is predicated on a particular model of health that is limited in its scope and understanding of what drives good or poor health. That bio-medical model of health is contrasted with the social model of health, which prioritises the explanatory power of social processes in conditioning health. Adopting the social model of health not only provides a deeper, richer and more holistic understanding of health, but also invites different courses of action to take in regards to improving health. In terms of community health, action becomes directed not at the provision of healthcare but tackling the social causes of poor health, such as inequalities of various forms. For employee health the familiar approaches of improving health by encouraging exercise, fitness and healthy eating programmes give way to redesigning the structures of a company, so as to allow employees to gain more autonomy and control—the prime drivers of poor health in the workplace indicated in the research literature.

7.1 Introduction

Projects relating to health and wellbeing are perhaps the most visible activity associated with corporate social responsibility (CSR). A quick glance through the outward facing public media of most TNCs (and smaller businesses too) will amass a plethora of reports, or case study examples, of the setting up of community clinics, the funding of an inoculation programme or the sponsoring of a keep fit event.

C. Yuill (✉)
Robert Gordon University, Aberdeen, UK
e-mail: c.yuill@rgu.ac.uk

S. Vertigans, S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-319-35083-7_7

Health is a useful association from a CSR perspective given its relationship with one of the most fundamental aspects of human life.

What I wish to critically discuss here are three related issues in relation to health and corporate social responsibility (CSR). First, I want to question assumptions as to what health is, or rather what makes health and wellbeing good or poor. Much of what is evident in the health programmes of TNCs flows from a particular tradition and approach to modelling and interpreting health. That model of health can however be limited in its approach, consequently reducing the effect of any health programme informed by it. A different and more multidimensional model of health, one that understands health as being the outcome of social processes and peoples' positions in social structures is advanced. Second, drawing on the lessons made in the opening section the focus turns to what I term 'external' CSR health activity, which is the classic mode of health activity for companies, working in and with communities. The main point being made here is that it could be more effective to switch from the provision of healthcare (community clinics and so on) to tackling underlying social structural causes of health problems. Doing so may involve engaging in activity that on first inspection appears to have little to with health but as will be discussed be more effective in the long term. The final section then explores what I term 'internal' CSR activity, taking the discussion back to where it began by analysing how companies have a social responsibility towards their employees' health. The line of argument again follows the multidimensional perspective outlined earlier. What emerges here is a more challenging understanding of health in the workplace that invites consideration of power relations and increasing employee control and autonomy—again, suggestions for improving health and wellbeing that sit outside standard discourses.

Before proceeding further it is worthwhile noting that an engagement with health and wellbeing is not a historically novel or a recent trend within the business world as might be first thought. Robert Owen and Titus Salt provide two useful historical examples of how a concern with health and wellbeing can be an integral element of running a business. Both of these nineteenth century industrialists, for different reasons, sought to improve and maintain the health of their workforce. Owen possessed a strong vision that work should be more than simply the creation of economic value. For him, work should also be about the creation of social value too, where the development of the individual and the society in which that individual lives benefit from how work is organised. While for the more hard-headed Salt, he saw a healthy workforce as being one prerequisite of a productive workforce.

7.2 Models of Health: Why Health Is More than Behaviours, Biology and Biomedicine

First point of call is to understand what is meant by health and how health can be conceptualised. That may seem an easy question to answer. Health for many appears to relate to factors such as diet, exercise and how much an individual engages in certain risks behaviours such as smoking and drinking. Health in this reading is to be found in the domain of biomedicine, where it is only the medical profession who occupy a legitimate position of knowledge of what health is and how problems with health should be treated. The causes of ill-health are pretty easy to identify too: some problem occurs on the biological level whether at a cellular, genetic level or the invasion of the body by some external pathogen that attacks the body's system and causes illness that way.

What has just been outlined is the common sense or lay approach to health where health is perceived to be a relationship between individual behaviours, human biology and the medical profession. Good or bad health being a consequence of that relationship. A raft of research and theorising (for useful summaries, see Barry and Yuill 2013; Nettleton 2013) has however challenged the perspective of health just outlined. The essential problem lies with its reductionism and that it calls off the search for the deeper factors that positively and negatively influence health at too early a stage. This way of thinking about health is in medical sociology[1] conceptualised as the 'bio-medical model of health'.[2]

At its most basic the medical model holds that health is fundamentally a *biological* and *individual* event, where the causes of ill-health can be traced to the existence of pathogens, the presence of faulty cells or genes, or to the outcome of the decisions of individual social actors make in relation to certain risk factors, such as smoking and over-eating. So, for example, the recent increases in what is termed obesity where somewhere near 30 % of the population of England and Wales possess a body-mass index (BMI) of over 25, and is projected to rise to rise to over 50 % of the population by the middle of this decade, is explicable by reference to factors such as poor locus of control, bad or ill-informed choices over food selection or lack of individual exercise.

Within medical sociology the bio-medical model of health is held in contrast the 'social model of health' that places the causes of poor health in a wider more socialized context. At its most basic the social model holds that it is various *social* processes that are of fundamental importance in health. Where one is situated by class, gender or ethnicity is the telling factor in life expectancy, morbidity and the chances of encountering life-limiting illnesses. So, to return to the obesity example

[1] Medical sociology is a sub-discipline within sociology that focuses on health and illness. Its main contribution has been to draw attention not just to the social aspects of health but that the social is fundamental to any understanding of health.

[2] A model in this context refers to a way of thinking about a complex phenomenon rather than a prescription of how reality actually is or how it should be (an ideal-type in the Weberian sense).

mentioned above, the social model would part company with the medical model by pointing out that obesity is not explicable in terms of individual behaviours (Crossley 2004). The emphasis instead would be on the various aspects of contemporary life that are necessary to take into account in explaining obesity. What is it about modernity in high-income nations that makes it possible for people to access the amounts of calories that are necessary for rapid weight gain? The answers here would include such features of modern life as the increasing MacDonaldisation (Ritzer 2011) of society that has allowed for the provision of highly calorific foodstuffs in a format and at a price that would have hitherto been impossible in other historic periods.

In light of the social model, the biomedical model can be further critiqued on three further counts:

1. One major criticism is that biomedicine *overstates its own successes*. Major improvements in health are often associated with the invention of new pharmaceutical drugs and medicines. As the likes of Hanlon et al. (2014) and Engels (1977) have noted, such drugs and medicines have definitely made an impact on health and wellbeing, but often it is changes in wider society that are more effective in creating the major uplifts in health. When we examine historically what has led to substantial health in countries such as the United Kingdom, for example, it was not the introduction of medicines and vaccines that made the major differences to public health, but rather the perhaps unglamorous achievements of Victorian engineers such a Joseph Bazalgette. It was Bazalgette who was responsible for the creation of the London sewage system that dramatically transformed what is like to live in London. Prior to the sewage system human and animal waste in London was either directed into the Thames or simply left in the streets. Add that to the approximate 1000 tonnes of horse dung that hit the streets of London on a daily basis and the basis of a major health hazard is easy to identify. That volume of untreated waste was the main trigger both for the wretched smell that was all pervasive at the time, and for the various outbreaks of cholera and typhoid that regularly affected London. Following the completion of the sewage system cholera all but disappeared from London as a threat to health and outbreaks of typhoid were greatly diminished (Jackson 2014).
2. The biomedical model can also be questioned when patterns of health are inspected. What becomes evident is that *health is strongly associated with social structures* (class, gender and ethnicity) rather than individual characteristics, and that these patterns reveal marked inequalities in health. We find that people who are in the most advantaged social classes tend to live on average longer than those in the least advantaged classes. The most telling example of which in the UK can be found in Glasgow, where average male life expectancy in the deprived inner-city area of Calton is 54 in comparison to 82 in the leafy well-heeled suburb of Lenzie (Reid 2011). In a government review Marmot (2010, p. 18) makes the claim that in England if the least advantaged where to live as long as the most advantaged then there would be an additional 1.3–2.5 million years of life and 2.8 million years free of limiting illness. He also notes that if

these inequalities were levelled out there would also be a financial saving too. Somewhere in the region of £20–32 billion could be saved per year in welfare costs and lost tax revenue, while between £13–33 billion could be saved in terms of lost productivity to the economy.

Patterns of health inequality by can be found by ethnicity. Minority ethnic groups tend to exhibit worse health both in terms of early morbidity and heightened morbidity than majority ethnic groups (Nazroo 2015; Nazroo & Iley 2011). So, in the UK people of Pakistani and Bangladeshi heritage exhibit worse health than the majority white population, as do African-Americans in the United States and minority groups in South Africa.

Finally, gendered health inequalities also exist. What can be observed here is that men and women have differing experiences of health and health care. On a global basis women's health is likely to be worse than men's health and not just as a consequence of childbirth. According to the World Health Organisation women are more likely, amongst other health problems, to be exposed to physical and domestic violence, exhibit higher levels of HIV/AIDS, be more prone to obstructive airways disease as a result of cooking using natural fuels in the home. Whilst for men trying to live up to the expectations of hegemonic masculinity can see them engaging in high-risk behaviours that endanger their health whilst at the same time make it hard for them to admit to problems with emotional wellbeing (Connell 2012; Annandale 2009).

The existence of such enduring patterns of health inequality also challenge notions that health problems are the outcome of poor decision making or the behaviours of individuals or groups: what could be termed 'victim blaming' approaches. For example, older explanations of ethnic health inequalities attributed genetic or cultural causes for the poor health of certain ethnic minority groups. In effect, claiming that there was some deficiency in the biology of certain ethnic groups that predisposed that group to ill health or that it was a deficiency in the cultural traditions of that group, particularly in relation to diet. Genetic explanations can be discounted on two grounds. Firstly, human beings are simply too genetically similar to allow for substantial differences to exist between them that would lead to certain supposed groups of humans being biologically weaker than others (Rose 2006). Also, what Carter and Dyson (2011, 2015) term an 'ethnoization' of certain diseases can occur, where a condition is popularly attached to a particular ethnic group and regarded as being a disease that only affects that ethnic group. Sickle cell disease provides a good example, the disease. The disease is often associated with people of Black-African origin but is not exclusive to that ethnic group and can be found in Southern-European Whites and other ethnic groups situated around the Mediterranean. Whilst cultural explanations can be dismissed as lapsing into a form of cultural racism where the culture of one group is unfairly perceived as being inferior to that of another.

What the likes of Nazroo et al. (2007) and other researchers[3] have identified is that the health of ethnic minority groups is strongly related to how that group is racialised within a given society. The general dynamic is that the more a group is marginalised both today and historically the worse that groups overall health and wellbeing. As Williams et al. (2008, 2012) claims the historical and traumatic legacy of Apartheid is still visible in the poorer health and wellbeing of the groups of people who were classified as Black and Coloured during that era.

3. The final third criticism is that the biomedical model stands in the Cartesian tradition whereby the mind and the mind and the body are regarded as separate entities. In terms of health this bifurcation plays out dissolving any relation between the social and the biological and instead the two are posited as polar opposites. What the mind thinks and how it responds to culture and the social plays no role in determining or influencing health. This separating out of these various elements of human life leads to a restricted and reductionist understanding of what it is to be human. As Shilling (2012) points out humans exist within a nexus of relations where humans are simultaneously both biological and social entities. Neurobiologist Rose has also argued a great deal of our biology comes into being as a result of our existence within a social context. Human biology is therefore highly attuned to what occurs to someone socially and negative events that occur within a social context can exert negative biological consequences. This approach is termed psycho-social, whereby social situations are translated through psychological and biological pathways into health problems.

   One point to make clear before proceeding further: it is *not* being claimed that issues such as diet, smoking and exercise are irrelevant. They do count: smoking, a lack of exercise and a poor diet contribute to poor health. It is rather that the overall importance of them is much less than might otherwise be suspected. Marmot (2012), one of the UK's leading social epidemiologists, puts it that the conventional risk factors of smoking, diet and exercise perhaps account for one third of health but two-thirds of health are attributable to social structures and social processes. It is worth pausing on that ratio, as it invites us to rethink the form that planning for better health should take. Much of what we encounter in our daily lives suggests that health is the outcome of behaviour but what Marmot suggests is that it is social structure that is the critical and dominant factor.

   To summarise the preceding discussion: health must be understood not as being confined to the horizons of bio-medicine or biology. As Freudenberg (2014) claims, it is this bio-medical model of health that informs the health initiatives followed by most corporations, and acts as the guiding principle for CSR in health interventions. Health should instead be understood in a fuller more holistic multidimensional context, where social processes shape and condition health. It is these social processes that according to Marmot and other sociologists and social-epidemiologists that are the main causal mechanisms in health and wellbeing. Attention now turns to considering the implications of the social

[3] For a useful analysis of the literature see Priest et al. (2013).

model in relation to CSR, in terms of what it means in health-orientated activity both external and internal to the corporation.

7.3 Health as Social in Corporate Social Responsibility

Two ‘directions’ of CSR and health are explored next. The first is an external CSR, where the emphasis is on a TNC making an intervention in the health outside of its immediate concerns. Examples of this form of external CSR would be activities such as setting up clinics or hospitals in local communities or funding immunisation projects. The second is external CSR, where the emphasis is on the TNC directing its attentions towards the health of the people who work for it.

7.3.1 External CSR and Community Health

As indicated in the introduction health-related programmes are the most common form that CSR takes. The majority of which are either focussed on a community clinic or an issue-specific intervention on a particular disease. What I wish to discuss here is that such programmes are in themselves worthy in certain respects but they are nevertheless by following the medical model approach outlined above they are ultimately limited in how effective they can, especially in the long term. If the social element of corporate social responsibility is to be truly realised then a robust and meaningful interaction with the social and its various structures and inequalities is required.

Kickbusch (2005) also makes a similar point as to whether emphasis should be given to issue-specific diseases (with AIDS and malaria being prime examples) or should attention be turned towards dressing wider systemic issues? She notes that many examples of issue-specific interventions have been highly successful (the elimination of polio in Latin America, for example). These moments of success however do not translate into wider success and Kickbusch notes a frustration with such issue-specific initiatives as they are hard to sustain, or to translate into other national contexts. The main recommendation she provides is for health issues to be addressed on a more systemic level. Other commentators too have also urged that a mind-set shift needs to occur where rather than adopting a targeted approach with resources applied to high-risk groups it would be more effective to adopt a societal perspective (Stone 2014). For Renouard and Lado (2012) CSR activities of energy companies in the Niger Delta despite the amount of money expended on individual projects by not addressing issues of inequality have not made much headway in reducing insecurity or poverty in the region.

So how external CSR health could be reconfigured and redirected away from issue-specific health interventions towards activities focussed on the social? Following the implications of the social model of health interventions and provision in health should be made at tackling some of the social inequalities that lead to health inequalities. Just how do inequalities, especially on a national scale, impact on health? The work of Wilkinson and Pickett (2010) is useful here. What their work has demonstrated is that it is not the overall wealth of a country that matters but rather the *income inequality* within that country that matters for health, and not just life expectancy but also obesity, mental health, and alcohol and substance use. That is why a rich but highly unequal country like the United States of America exhibits a lower life expectancy than a country not so wealthy but much more equal such as Iceland. In this comparison, USA life expectancy is 79 whilst it is 82 for Iceland (WHO 2014), with GINI coefficients of 40.8 and 26.3 respectively (UNDP n.d.; The World Bank 2015c).

Income inequalities within a nation exert distorting pressures within its society. In short, the higher the income inequality the more alienating, vicious, less cohesive and fragmented a society becomes. This in turn impacts on health where the pressures and strains of living in such a society impact negatively through the psycho-social pathways discussed earlier.

In low and middle income countries energy companies can create (unintentionally) negative externalities by exacerbating existing income and other inequalities. One feature of Dutch Disease or resource curse is that it creates various forms of inequality. Inequality can be spatial with regions within a country either experiencing rapid growth or long-term decline, inequality can also be income inequality with various sectors of society benefiting way in advance of other sectors of a society. Echoes of this can be seen in West Africa. Ghana and Nigeria are the two main energy-producing states in that region, but there is something interesting about their respective levels of wealth and levels of life expectancy: richer Nigeria has a lower life expectancy than less wealthy Ghana. Intuitively it might be supposed that it should be Nigeria that possesses a higher life expectancy, but no. In Nigeria average life expectancy is 52 years whilst in Ghana it is 61 (The World Bank 2015a, b). If the work of Wilkinson and Pickett is applied here then it is levels of inequality that should be examined. Focussing on inequality Ghana historically has been a more equal country than Nigeria with a GINI index of 42.8 versus 48 (UNDP n.d.). Therefore it follows that to maintain Ghana's health advantage levels of inequality need to be kept where they are or, even better, reduced to maintain its health advantage.

Whilst not sounding like a conventional health strategy, the evidence suggests that policy structured at reducing inequality will be the most effective in improving a nation's health. As Wilkinson and Pickett (2007, p. 1976) recommend in a conclusion of their review of the evidence:

> Rather than providing ever more prisons, doctors, health promoters, social workers, educational psychologists, and drug rehabilitation units, in expensive and at best only partially effective attempts to offset the problems of relative deprivation, it may be cheaper and more rewarding to tackle the underlying inequalities themselves.

The above passage by Wilkinson and Pickett has implications for the practice of CSR: it moves away from a focus on the *outcomes* of social problems to a focus on the *causes* of social problems. The building of a hospital or a clinic is very much outcome-focussed. Whilst useful in certain respects requires a different perspective on what social responsibility is as attention is turned perhaps a longer term CSR initiative would be trying to create a society where problems related to inequality did not operate in the first place. Though, just to be clear, no claims are being made here that the building of facilities such as clinics is inherently wrong. As Marmot (2015) points out social investment in health and education does allow for greater overall economic growth—it is not the whole story.

Utting (2007) urges that CSR programmes should extend further and embrace a wider set of interests rather than what he sees as a narrow and restricted focus on environmental and certain social issues. He argues that CSR initiative should instead focus on contributing to wider social equality, which could be achieved by social protection, rights, empowerment and redistribution. As this section has sought to argue, that is where the greatest difference can be made. What each of these pathways to equality entail are summarised below:

Social Protection Utting urges that rhetoric and action of corporations match. He notes that the stated intentions to protect workers and their wellbeing is often undermined by corporations lobbying for policies and legislation that promote forms of working that strip away the collective power of workers. As the likes of Lynch et al. (2001), Wilkinson and Pickett (2010) and Marmot (2015) have noted, active labour unions can play a part in offering a countervailing current in society that can protect lower-paid and marginalised groups witan society. Research by those academics also indicates that countries with high levels of trade union membership tend to be more equal and exhibit higher levels of life expectancy.

Rights again Utting draws attention to the mismatch between rhetoric and reality. Many corporations, he notes, make play of human rights and how they are keen to promote in their work, however that verbal commitment does not always lead to practical action.

Empowerment also a point made by Marmot (2015) that to achieve greater equality, both in society and in health, weaker and marginalised groups must be allowed access to the resources that will allow their voices to be heard. In effect, empowerment can mean reinforcing civil society in order for it make corporations accountable for their actions.

Redistribution corporations should not just act in accordance with current tax regulation schemes but also campaign and provide a positive role model in pushing for progressive tax schemes that can assist in narrowing inequalities in a given society.

7.3.2 Internal CSR and Workplace Health

As trailed earlier considering employee health and wellbeing is not new in industry. For both Owen and Salt who I mentioned earlier in the introduction they understood a deep connection or an internal relation between the success of their business and the welfare and health of their workers. For Owen in particular links he ventures that well run socially aware businesses that encourage the overall development of workers is an essential for a fair, just and productive society. It is that premise that guides this section of the chapter.

As Matten and Moon (2004) note for Europeans it may seem odd that CSR should apply to the health of employees in high-income nations. After all, European employees usually have access to relatively high quality health care. Much more so than in the United States where the CSR activity of some corporations can be to provide health insurance for their lower paid workers [Matten and Moon (2004) cite Starbucks as an example]. The availability or otherwise of accessible healthcare is however a moot point, as will be discussed next the workplace and the social and power relations of the workplace can be the cause of ill-health: it is not that employees bring in their health problems to work but rather that work is a cause of health problems.

The relation between the workplace and health has been extensively researched and trying to account for all that research is beyond the scope of this chapter. Instead, the main points that are to be raised in this section are based on the findings and recommendations of the research from two longitudinal studies led by social epidemiologist Michael Marmot, who has been mentioned earlier in section one, and known as the *Whitehall I* and *Whitehall II* Studies. Notably though, despite the mass of research into this area it is questionable just how much of it has been translated into actual policy with very little consideration given towards the main findings for what I have termed internal CSR. In fact, I would argue very little and it is difficult to cite useful examples or case studies.

The *Whitehall* studies began in in 1967 with the first study and involved 18,000 civil servants aged between 20 and 64 working in the UK government offices in Whitehall (hence *Whitehall* studies). A second round (the *Whitehall II* study) of data collection took place between 1985 and 1988 this time with 10,314 participants (6900 men, 3414 women) aged 35–55. In both phases of the study the participants were recruited from a wide range of occupational grades within the civil service, ranging from very senior mandarins to office workers to technical support staff and office messengers. The participants provided a range of information that captured their medical history, the circumstances of their social lives, as well as their current cardiovascular health. A multi-disciplinary team that included researchers from the medical and social sciences collected the information (Marmot and Brunner 2005).

One early finding of the Whitehall research was to dispel the stereotype that it was the stressed-out CEO who is the main candidate for a heart attack. What Marmot and colleagues (Marmot et al. 1978) discovered was that the CEO was actually the *least* at risk from a heart attack and it was more likely that it was the people who occupied the lower rungs within an organisation that were to be the ones at risk from coronary heart disease (CHD). In fact, what they discovered was that CHD was closely related to occupational grade even after adjusting for smoking, alcohol use and exercise. What that means is that someone who occupies a middle position in the company is less likely to develop CHD than the person below them in the organisation hierarchy but more likely to develop CDH than someone above them in the organisation hierarchy.

The *Whitehall Studies* also revealed some other interesting relationships between work and health. One other telling influence on work was the relationship between demand and control (Ferrie 2004). It is this relationship that helps to explain the point made above that it is not the CEO who is at most risk of CHD. What makes the critical difference is not the amount of demand made upon someone (meeting deadlines, workload and so on) but the degree of control they can exert over their work. Control here referring to how much someone can influence decisions at work (are they the one who makes the decisions or the person who carries out the decision made by others) and the extent to which they can put into practice any skills, creativity or talents that they have (Ferrie 2004). So, as long as an employee can exert control over the demands that are made of him or her then health and wellbeing are much less likely to be negatively affected. In the wider literature control repeatedly appears as on the most important elements in workplace health and a key element in influencing workplace health (see Yuill 2009).

Social support is another important relationship. Employees who can access affective and instrumental support from colleagues and managers are at lower risk of poor mental health. The presence of social support can act as a buffer against the various pressures and stresses of the workplace, where individual problems are obviated by collective solutions. The types of social support that are most effective are spontaneous in nature emerging out of reciprocal and organic relationships between employees. Social support is not necessarily synonymous with team working—a distinct trend in the modern workplace. As Gallie et al. (2012) and Delbridge et al. (2000) have noted work-teams are more often a source of control and surveillance than of genuine support.

Finally, the relationship between reward and effort also exerts and influence on health and wellbeing. When demand was discussed above it was not high demand that was the critical factor but rather low control. The same dynamic works with effort. Putting a great deal of effort into a task, working hard at that task does not necessarily lead to negative outcomes. It is lack of suitable reward that is paramount here (Ferrie 2004). That reward can be expressed in a number of ways, not just in monetary terms, status, job security and positive appraisal all work too. Again, there may be a perception that those who are to be found in jobs lower down organisation hierarchies do not exert themselves to the same extent as someone at the top. The CEO may work long hours and have to make efforts but in return he (and unfortunately gender discrimination still holds in many companies[4]) may receive a healthy financial reward for his work and also symbolic rewards such as status, acting as compensations for that effort. The part-time cleaner in the same company may also work long hours but yet she receives a basic wage and no symbolic status rewards. Shildrick et al. (2012) have identified that low-paid work is far from being easy work and for many people living on or near the margins of deprivation

[4] Whilst not as stark as previous years women make up 23.5 % of FTSE 100 boards and 18 % of FTSE250 boards in the UK (Davies 2015).

low-pay, low-reward work is one more element in a life dense with difficulties and the expenditure of considerable effort.

These perhaps counterintuitive findings require a different approach to understanding or imagining health in the workplace. Health is the outcome of how the workplace is structured rather than the outcome of individual behaviours. This shift of emphasis also challenges the main current discourse surrounding one approach to creating better health and wellbeing in the workplace: resilience. Emerging in response to what Wainwright and Calnan (2002) have termed the epidemic of stress, resilience has been described variously as an 'a trajectory, a continuum, a system, a trait, a process, a cycle, and a qualitative category' (Jackson et al. 2007, p. 2). The main tenets of resilience turn on the individual developinvvg set on internal psychological responses to external challenges hereby they gain a sense of control and a maintain some form of inner emotional equilibrium.

Resilience may sound attractive, as it offers what may appear a straight-forward solution that through a variety of training programmes a psychologically sturdier workforce can be achieved, but it is not without its problems. Its main shortcoming is that resilience shifts causality for ill-health in the workplace away from the environment in which people work (essentially elements beyond their control) onto the individual; in effect, making it their fault that they are not psychologically equipped to deal with the pressures they face (Joseph 2013). It is the equivalent of telling a drowning person to save his life by telling him to imagine that they are swimming rather than doing anything about the circumstances in which he finds himself[5] What is required to make any real substantial change is to focus away from the individual and focus on a whole range of matters to do with the fundamentals of an organisation, how it is structured and the relationships between people.

So how can the lessons of the research gathered in the *Whitehall Studies* and other research be translated into policy? The various academics and researches who have contributed to the *Whitehall Studies have* suggested policies in response to issues of control, support and reward. These can be found in the *Work*, *Stress and Health*: *The Whitehall II Study* report (Ferrie 2004). Recommendations include suggestions such as redesigning work practices to enable employees to exercise greater control over their work, or increasing the rewards open to employees but not a reduction in effort. As such, these proposals can serve as a basis of CSR policy in relation to the health and wellbeing of employees. Welcome as these suggestions are, they all typically focus on adapting what is already in place. What is perhaps required are more fundamental transformations in working and business culture?

Once more ambitious policy direction is to alter the overall shape of an organisation where high-employee control, balanced reward, shallow hierarchies and social support are built into the organisation from the very outset rather than having

[5] The sentence is a paraphrasing of Marx's famous pithy dismissal of idealism. In many respects resilience can be understood an idealist form of health intervention: by thinking the world in a different way, then the world becomes different. Centuries of debate surround the philosophical merits and demerits of idealism, but in the cold hard material context of the present day workplace I believe that is just as ineffective as the philosophical materialism that irked Marx.

to be introduced by individual policies. Doing so would create workplace structures that according to a wide range of evidence would create good health and wellbeing.

One option that would meet the above goal is to adopt what is termed 'economic democracy' (Yuill 2010). The essential thrust of economic democracy is to seek a redistribution of power across an organisation. That does not necessarily entail dissolving the executive or management—though it can do—but rather a reordering of power relationships within an organisation. Also, it is worth pointing out that economic democracy is not a variation of socialism but rather a variation of capitalism, just one that extends democratic values further into the workplace, and thereby increasing the control exercised by employees. The extent of how much power is redistributed can be variable, but various models and real life examples of which exist:

1. A workers' cooperative. This is the purest form of economic democracy, where there is no management and all workers have equal say in the operational and strategic running of the company.
2. The German *Mitbestimmung* (co-determination) model. In Germany all companies with a workforce over the size of 2000 employees are required by law to have workers' representatives.
3. Share ownership where employees are also shareholders of that company. Owning shares allows the employees to vote at appropriate meetings and therefore exert an influence over the company in which the work.

There are some notable examples of successful and large-scale companies adopting various forms of economic democracy. In the UK, retailer John Lewis Partnership offers a model of a company that differs from joint-stock model of a company prevalent in European and Northern American economies, and where workers within that company can exercise some levels of control and accountability over management (Paranque and Willmott 2014). Whilst in Basque region of Spain the Mondragon Corporation provides one of the most highly noted examples of economic democracy. It operates not only in Spain but across the globe with interests in industry, finance, retail and the knowledge economy. The corporation is built on high levels of worker ownership and a distinctive approach to wage regulation, which provides for greater worker control and creates shallower hierarchies. Typically managers are paid a ratio of 5:1 than that of the lowest paid worker in the cooperative, with that ratio being the outcome of a democratic vote decided by the worker-owners.

One common objection to economic democracy is that for those who are familiar with the traditional Anglo-Saxon management models and given the influence of the new managerialism, it may appear that devolving control away from management may lead to organisational anarchy as employees lack the abilities, skills and talents to operate strategically or that productivity may suffer. Trewhitt (2000) and Erdall (2009) note the transition from conventional modes of running a business to a more democratic mode can be achieved and that strategic thinking alongside operational thinking can be developed. In terms of productivity, increasing control also means increasing the responsibility that each employee has over her or his tasks. It is that increased responsibility that can create a greater sense of attachment, ownership and commitment to work. It is those forms of behaviour that much in contemporary performance management seeks to achieve but ultimately its methods of attempting to do so undermine it achieving those goals.

In terms of wider economic performance, many companies that practice economic democracy survived the acid test of the Great Recession very well (Bajo and Roelants 2011). As I have argued elsewhere after weighing up the evidence economic democracy at the very least makes no difference to the overall operating of a company but at best can substantially improve the operating of a company (Yuill 2010). What makes the real difference is the quality of the power that is shared across a company. Where real operational and strategic power is available to the workforce a notable shift in how successful economic democracy can be. Where you have those shifts in organisational culture towards greater control, greater levels of reward and shallower hierarchies then the health benefits follow.

Two compelling reasons exist why re-engineering the workplace in line with these recommendations should be carried out. One approach understands positive health and wellbeing to be an end in itself, while the other holds positive and health and wellbeing to be a means to an end. First, it is in itself a correct ethical and moral course of action to take. Here we can be guided by the ethics of Kant (Lutz 2001). In his meditations on what is conducive to the good life and overall social and individual wellbeing he claimed that good health and wellbeing is an end in itself. That is all the justification required for actions that lead to the improvement of health and wellbeing. In this line of reasoning since corporations are just as much part of the social fabric as other public or private institution then they should contribute to the wellbeing of that society.

The second is the business case. A healthy workforce is much more productive. The financial and time costs taken associated with employees being off ill from work are considerable. The Confederation of British Industry (CBI) (2014a) found that the direct costs to the UK economy were c. £14 billion pounds, whilst 30 % of working time was lost through long-term illness. The loss to an organisation is more than employees being away from the workplace due to ill health. Being absent from work is often a metric that is used to measure the impact of poor health on productivity, but also staff who are unwell but still attend work (so-called ‘presenteeism’). The employee who soldiers on in face of illness may appear to be the hero of the protestant work ethic, the devoted member of staff who puts the company before their own need: a desirable trait in an employee? Research evidence indicates otherwise. A report by the CBI (2014b, p. 8) reported that presenteeism based on mental wellbeing and psychological issues cost British industry £15.1 billion. While Kivimäki et al. (2005) found that those who presented at work while being unwell were twice as likely to experience a serious coronary event as those who had taken a moderate amount of time off when feeling unwell. The implication of this research is that any short-term savings in an employee being absent are more than lost in the medium to long term.

The implications are clear here for CSR. For fully effective internal CSR that maximises the health and wellbeing of a company, then a redesign and rethink of the structure of that company is in order. The key here is the dispersion of power across that company. By reordering power the autonomous talents and abilities of the workforce can be realised and positive working relations can be realised. There are few examples of that in practice but the John Lewis Partnership in Britain provides one model with its emphasis on joint-stock ownership while Mondragon in the Basque region provides another.

7.4 Conclusion

The main message of this chapter has been that if CSR activities that orientated towards health are to be effective then they must be grounded in a particular model of health.

Health needs to be conceived of not in terms restricted to behaviours, biology and biomedicine but as multidimensional phenomena where *social processes* are fundamental in conditioning and shaping the health of individuals and societies. If one accepts this more social model of health then it requires reconsidering how a corporation orientates itself externally to communities and working for a change that is meaningful in the long-term by addressing the root causes of health problems as opposed to focussing on short-term interventions on specific issues. Inequalities in a society emerged as the main cause of poor health and wellbeing in this discussion and that is where interventions into health and wellbeing should be orientated. That is the main point communicated here, that CSR policies and projects for health must change tack and embrace that deeper approach to health if a long-term effective transformation is being sought.

Similarly focussing internally on the health and wellbeing of employees as an outcome of their behaviours is too restricted in scope. The most effective approach to improving the situation of an individual employee is not to ask them to make changes in their lives but to make changes in the organisation in which they work: fit and healthy people emerge out of contexts that are productive of fitness and health. So instead of promoting individual resilience the focus should be on control, reward and shallower hierarchies. These may not seem like recommendations that have anything to do with health, but in the longer term based on the evidence they will be much more effective in bringing about an improvement in the health and wellbeing of employees. As with external CSR, any internally focussed CSR activity must also follow a new direction where it is not the activities of the individual workers that are the subject of change, but rather the organisation and structures in which they work that must change.

Making effective change and effective CSR therefore requires challenging received wisdoms and thinking deeper and wider about the various causal mechanisms at play. These are important issues for corporate *social* responsibility: if corporations wish to make successful and meaningful interventions in health then from the start health needs to be placed in its social context and any interventions orientated towards transforming the social.

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Chapter 8
Business and Social Peace Processes: How Can Insights from Post-conflict Studies Help CSR to Address Peace and Reconciliation?

Natascha Mueller-Hirth

Abstract Private sector activities have often been linked to the fuelling of conflict and violence. At the same time, there has been growing interest in the contributions that the business sector can potentially make to peace, both from within academia (for example the 'peace through commerce' literature) and in the global institutional realm (for example the Business for Peace agenda). Proponents of such approaches claim that businesses have roles to play not only in contributing to growth and socio-economic development, but also in resolving or preventing conflict.

But what is meant by peace? The chapter engages the insights of post-conflict scholarship in order to employ a more holistic concept of peace, arguing that sustainable peace relies on the success both of a political and a social peace process. Social peace processes involves social transformation that goes beyond the ending of violence. The chapter asks how companies' CSR activities can actively support such social peace processes and address the specific challenges of post-conflict societies, while critically engaging with some of the discourses that are central to the recent business for peace agenda. In reviewing current examples for CSR programming in post-conflict areas, it is demonstrated that social issues around reconciliation and reconstruction are frequently neglected.

8.1 Introduction

Private sector activities have been linked to the fuelling of conflict and violence, with blood diamonds, environmental degradation after oil spills, and the profiteering from repressive regimes but a few well-documented examples. At the same time, there has been growing interest in the contributions that the business

N. Mueller-Hirth (✉)
Robert Gordon University, Aberdeen, UK
e-mail: n.mueller-hirth@rgu.ac.uk

S. Vertigans, S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-319-35083-7_8

sector can potentially make to peace. Academic debates have emerged, predominantly in the field of business ethics, on ‘peace through commerce’ (see Oetzel et al. 2009 for an overview). In the global institutional realm, the UN’s Global Compact (UNGC) has given rise to the Business for Peace (B4P) agenda, while transparency initiatives such as the Kimberley Process and the Extractive Industries Transparency Initiative are industry-specific attempts to deal with businesses’ complex relationships to conflict. Proponents of these varied approaches would agree that businesses across the spectrum have roles to play not only in contributing to growth and socio-economic development, but also in resolving or preventing conflict. In particular, the recently emerging B4P paradigm imagines multinational corporations as alternative to traditional aid institutions in conflict and post-conflict environments (Miklian and Schouten 2014).

The private sector’s positive engagement in conflict and post-conflict contexts might be categorised in a number of ways: addressing conflict and peace through a company’s core business activities (such as through its supply chains; by offering products that meet the needs of post-conflict societies; or within the company’s employment structures and work places), policy dialogue with host government and civil societies (such as by funding think tanks, research, or media campaigns to promote peace), and through social investment (Nelson 2000). The focus of this chapter is on CSR and on the contributions it can make in post-conflict and transitional societies. While the term is often used interchangeably with corporate social investment (see e.g. Muthuri 2013 on CSR in Africa), the definition of CSR employed here understands it as including any activities or investments made by a company to make its business operations more socially or environmentally sustainable. In other words, any of the above-outlined ways of addressing peace, be it through core business activities, the work place or social investment, can be understood as part of a company’s CSR strategy.

Recent critical scholarship on CSR has looked at the relationships and interlinkages of development and CSR (Banks and Hulme 2014; Blowfield and Dolan 2014; Idemudia 2014). While companies in developing countries often claim that their CSR programmes can enhance socio-economic development, critics have been sceptical. Many developmental issues cannot be tackled through a business rationale or be converted into business issues (Blowfield and Frynas 2005; Idemudia 2014). Others maintain that the very idea of a business solution to development perpetuates a depoliticised version of development and appropriates other ways of thinking through development (Rajak 2011). Key concepts in business engagement in development, such as the ‘social license to operate’, moreover assume relatively powerful and well-organised communities and civil society organisations (Mueller-Hirth 2015).

These concerns pertain to companies’ activities in transitional societies too, but there are additional challenges that post-conflict societies must deal with. Drawing on insights from the interdisciplinary field of post-conflict studies, it can be argued that sustainable peace relies on the success both of a political and a social peace process. Social peace processes involve social transformation that goes beyond the scope of political settlements and the ending of violence. They include policies that will encourage civil society, benefit the victims of human rights violations and that re-integrate ex-combatants and child soldiers. But they also encompass efforts at truth recovery and memorialisation, citizenship education, economic restructuring and restorative justice (Brewer 2010). A key aim of this chapter is then to chart how companies' CSR activities can actively support such social peace processes and contribute to post-conflict reconstruction and reconciliation. In other words, how can CSR address the social issues that political transitions produce? And how, if at all, are companies' CSR programmes currently addressing the challenges that post-conflict societies face? We know that CSR activities are conducted in conflict and post-conflict areas, but are they relevant to their specific context? In order to review existing CSR approaches, the chapter engages the insights of post-conflict scholarship and seeks to extend the debate on the role of business in post-conflict settings by employing a more holistic concept of peace. Rather than examining what makes business involvement in peace successful, this chapter moreover seeks to critically engage with the concepts and discourses employed in the recent business for peace agenda.

At the outset, the arguments put forward here need to be qualified with several caveats. Firstly, I specifically focus on post-conflict settings, i.e. those who are transitioning out of conflict, while the emerging literature has tended to look more often at business in conflict (Davis 2013 is an exception). In practice the conflict and post-conflict stages frequently overlap, with many post-conflict societies suffering from ongoing conflict and violence. Secondly, as much as post-conflict settings vary, so do the types of businesses that operate in them. There are many roles that small and medium-size enterprises (SMEs) can play locally, with potentially vast contributions to peace and stability (Alexander et al. 2009; Yousuf and Bayley 2015). The type and size of a company impacts on its relationship to conflict, with different companies having different risks and responsibilities in conflict environments (Nelson 2000). Moreover, it is sometimes forgotten that MNCs only play a small part in most post-conflict settings, with informal economies making up most of the private sector (Miklian and Schouten 2014). Having said this, the majority of research in the area of business and peace has been focused on MNCs. It is also these global actors most likely to engage with global frameworks for CSR and corporate governance: 'local businesses in conflict settings are difficult partners for global initiatives, and excluded by the silent entry costs composed of access to technology, mobility and formal accounting systems' (Miklian and Schouten 2014: p. 18)

This chapter proceeds as follows: the following section provides an overview of the changing context of business engagement in conflict and post-conflict zones. This leads to a critical review of recent academic and policy debates around the role of business after conflict, which also highlights some of their tropes such as the notion of partnerships. The concepts of social peace processes and positive peace are then set out. Using the argument about the necessity of programmes that address such social aspects, the next section explores how CSR might be able to specifically contribute to sustainable peace in post-conflict settings, and which conflict-sensitive CSR programmes companies are currently undertaking.

8.2 The Changing Context of Business Engagement in (Post-)conflict Zones

The context of business engagement with society has shifted significantly over the last three decades. Key changes include an increase in so-called ‘new wars’ (Kaldor 2001), that is, intra-state conflicts that are increasingly financed and armed by global actors. Globalisation has also led to multinational companies investing in emerging markets, with a concomitant rise of these emerging economies as investors in their own right. While the last two decades have seen greater expectations of the behaviour and ethics of businesses, the pressures from domestic consumers on companies’ conduct vary hugely from country to country. Accompanying these changing expectations, the business sector has also gained greater importance in development, as the development sector has become partially privatised and foreign direct investment (FDI) as increased while public development assistance has declined. Finally, globalisation has increased the possibilities of peacemaking (Brewer 2010).

But why is it important for businesses to engage with conflict and peace? First of all, MNCs invest in many countries where corruption indices are high. The security risks of operating as a foreign business were rated medium to high in about one third of all countries in 2000 (Nelson 2000). Perhaps most significantly, the majority of businesses provide not military but civilian products and do not benefit from conflict. Businesses consequently tend to assess conflict as a risk which can affect their business operations and profit in direct and indirect ways (ibid.). Costs are incurred through security spending, risk management costs (such as high insurance premiums), capital costs (for example finding it harder to raise costs through the international banking system), personnel costs (from risk of losing lives to increased stress) and litigation costs (ibid.). What is more, there are increasingly reputational risks for companies’ engagement in, and potential exacerbation of, violent conflict. Nonetheless, the benefits often still outweigh the costs, particularly for ‘big footprint’ industries in the extractive sector.

Despite this clear rationale for engaging in peacebuilding, companies are not usually seen as peace-building institutions—rather, they are often viewed as escalating existing conflicts or helping to create new ones, particularly in developing countries that are resource rich or that provide labour to multinational companies. The focus of scholarship on business and conflict (similar to that on business and peace) has been mainly on MNCs, documenting how they have exacerbated violent conflict by financing war parties or insurgents, trading conflict goods or hiring aggressive private security firms (Rieper 2013). Extractive sector companies have been accused of fuelling civil wars, contributing to environmental degradation, the displacement of populations and the degradation of livelihoods. Companies, through their support of particular groups or elites and patronage networks, are also documented to have negative impacts on community relations. Poor working conditions, security arrangements and human rights abuses in supply chains can further feed violence and conflict (it goes beyond the scope of this paper to discuss the issue of the private sector as exacerbating conflict in detail; see for example Collier and Hoeffler 1998; Ferguson 2005; Ross 2012; Watts 2005). In addition, there is a small proportion of companies that directly benefits from war, such as the armaments industry.

So how can businesses position themselves in conflict- and post-conflict societies? Rieper (2013) distinguishes four types of relationships: proactive engagement towards peace and security, business as usual, withdrawal, or taking advantage of public regulation gaps. Despite this range of options, organisations in large footprint sectors such as mining are not likely to withdraw in practice, since resources cannot be moved elsewhere and operations are very expensive to set up and run (Kolk and Lenfant 2013). Nelson (2000) employs a pyramid to conceptualise different types of engagement. At the bottom is compliance with relevant legal frameworks, which is what businesses should do at the very minimum. Risk minimisation on the second tier involves an awareness of the impacts and actions to minimise damage. Value creation goes beyond compliance and risk minimisation, with 'companies proactively creat[ing] positive societal value by optimising the external multipliers of their own business operations and engaging in innovative social investment, stakeholder consultation, policy dialogue, advocacy and civic institution building, including collective action with other companies' (ibid.: 2000, p. 7).

Overall there has been a shift in CSR discourse and practice over the past decade or so, from more traditional social investment to strategic CSR (see e.g. Auld et al. 2008). This discursive shift is also evident in the area of business and peace, with companies ideally 'align[ing] their strategy to peace and embed it in everything that they do' (Haski-Leventhal 2014: p. 4). However, as a later section demonstrates, there is a gap between the discourses of companies who want to strategically embed 'conflict-relevant' contributions (cf. Rieper 2013) and the realities of CSR projects in post-conflict countries.

8.3 'Business for Peace and 'Peace Through Commerce': The Rise of an Agenda and Its Limitations

This section reviews what recent scholarly and policy debates have considered companies' positive contributions to peacebuilding and critically engages with some of its key assumptions, such as the benefits of partnerships and of economic growth. An emerging business and peace agenda is evident in policy initiatives such as the UNGC and the Voluntary Principles on Security and Human Rights for extractive industries. The UNGC identifies four areas in which the business sector can make contributions to addressing conflicts: running business operations lawfully and inclusively (e.g. through hiring and procurement); constructive alliances with host governments; local stakeholder engagement; and strategic social investment (UN Global Compact 2010). The UNGC launched the Business for Peace

(B4P) initiative in 2013 in order to help companies implementing responsible business practices in conflict-affected and high-risk areas. B4P signatories are asked to take action to advance peace by aligning their activities with the UNGC's ten principles (related to human rights, labour standards, the environment, and anti-corruption) and further international standards, in partnerships with others. The B4P thus goes beyond the old doctrine that businesses should simply 'do no harm' and urges the sector to engage more directly with issues around conflict and peace. This has led some to describe the B4P agenda as a 'new normative ideal' within global policy discourse (Miklian and Schouten 2014), with the approach having been adopted by a number of public development actors such as Norwegian ministry of foreign affairs. Moreover, initiatives such as the Kimberley Process Certification Scheme, the Extractive Industries Transparency Initiative. The ISO26000 and the Conflict Free Gold standard explicitly address peace in the mining context. All of these initiatives are voluntary. Miklian and Schouten (2014) chart the emergence of this business for peace agenda in global and regional initiatives as a result of debates about the relationships between business and conflict. These were in part prompted by key moments that were damaging to the reputation of the industry, such as Shell's alleged collaboration in the execution of the Ogoni Nine in Nigeria or De Beers' alleged involvement with conflict diamonds.

Paralleling this shift in institutional attention, an emerging strand of academic literature now investigates the potential role of business, specifically TNCs, in resolving violent conflict. This work on the peace-building role of businesses is sometimes grouped under the banner of 'peace through commerce' and explores how companies can develop 'conflict sensitivity' (Alexander et al. 2009; Banfield et al. 2005; Nelson 2000; Oetzel et al. 2009). Conflict sensitivity requires companies (and others) to 'understand the context in which they operate, especially latent and open conflict dynamics; understand the actual and potential mutual impacts between this context and their own actions; and act on this understanding in order to identify future risks, avoid negative impacts, and maximise positive impacts' (Alexander et al. 2009, p. 10). Conflict-sensitive approaches might be contrasted with conflict-relevant approaches, which seek to address the root causes of conflict and violence directly (Rieper 2013). This distinction is important for the arguments put forward in this chapter about social peace processes, since it is arguably only through tackling the structural causes of violence that sustainable peace can be achieved.

How does this literature envisage that business can contribute to peace? At the most fundamental level, businesses are generally seen to make a contribution to peace in post-conflict societies by doing what they are doing anyway: contributing to economic development and extending the reach of markets. This might involve economic growth but also the creation of jobs, investment or the transfer of skills (Oetzel et al. 2009). It is perhaps surprising that much of the literature on businesses' roles in peacebuilding sees economic growth as a relatively straightforward contribution, given that this assumes that growth trickles down. In practice, an increase in GDP might not give greater opportunities to the most disenfranchised, especially in deeply unequal society that have experienced protracted conflict. High levels of inequality can hinder economic growth and the distribution of economic opportunities throughout society. More generally, it must be acknowledged that the private sector's primary aim is not to reduce inequalities and ensure equitable growth.

In terms of positive contributions, companies might also be considered part of a neutral market space, for example in the context of ethno-religious conflicts (Oetzel et al. 2009). As such, they can provide (work) spaces in which people can interact with historically defined 'others' in still-divided societies. Businesses can thus contribute to overcoming divisions and promoting a sense of community (ibid.). Such neutrality is not likely to be achieved however if they there is a history of corporate malpractice in that particular area, or if the business sector has explicitly aligned itself with a warring party in the past. Companies can have a positive role in diplomacy, the promotion of dialogue or in mediation (Davis 2013). This was the case in the later years of Apartheid in South Africa, where representatives from the African National Congress (ANC) and the white business community had begun secret meetings and negotiations in exile from the mid-1980s onwards (Gumede 2005). Through organisational practices, transparency initiatives and corporate governance, companies might also be able to indirectly contribute to institutional reform (Banfield et al. 2005).

Haufler (2004, cited in Idemudia 2010) stated, about a decade ago, that we lack empirical evidence on whether corporate engagement in peace actually contributes to a reduction of conflict. The jury is still out on this issue today. Rieper (2013), for example, in her more recent study of MNCs' contributions to peace and security in zones of conflict, explores companies' commitments and their behaviour, rather than the impact of corporate engagement which she argues is extremely difficult to assess. Davis (2013) further notes that the various tool kits and guidance documents by global institutions and NGOs have so far not led to widely-used conflict-sensitive practices—and this also means that it is hard to evaluate their impact. It must be noted that there is a dearth of empirical research, with much of the literature on business engagement in peace conceptual and general. In particular, what is missing is ethnographic work that could explore how corporate discourses and programmes are experienced, negotiated and contested on the ground. One of the reasons for this lack of in-depth research might well be that conflict and post-conflict settings can be perceived as challenging and risky environments for researchers.

However, there is a more fundamental issue that is sometimes neglected in the peace through commerce literature: should MNCs be peacebuilders in the first place (Miklian and Schouten 2014)? There is arguably little or no accountability for business engagement under the UNGC and other transparency initiatives, with compliance so far based on self-reporting. Given this voluntary character, sceptics regard business engagement in peacebuilding in a similarly negative light as business contributions to development: as greenwash that deflects criticisms of unsustainable or corrupt practices (e.g. Banerjee 2008; Frynas 2008). What is more, both scholarly and institutional foci have predominantly been on MNCs with Western headquarters. This somewhat ignores the realities of an increasingly decentred global economy, witnessed for example in the rise of the BRICS countries and the growing influence of China in Africa. Companies headquartered in these countries may not share the same reputational risks and pressures from stakeholders at home, or they may not be signatories to global transparency initiatives. One illustration of this point can be found in the case of oil and gas company Talisman that withdrew from Sudan after stakeholder pressure, which allowed Asian companies access that were less clearly committed to the peacebuilding activities envisaged by global institutions (Miklian and Schouten 2014).

A further major limitation of the new academic and policy literature on business for peace is the fairly uncritical notion of partnerships it regularly employs. The ubiquity of the partnership discourse in the business for peace agenda mirrors global development priorities over the last decade or two. USAID for instance enthusiastically claimed in 2007 that there has been a 'renaissance of partnerships for international development' (PEPFAR 2007: 9). To 'develop a global partnership for development' was one of the Millennium Development Goals and forms a key element in the post-2015 development agenda. The Post-Washington Consensus has provided the theoretical underpinnings for this 'renaissance' and exemplifies the re-accommodation of the state and society as complementary mechanisms for development after a cruder liberalism of earlier decades (Fine 2001).

One of the key early publications in the business for peace field highlighted the importance and value of developing 'new types of cross-sector partnership between business, government and civil society [which] will be absolutely critical in building peace and preventing or resolving conflict (Nelson 2000: p. 12), but it does not explain what these partnerships involve. Yousuf and Bayley's (2015) report on marble mining in Pakistan begins with the assumption that multisectoral partnerships create the conditions for long-term investment, which ultimately leads to peaceful societies. To cite just one other example from many policy and corporate documents, the UNGC's Strategy 2014–2016 uses the term partnership 55 times, without defining what constitutes a 'transformational' (p. 27) partnership, how partnerships might differ from community engagement or stakeholder consultations, or indeed how partnership requirements differ from NGO-business collaborations to business-government partnerships. What unites the usage of the notion of partnerships in these and many other policy and corporate documents is the assumption that partnerships are equal, necessarily beneficial and that they are not characterised by power relations.

MNCs often see partnerships with NGOs as ways of managing reputational issues, but this type of partnership does not necessarily embed conflict relevance in their operations. Kolk and Lenfant (2013) for example note that while empirical evidence about NGO-business collaborations is relatively limited, 'studies that looked at partnerships in African conflict settings concluded that collaborative activities follow a rather philanthropic model' (p. 47). Few of such collaborations dealt with aspects that are *directly* related to peace and reconciliation; rather they were generic and paid insufficient attention to conflict dynamics and contexts (ibid.). What is more, in the idealistic vision of partnerships as equal that is put forward in policy documents such as those mentioned above, it is overlooked that corporations often profit from the new role as peacebuilders they are being given. Conversely, for NGOs there can be negative effects: first, for advocacy NGOs there are reputational risks in partnering with corporations; second, where NGOs tend to represent the interests of communities in the context of CSR programmes, community voices might well become more marginalised (Mueller-Hirth 2015).

There is then a disparity between global discourses of companies' peacebuilding and partnerships, and their local operating practices which might continue to include traditional philanthropic projects characterised by particular power relations. As I argue below, much of the CSR activities that are carried out in post-conflict zones are focused on security and economic growth, as opposed to engaging with peace as a multidimensional concept.

8.4 What Is Peace? Introducing the Concept of Social Peace Processes

This section outlines the notion of social peace processes that is employed throughout this chapter. How peace is defined, and who gets to define is, is central to examining the potential role of businesses in post-conflict societies. And yet, the concept of peace is rarely delineated in companies' CSR programmes. This has particularly outcomes as Miklian and Schouten note: 'not defining peace allows it to form a "boundary object", its vagueness allowing actors of different plumage to rally around its positive connotations without being held responsible for the cost' (2014: p. 15). The first distinction that needs to be made is that between negative and positive peace (Galtung 1969). Galtung's influential framework highlights that the absence of direct, or personal, violence is not enough to achieve peace, for 'peace […] has two sides: absence of personal violence, and absence of structural violence' (Galtung 1969: 183). Positive peace then refers to the absence of direct and structural violence and is therefore associated with achieving social justice, defined as the egalitarian distribution of power and resources (ibid.).

This leads on to the next distinction, and one that is critical for the present chapter, between political peace processes and social peace processes (Brewer 2010). Political peace processes involve political management, such as the establishment of new and representative institutions, fairer systems of voting, the introduction of human rights law and associated accountability mechanisms, and the introduction of a free press (ibid.). But these kinds of political reforms do not address, or alternatively take for granted, the arguably more difficult questions of how people can live together after violence and how societal healing and reconciliation can occur. Social peace processes are then about

> 'the repair and rebuilding of social relationships, interpersonal and inter-group reconciliation, the restoration of community and the social bond, and social and personal healing.

> [They are] largely realized through attention to [issues] such as civil society engagement with peace, the development of non-violent masculinities for ex-combatants, managing negative emotions and promoting positive ones, re-remembering and historical re-imagining strategies, 'truth' recovery, socially functional public victimhood and the rest' (Brewer 2010, pp. 200–201).

So there is a recursive relationship between political and social peace processes (ibid.), with one facilitating the other. Clearly, civil society has an important role to play in this understanding of peace as an embedded and social process.

Companies' definitions of peace—and therefore also how to attain it—might well differ from those of other stakeholders, for example those in civil society. The strategies and programmes of different types of businesses in post-conflict areas certainly vary as is shown below, but there is little conflict reporting in CSR annual reports (Miklian and Schouten 2014). Many businesses focus on social and economic development activities in disadvantaged communities, such as building health and education infrastructure. Issues around memory, civil society and ex-combatants that are central to questions of social justice (cf. Galtung 1969) and to social peace processes (cf. Brewer 2010) are rarely, if ever, touched upon. Indeed, the kinds of CSR programmes that companies are currently undertaking in post-conflict settings are remarkably similar to those they carry out in non-conflict areas.

Taking seriously the above arguments about social peace processes, the following section looks at CSR initiatives and programmes that companies have undertaken in post-conflict settings in order to examine how CSR can contribute to peace and social reconstruction after conflict.

8.5 How Can Companies' CSR Strategies Contribute Towards Peace and Social Reconstruction in Post-conflict Settings?

This section in part draws on a report by the UNGC and PRI (United Nations Global Compact 2013), which summarises successful examples of companies that have engaged with the UNGC's earlier 'Guidance on Responsible Business in Conflict-Affected and High-Risk Areas' (UN Global Compact 2010). I have chosen these examples because it can be assumed that they were selected by the UNGC due to their potential to serve as case studies of best practice and to provide lessons for other companies. Put differently, these examples should highlight the best companies can achieve and are clearly perceived to be addressing business engagement in conflict zones directly and effectively. I summarise them below under the headings of leadership on human rights, collective promotion of peace through involvement in initiatives, partnerships, community engagement and economic development.

Strategic commitment and leadership, at board level, are required on corporate responsibility issues, in order to institute policies and operating standards that make explicit mention of human rights and security and that make a clear stand against bribery and corruption. To this end, companies should raise awareness of human rights and corruption through training and skills development of their staff and their business partners (Nelson 2000). For example, Shell Nigeria runs a human rights and conflict resolution training programmes for its staff in the Niger Delta (Rieper 2013). ENI's Human Rights project in Congo similarly involved staff training around security and human rights, with the aim of preventing risks connected to security and human rights abuses (United Nations Global Compact 2013). This encompassed information on international human rights principles, local obligations, the role of civil society in monitoring human rights abuses and role-play exercises around security threats. In still-divided societies, companies can also undertake efforts to promote diversity in the workforce and make workplaces more tolerant and integrated through conscious hiring policies. In this way, organisations can become examples of cross-sectional collaboration. Oetzel et al. (2009) make the example of Northern Ireland, where some companies 'intentionally hired half Catholics and half Protestants to provide them with the experience of working together with that otherwise hated "other"' (p. 352).

Relatedly, involvement in peace-promoting initiatives and frameworks is often suggested as a key conflict-mitigating approach since it can lead to the promotion of the rule of law, human rights, and transparency within a country, using the collective influence that large companies have (Haufler 2009; Nelson 2000; Rieper 2013). An example is diamond mining company De Beers, which is regarded by some as having been implicated in the Angolan and Sierra Leonean civil wars through funding war criminals (Saunders 2000). The company has subsequently been centrally involved in setting up the Kimberley Process, which has however been criticised by human rights organisations for its lack of transparently coordinating and monitoring the diamond trade while giving legitimacy to mining companies (Bieri 2013). Indeed, with De Beers having been granted diamond exploration permits again in Angola, it will be interesting to see whether their CSR programming in this particular post-conflict setting will differ from their social investment elsewhere, e.g. in South Africa or Namibia. Associated with the Kimberley Process, but with a focus on artisanal miners rather than on certification systems, is the Diamond Development Initiative, a development-focused, conflict prevention initiative that brings together NGOs, governments and the private sector.

As already mentioned, partnerships, dialogue and consultation with a range of local stakeholders are seen as central to conflict-sensitive and conflict-relevant approaches (Nelson 2000). Kolk and Lenfant (2013) describes how the NGO PACT helped mining corporation Anvil's to engage with human rights violations in the Democratic Republic of Congo at two levels: 'at the community project level (e.g. how to involve communities in project design and management) and at the business level (integration of a human rights lens in operations, consideration of how to use security forces, and how to engage with government forces and rebels)' (p. 50). Through partnerships, NGOs 'can play an important role in assisting [multinational companies] to integrate conflict-related issues, such as livelihoods, artisanal mining, and transparency in their CSR activities and partnership endeavours' (ibid.: p. 52). They recommend that companies partner with NGOs in order to learn how to shape and articulate their community relations. However, one of the obstacles to these kinds of collaborations is that engaged advocacy NGOs do not necessarily want to be seen to be involved with corporations in the extractives sector. There have also been calls for Public Private Partnerships (PPPs) as a vehicle both for addressing the socio-economic needs of communities and for creating profits for companies. However, as a study on economic recovery in Nepal shows, resentment after the conflict in that country is so great that these kinds of partnerships are unlikely to succeed (Alexander et al. 2009).

Most often, the partnership approach is coupled with the notion of community engagement. For example, research on oil exploration in Uganda's Albertine Graben (International Alert 2013) recommends that CSR becomes more strategic and streamlined: 'oil companies should incorporate corporate social responsibility projects in the district development plans, and work hand in hand with local government and communities to implement planned development projects.' (ibid.: 9). A report on resource management in Liberia (Yousuf 2014) suggests that communities become more creatively involved in their dialogue with companies, for example by creating a committee responsible for overseeing all land disputes. But communities must be empowered to be able to communicate effectively with multinational corporations. Civil society organisations are then ascribed another role: in addition to partnering with companies, they should educate communities to develop effective tools for negotiations, for example in order to deal with concession agreements (International Alert 2013). Both partnerships and community engagement might be enhanced if there exists a vibrant civil society, which CSR can try to support. In this respect, CSR activities can be directed at supporting an independent media, reconciliation activities or peace education.

As already discussed in an earlier section, economic development and the creation of jobs and wealth—what businesses do anyway—are often portrayed by companies as one of the most efficient, albeit indirect, ways in which peace can be strengthened. For example, Nestlé's human rights impact assessment in Sri Lanka resulted in predominantly economic outcomes, helping the resettlement and livelihoods of internally displaced people (IDPs) by assisting in locating displaced cattle (United Nations Global Compact 2013).

The above focus areas and examples highlight, in places, the potential of companies to positively engage with peace processes in post-conflict societies. At the same time, they show that to date there remains a lack of understanding of, or focus on, the *social* components of peace. There are many indirect contributions CSR can make, but still only a small proportion directly addresses peace. Very few of the programmes, which are after all considered best practice examples for engagement in conflict zones, could be said to specifically contribute to a social peace process. They are: the conscious promotion of diversity in the work place; the promotion of civils society organisations that are active in the areas of reconciliation and peace education; and the implementation of specific human rights and anti-corruption policies. CSR programmes are then, despite the rhetoric of conflict relevance, rarely tailored towards the requirements of post-conflict societies; most of the initiatives highlighted by the UNGC as successful could be considered meaningful CSR programmes, but they are not conflict-relevant.

To illustrate this point, two examples can be contrasted. Jamali and Mirshak's (2010) study of CSR in post-conflict Lebanon shows that some companies conducted philanthropic programmes such as monetary assistance to businesses affected by the war, but little was done to directly address the challenges of Lebanon's post-conflict society and economy: 'we detected [. . .] little appreciation of the broader meaning of CSR and little consideration of the greater responsibility expected from MNCs in terms of mediation, reconciliation, and peace building in conflict zones.' (Jamali and Mirshak 2010: 460). Conversely, IT company Virtusa has developed a more direct approach to addressing social peace issues in Sri Lanka. In addition to providing humanitarian assistance, the company created a software application, the Rehabilitation Management System (RMS), 'to assist the [Bureau of the Commissioner-General of Rehabilitation] in effectively managing the rehabilitation [of ex-combatants] process with accountability' (United Nations Global Compact 2013: p. 66). In the second example, the company has applied its own skills and expertise to address a conflict-related social issue—the rehabilitation of former combatants—in partnership with the government.

In addition to the overwhelming focus of programmes on (crucial but generic) issues such as economic development, there are several key issues that are neglected in companies' CSR in post-conflict settings to date, and that arguably need to be addressed in order to make CSR genuinely conflict relevant. Current corporate thinking around CSR in post-conflict zones continues to be dominated by a risk discourse. The extractives sector in particular understands social investment in these areas as a question of security and risk management, rather than as opportunities for an improvement in human rights practices or reconciliation. For example, Maersk's developed a CSR tool 'to support local CSR planning, thus helping managers of the rigs to (a) identify and manage risks and opportunities related to CSR at local operations and (b) draw up an action plan to deal with and to mitigate those risks' (United Nations Global Compact 2013: p. 43). Even where companies' stated aims are to provide human rights training, such as in the example of ENI outlined earlier, we might critically ask which limited conception of human rights underlies materials for a half-day workshop with a stated focus on security. Such a focus on risk minimisation in companies' post-conflict engagement can be understood, drawing on Galtung's (1969) work that was outlined above, as entailing a negative conception of peace—that is to say, understanding peace as merely the absence of direct violence.

The approaches and CSR programmes reviewed in this chapter grant a significant role to 'civil society' and its organisations. The dual function of CSOs to educate companies on human rights, but also to educate communities to better negotiate, was discussed above. This double role is certainly a tall order for organisations that are often under-funded and under-resourced. But it also betrays a rather naïve understanding of what civil societies are and how they themselves can be the site of contestations, conflict and violence—particularly in still divided societies. What is more, community engagement itself remains fragmented in many places. For example, International Alert's (2013) study of the Albertine Graben highlights that some efforts were made by the oil companies Tullow and Total, such as socio-economic development projects and the appointment of community liaison officers. Nonetheless, the report identified significant gaps in these companies' CSR strategies, arguing that there was 'no systematic approach to the delivery of corporate social responsibility projects streamlined in the district development plans' (ibid.: p. 7) and 'limited engagement between oil companies and the community, even though oil companies have community liaison officers' (ibid.: p. 9). Here, as elsewhere in corporate documents and global institutional discourse, the concept of community is not clearly defined.

Moreover, other reports and corporate documents appear to put the onus for responsible engagement by businesses on the community. For example, the Liberian study that was mentioned earlier (Yousuf 2014) recommended that civil society organisations educate communities to better manage their relations with companies. While it is hard to disagree with the wish to give communities better tools to confront multinational corporations and increased knowledge of legislation and concessions, there is something problematic about the idea that it is the community that is responsible for developing the relevant skills to negotiate concessions, in lieu of companies fulfilling their responsibilities to society and to communities. In this kind of responsibilisation of a community, rather than of a business, it is the community that bears the responsibility for negative environmental or social impacts if it fails to upskill properly. The onus for corporations' responsible behaviour is being shifted from companies to communities.

8.6 Conclusions

This chapter has sought to make a contribution to the literature that examines the role of the private sector in maintaining or enhancing peace, with a focus on CSR activities. It has highlighted the emergence of a business for peace agenda and has critically discussed some of its key assumptions around the beneficial nature of partnerships and its dominant notions of community and civil society.

By introducing the notion of social peace processes to this policy agenda and scholarly literature, I have demonstrated that CSR activities in post-conflict areas are often generic and neglect the social issues that characterise conflict and its wider contexts. While companies focus on social and economic development activities in disadvantaged communities, issues around memory, victimhood, civil society and ex-combatants are usually ignored. Despite the assertions that companies want to contribute to reconciliation, few such examples can be found. Indeed, the CSR programmes companies are currently undertaking in post-conflict settings are remarkably similar to those they carry out in non-conflict areas. Economic growth and development contributions are of course extremely important and necessary, especially in fragile post-conflict environments where there is typically a lack of FDI and few employment opportunities. Likewise, CSR can only ever be one of a number of strategies that businesses use to enhance peace. But I argue here that it is important to question the assumptions of academic and policy literatures on businesses' positive contributions to peace and in how far they are genuinely addressing the challenges societies face after protracted conflict.

The distinction between conflict sensitive and conflict relevant approaches that is sometimes made in the literate is useful in this context, and in some ways parallels that between negative and positive peace. Conflict-sensitive approaches might be contrasted with conflict-relevant approaches, which seek to address the root causes of conflict and violence directly This distinction is important for the arguments put forward in this chapter about social peace processes, since it is arguably only through tackling the structural causes of violence that sustainable peace can be achieved. Conversely, risk-based discourses on peace and conflict, such as they were shown to dominate some companies' CSR programmes, rely on conceptions of negative peace as the absence of violence.

Companies should therefore be supported in developing more nuanced understandings of peace processes in post-conflict settings where they operate. This also involves an awareness of the gap between transition and transformation. They should be assisted—by international institutions, states and the non-profit sector—in developing CSR programmes that can contribute to post-conflict transformation, be in through leadership on human rights, collective initiatives, economic development, or partnerships with progressive NGOs. In their relationships with NGOs and communities, they must be mindful of making others responsible for pushing forward transformative practices. Nonetheless, the fact that most CSR remains entirely voluntary is ultimately deeply problematic, however peace is defined.

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Part III
Theoretical Corporate Social Responsibility

Chapter 9
Re-conceiving Corporate Social Responsibility Programmes for Education

Mark Anthony Camilleri

Abstract This chapter redefines the private sector's role in the realms of education. It posits that there are win-win opportunities for companies and national governments as they cultivate human capital. Indeed, companies can create synergistic value for both business and society. In the main, such a strategic approach can result in new business models and cross-sector collaborations that will inevitably lead to operational efficiencies, cost savings and significant improvements to the firms' bottom lines. Notwithstanding, this contribution suggests that the businesses' involvement in setting curricula may also help to improve the effectiveness of education systems in many contexts. Businesses can become key stakeholders in this regard. Their CSR programmes can reconnect their economic success with societal progress.

9.1 Introduction

During their learning journey, individuals acquire knowledge and skills that ought to be relevant for their career endeavours. The provision of quality education and its assurance is the responsibility of national governments. Yet, business and industry also offer training to human resources that supplements formal education (McKenzie and Woodruff 2013; Reichheld 1992). Very often, educators are expected to respond to challenging issues such as skill shortages and mismatches where candidates lack certain competencies although they attended compulsory education (Allen and De Weert 2007). Their knowledge and skills may be too deep to bridge through corporate training sessions. Perhaps, there is an opportunity for global businesses to compensate for this deficiency in the education (Gibb 1993). Corporations can shift their operations where it is viable for them to tap qualified employees. However, the constraints on their growth can be halted by the broad

M.A. Camilleri, Ph.D. (Edin.) (✉)
Department of Corporate Communication, Faculty of Media and Knowledge Sciences, MAKS603, University of Malta, Msida MSD2080, Malta
e-mail: mark.a.camilleri@um.edu.mt

S. Vertigans, S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-319-35083-7_9

impact of inadequate education and training in some industries or regions. In this light, this chapter contends that big businesses may become key players in addressing unmet needs in education. Several companies have the resources and the political influence to help improve educational outcomes; which will in turn help them cultivate local talent. Leading businesses are already devising corporate social responsibility (CSR) programmes that are actively supporting education across many contexts.

9.2 Corporate Social Responsibility and Human Resources Management

Many companies are gaining a high reputation in corporate social and responsibility. While the cause marketing of the past primarily targeted consumers in sales transactions, today's cause marketing is often concerned with the company's strongest ambassadors—its employees (Kotler and Lee 2008). Undoubtedly, businesses are contributing to the well-being of their human resources and the surrounding communities. Yet, other firms may resort to CSR and greenwashing to generate publicity and positive impressions among stakeholders (Visser 2011; Jahdi and Acikdilli 2009). Many academics, argue that the most successful CSR strategy is to align a company's social and environmental activities with its business purpose and values (Visser 2011; Porter and Kramer 2011). Responsible actions have the power to reconceive the organisations' purpose and values toward society. The first step towards developing a CSR mentality is to re-define the principles of the company. Arguably, the role of senior management is crucial in instilling an ethos for genuine CSR behaviours among employees.

Businesses know that prospective employees consider a variety of factors as they evaluate careers. Some individuals value financial incentives, including salary, bonus potential and benefits (Gerhart and Fang 2014; Bloom and Milkovich 1998). Others may focus on professional development, advancement opportunities and location (Kehoe and Wright 2013; Hunt and Michael 1983). However, only recently multinational companies seem to realise that through CSR they can better engage with their employees (Bhattacharya et al. 2008). Evidently, CSR can provide incentives to employees that may potentially be even more alluring than money (Branco and Rodrigues 2006).

Socially Responsible HRM affects employee task performance and extra-role helping behaviour (Shen and Benson 2014; Korschun et al. 2014). In fact, their empirical results indicated that CSR that is directed toward employees is an indirect predictor of individual task performance and extra-role helping behaviour. Another study by Deloitte (2004) has yielded very similar results. 72 % of US respondents indicated that they would opt to work for a company that also supports charitable causes; if they had to choose between two jobs offering the same location, job description, pay, and benefits. According to this study, the majority of the youngest survey participants have indicated that their decision to work for their current employer was based on company culture or reputation (Pfeffer 2007; Deloitte 2004). Evidently, these respondents also valued the opportunities for growth and development as well as their salary and benefits package. This Deloitte study has indicated that the corporate social responsibility agenda will remain relevant for tomorrow's business leaders. Apparently, the youths' generic characteristics may bring distinct CSR behaviours (Pomering and Dolnicar 2009). Young people often place high importance on making a positive impact on society. Very often, organisations are capitalising on corporate influence on social trends including sport activities (Smith and Westerbeek 2007). Such a viewpoint could encourage an examination of the overlaps between the social responsibilities of sport and business.

These findings seem to suggest that employees want to belong to an organisation that stands for more than financial performance (Korschun et al. 2014; Vanhamme et al. 2012; Tang et al. 2012). Employees are attracted by companies that are truly CSR-oriented. In addition, the businesses' genuine intentions and goodwill can help to improve the brands' image among stakeholders. Thus, even if employees do participate in CSR initiatives, they still want to be associated with an organisation that cares about its social impact (Shen and Benson 2014). Therefore, it is in the companies' self-interest to underline their CSR performance during events that are aimed to attract top talent. Apparently, more companies are realising that CSR is a great opportunity to engage with employees and to illustrate their commitment to the community at large.

Several studies have measured both employees' attitudes and work-behaviours of those who actively participated in their respective companies' CSR programmes. The findings indicate that the employees that were actively taking part in charitable causes and philanthropic initiatives felt a sense of identification with their respective companies (Vanhamme et al. 2012; Kotler and Lee 2008). Interestingly, other studies reported that corporate social performance was also correlated to improved job performance (Tang et al. 2012). Therefore, it transpired that the employees that were emotionally connected with their company were more likely to remain committed toward their employer. The CSR initiatives often reveal the companies' underlying credentials. Hence, social responsibility can be considered as part of the employees' value proposition (Ulrich and Brockbank 2005). Such a proposition can be described as the balance of benefits that employees receive in return for their performance (Korschun et al. 2014). Moreover, the employment value proposition can also be a plausible way for companies to retain their employees (Backhaus and Tikoo 2004). Arguably, CSR can help to augment the employers' reputation and image for job prospects (Kiessling et al. 2015; Melo and Garrido-Morgado 2012). As a matter of fact, relevant research suggests that those candidates whose values match those of the firm will inevitably feel satisfied in their job (Korschun et al. 2014). It will be very likely that they remain longer with their employer.

Another survey had also mirrored these findings. It found that the employees engagement in CSR have led to a sense of pride in the company (De Roeck and Delobbe 2012). This was in turn positively correlated to employee performance (Singhapakdi et al. 2015; Buciuniene and Kazlauskaite 2012) and negatively to intention to quit (Ghosh and Gurunathan 2014). Moreover, other findings indicated that employee engagement was also positively related to customer focus and pro-company citizenship behaviours (Harter et al. 2002). For instance, those companies that possess high CSR credibility often experience a lower turnover rate than their competing firms (Lee et al. 2013). Curiously, the companies that pride themselves in experiencing the highest retention of employees will also have the greatest customer retention (Harter et al. 2002). Such findings could be attributable to many issues. The employees' CSR engagement could also be connected with their leaders' CSR ethos (Fombrun 2005). Therefore, the management could be considered as main actors and drivers for socially responsible behaviours (Aguilera et al. 2007).

Many studies have indicated that the managements' values and beliefs will inevitably effect employee engagement in CSR as well as their companies' competitiveness. For example, Jenkins (2006) posited that employees looked up to their senior management as they championed CSR issues. On the other hand, Entine (2003) argued that corporations are continuously judged on how employees are treated. Brammer et al. (2007) suggested that external CSR is positively related to organizational commitment and that the contribution of CSR to employee morale and commitment is at least as great as job satisfaction. Undoubtedly, the CSR initiatives will affect an organisation's human environment (Porter and Kramer 2006).

Social and sustainable initiatives can be a possible reason why prospective employees decide to join and remain at a particular company. The businesses that are socially responsible with their human resources are noticing higher job satisfaction levels and better employee morale. A major concern in many industry sectors is attracting quality employees and their retention. Davidson et al. (2010) noted that because of high staff turnover rates in the hospitality industry; there was an increasing pressure for ongoing training in order to maintain the highest levels of service.

For these reasons, organisations ought to recognise the effect of CSR on employee recruitment and retention. Googins et al. (2007) maintained that companies need to engage their people not simply as employees, but rather in their multiple identities as workers, parents, community members, consumers, investors, and co-inhabitants of the planet. Lately, many employers are becoming more sensitive to the work-life balance of their human resources. The personal circumstances of employees may demand flexible working times or reduced working hours. For instance, employees may need to look after their children or to family members in need of care. Notwithstanding, employees may also require sponsorships to pursue professional training courses (McKenzie and Woodruff 2013). Their studies could also necessitate their temporary absence from work. Unfortunately, the work-life balance may not always be a viable option. Due to the particular nature of work across many industries, the employees may be required to work unsocial hours.

Burke and Logsdon (1996) noted that employees indicated that the CSR programmes were most effective in organisations that hailed from environmental and energy or utility sectors. However, they also suggested that the government, retail, and technology organisations were laggards in this regard (UNEP 2011; Brighter Planet 2010). It goes without saying that environmental organisations tend to have a highly competent workforce on green issues (employees who are knowledgeable on sustainability innovations) (Renwick et al. 2013). Whereas, the government and manufacturing workers possess lower green credentials. Hence, the nature of the industry could dictate how companies may champion CSR issues (Jamali et al. 2015a; Jenkins 2006). For instance, energy and utility organisations tend to be the most frequent promoters of energy conservation. Whereas, the manufacturing businesses are usually renowned for their engagement in reusing, reducing and recycling resources.

The size of a company could possibly affect the employees' engagement in CSR practices (Baumann-Pauly et al. 2013; Orlitzky et al. 2011). Surprisingly, the smaller organisations are increasingly promoting the use of sustainable actions (Jamali et al. 2015b). Several studies suggest both large and small businesses are equally effective in their CSR engagement (Jenkins 2006). However, Nielsen and Thomsen (2009) held that internal communications may be uniquely important to small and medium-sized enterprises (SMEs) that frequently do not afford significant PR budgets to communicate externally. CSR engagement may prove the most challenging among businesses with diverse cultures and complex supply chain networks (Ciliberti et al. 2008). Notwithstanding, some of the smaller companies may have less bargaining power to persuade their suppliers to alter their sustainable and socially responsible practices.

Sometimes, employees are inspired to implement given initiatives at their own homes. Another aspect is the businesses' responsibility in managing the safety and well-being of staff within their premises' (Cornelius et al. 2008; Carroll 1999). Generally, many multinational organisations may have made suitable arrangements for health, safety and welfare issues. Big businesses are expected to comply with the relevant national legislations in this regard. It is the corporation's responsibility to ensure that the workplace environment complies with the relevant laws, rules and regulations. Very often the multinational organisations behave responsibly. The majority of them adhere to ethical norms and internationally recognised standards.

Management may also engage with employees as they can involve them on the companies' most important issues. When the human resources are delegated with certain duties and responsibilities they may become motivated in their workplace environment. Continuous communication and dialogue with employees are some of the key elements for a successful workplace (Camilleri 2015b). Generally, businesses can get more from their staff in terms of ideas, commitment and loyalty (Bhattacharya et al. 2008; Reichheld 1992). CSR can create a good working atmosphere, where there are better relationships and trust through internal participation, motivation and high spirits (Jenkins 2006). In a similar vein, Pedersen (2010) remarked that managers need to express their broader responsibilities in treating employees with dignity and respect and stimulate an inspiring, fun and dynamic workplace. Indeed, CSR has the potential to instil 'a sense of belonging' among employees (Murillo and Lozano 2006). Hence, certain employers offer incentives and employee reward schemes which are aimed at boosting their employees' productivity (Gerhart and Fang 2014). Such initiatives can nurture greater employee commitment and motivation (Herzberg et al. 2011). Therefore, engagement with employees is not acquired through financial compensation. Companies are no longer assuming that salaries and financial benefits alone will buy employee commitment (Herzberg et al. 2011). Companies should address their employees' inherent needs including; self-esteem, self-development and work-life integration. Bhattacharya et al. (2008) held that the businesses' CSR initiatives are an effective means to meet these emotional needs. They argued that CSR humanises the company in ways that other facets of the job cannot. In their words, a pay check may keep individuals on the job, but it will not keep a person on the job, emotionally.

Furthermore, it is in the interest of business to be mindful of employees who may be expecting far more than salary and benefits from their employer. Today's businesses ought to discover ways how to engage with employees' in order to increase their loyalty (Bhattacharya et al. 2008). For instance, employers could identify segment-specific needs for their human resources in the same way that they use "benefit segmentation" to target customers (Moroko and Uncles 2009). Many businesses are striving to differentiate themselves by looking after the human element (Porter and Kramer 2006). Very often the focus is to improve the human resources' competencies by organising continuous professional development and on-the-job training sessions and courses to all employees (McKenzie and Woodruff 2013). Relevant courses may obviously help to improve the businesses' performance levels. Evidently, considerable financial and human resources are being devoted to train employees to perform at the required service levels. The larger businesses are often delivering education and training programmes about their environmental awareness and sustainable development practices along other operational courses and training.

9.3 Corporate Social Responsibility and Education

Businesses and governments play essential roles in overcoming regional skills gaps and skill mismatches (Allen and De Weert 2007). However, they rarely engage with each other in meaningful ways. Businesses that transcend these matters can make a profound impact on their own human resource needs and on the wider societal needs of the region. There is an opportunity for corporations to build regional collaborations with educational institutions, governments, and non-profits. These fruitful relationships could address unemployment and competitiveness issues (Gibb 1993). All this is also consonant with the notion of shared value (Porter and Kramer 2011). This perspective is a management strategy that could bring corporate financial performance (Tang et al. 2012). Businesses can engage themselves in philanthropic causes and stewardship principles to unleash shared value for business and toward society (Porter and Kramer 2006, 2011). Arguably, companies can employ philanthropy to complement their long-term corporate sustainability and responsibility (Visser 2011). Business could allocate scarce resources to educational and training institutions in order to strengthen their long-term workforce needs. A good institutions. Nowadays, there are many successful collaborative agreements involving corporations and government. For instance, the New Employment Opportunities (NEO) Initiative consisted of five of Latin America's leading employers, including; Walmart, Caterpillar, Microsoft, CEMEX and McDonalds (FSG 2014). These corporations have joined forces with the Inter-American Development Bank (IDB) and the International Youth Foundation (IYF) with the underlying objective to train one million youth in Latin America and the Caribbean, by 2022 (FSG 2014). Across the region today, 32 million young people (one in every five aged 15–29) are neither in employment nor at school. Admittedly, half of the employers in this region struggle to find qualified employees. Evidently, the NEO initiative has helped to address these crises by launching large-scale training programmes that include technical and life skills, internships and job placement services.

NEO's founding partners have jointly committed $37 million in cash and in-kind resources. Every company contributed $5 million, as well as technical expertise on workforce needs, internships, and entry-level jobs for programme graduates (FSG 2014). IDB and IYF have also been key brokers of the initiative as they worked with companies to define common job competencies. It transpired that they engaged more than 300 training partners. As a result of their collective effort, these companies have benefited from a new talent pool that have addressed their labour requirements. By working together, the NEO's partners have created a far more robust and cost-effective training and placement programme than any one business could build by itself. Such conventional programmes may strengthen the employees' skills and training requirements (Allen and De Weert 2007). Many companies are increasingly organising CSR initiatives that create both business and social value (Porter and Kramer 2011). They aligned their CSR programmes with employee competencies in order to build internal capacity and resource pools. The creation of new systems that better connect education to employment will also require standards and curricula that align with labour market needs (Walker and Black 2000; Gibb 1993). Arguably, companies ought to forge meaningful relationships with educators in order to develop and deliver relevant curricula that can extend far beyond isolated workforce development programmes.

For instance, Cisco, a provider of networking equipment, has created more than 10,000 networking academies across 165 countries (Camilleri 2014). 4.75 million individuals have improved their employment prospects as they attended training to become network administrators. At the same time, these individuals have increased the demand for Cisco's equipment. Similarly, SAP and Verizon have often partnered with local universities and education institutions in order to deliver courses, career coaching and customised degrees on site for employees (Camilleri 2014). The companies have discovered that employees that pursue such programmes are more likely to remain loyal to their company. Naturally, it is in the interest of employees to attend educational programmes that may ultimately lead to their career progression and better prospects (Kehoe and Wright 2013). Evidently, such laudable behaviours are being taken on board by numerous multinational corporations. For instance, Intel has invested in training programmes and partnerships that strengthen education (Camilleri 2014). The company has recognised that its business growth is constrained by a chronic shortage of talent in science, technology, engineering, and math (STEM) disciplines. Through programmes like Intel Math and Intel Teach, the global multinational has delivered instructional materials, online resources, and professional development tools for hundreds of thousands of educators across the United States. Their students' have acquired STEM and other twenty-first century skills, including critical thinking with data, as well as scientific inquiry. This is a relevant example of a corporate business that has successfully addressed its workforce needs. Intel has recognised specific skill gaps in its central areas like technology and engineering (Camilleri 2014).

Intel has committed itself for further discretionary investments in education. The company has created higher education curricula in demand areas like microelectronics, nanotechnology, security systems and entrepreneurship. Undoubtedly, Intel's efforts affected millions of US students (Camilleri 2014). At the same time, the company has increased its productivity and competitiveness. In a similar vein, SAP employs people with autism in technology-focused roles. In doing so, SAP concentrates on these individuals' unique strengths. This way, the company can gain access to a wider pool of untapped talent that will help to foster a climate of creativity and innovation.

In addition, there are many big businesses that contribute in stewardship, charitable and philanthropic causes (Vanhamme et al. 2012). In the past, the GE Foundation has supported systemic improvements in urban school districts that were close to GE's business. These investments have surely helped to close the interplay between corporate sustainability and responsibility (CSR) and corporate philanthropy (Porter and Kramer 2002), while strengthening GE's long-term talent pipeline. Many NGOs are capable of developing better connections between education and employment. For instance, in Africa, the Rockefeller Foundation has invested \$100 million in its Digital Jobs Africa initiative to connect one million disadvantaged youth with jobs in the growing technology sector (Rodin and Lore 2013). Equally important, the Foundation has acted as a neutral broker by convening the private sector and government to create long term partnerships and new pathways to employment. NGOs themselves play an essential role in helping companies implement shared value initiatives. When companies enter new markets, NGOs can help them understand the local needs and context. NGOs can also help implement educational programs in circumstances where normal corporate profit margins are unattainable. In turn, NGOs that adopt a shared value approach can access the full range of business resources and expertise beyond philanthropy to better serve their constituents (Porter and Kramer 2002). Education for Employment (EFE), for example, has partnered with companies that face skills challenges in the Middle East and North Africa by providing job training and placement for more than 10,000 unemployed youth since 2006, nearly half of whom are women

(Rockfeller Foundation 2013; FSG 2014) By partnering with companies to help them fill their talent needs, EFE has also met its own mission more effectively than it could by working alone.

9.4 Corporate Social Responsibility and Stakeholder Engagement

Recently, there was an increase in traditional forms of employee volunteerism as an avenue for CSR engagement (Peloza et al. 2009). Some programmes have even led to more employee volunteerism when they were off from work. For instance, many corporations, including; Charles Schwab, Dell, General Mills, Google, Hewlett Packard, Johnson & Johnson, Medtronic, Merrill Lynch, Nationwide, REI, and Target had partnered with VolunteerMatch, a national online volunteer matching service that help employees find volunteer opportunities in their neighbourhoods (VolunteerMatch 2007). It transpired that several multinational firms have brought volunteering within their facilities (Peloza et al. 2009). Timberland had even inaugurated an in-house day-care centre. This company maintained that CSR is inextricably linked to the company's core business. Other businesses have also initiated certain volunteering programmes that involved the utilisation of their employees' skills and competences. For example, Deloitte created IMPACT Day, where the company dedicated a day in a year to carry out community service. Deloitte maintained that its professionals engage themselves in skill based projects (Deloitte 2015). Its employees have applied their expertise in mentorship, consulting and business issues. Moreover, the international audit firm also claimed they it has created valuable societal opportunities based on individual skill development.

Skill-based CSR allow employees to volunteer and make a difference in their communities (Allen and De Weert 2007). Notwithstanding, it also provides them with numerous opportunities to practice the precise skill sets that are needed in their workplace. In a similar vein, IBM's Corporate Service Corps had serviced NGOs in some emerging markets. Past projects have included many assessments on product effectiveness and developing marketing plans for their Romanian clients. IBM's Corporate Service Corps had also analysed supply chains in Ghana and developed business plans and financial management strategies for the Wildlife Foundation in Arusha, Tanzania (FSG 2014; VolunteerMatch 2007).

Evidently, many employee volunteering programmes are instilling knowledge, skills and competences among vulnerable people in society, particularly the young unemployed individuals. It may appear that it makes more sense to teach these young persons to do something than to finance them. Various companies are aware that the younger employees' perceptions of CSR are an incredibly important consideration for their corporate reputation and standing. Young adults and adolescents seek more responsibility and advancement opportunities (Hunt and Michael 1983). Generally, they are eager to work with and learn from older mentors. It may appear that they prioritise such qualities over job security (Herzberg et al. 2011).

Arguably, the shared value perspective could create a common framework that enables companies, governments, multilaterals, private foundations and NGOs to combine their different strengths in mutually reinforcing ways (Camilleri 2015a; Porter and Kramer 2011). Yet just as shared value could necessitate a mind-set shift for companies, it also requires other stakeholders to think differently. Of course, national governments are responsible for the provision of education. It sets curricula and learning outcomes for students. Yet, education could establish certain incentives that may encourage businesses to participate in educational programmes where they could be rewarded for their valuable engagement (Breznitz and Feldman 2012). This may possibly require that governments to adopt a proactive stance in re-defining quality, strengthen their assessment methods as well as data collection systems (Camilleri 2015b). The educational objectives will inevitably vary across different jurisdictions and these are based on certain socio-economic, cultural and ideological factors. However, the educational outcomes ought to instil knowledge, skills and competencies in students that are needed for their individual development, civic participation and gainful employment (Herzberg et al. 2011). At present there are many global initiatives that are aimed at taking promising steps to align learning measures across countries. However, further effort is needed to create the much desired standards for educational effectiveness across borders. Corporate philanthropic funding can possibly encourage incentives and laudable investments in the realms of education (Porter and Kramer 2002). Philanthropic funders can also help to forge stakeholder relationships among businesses, educators, policymakers and the civil society.

9.5 Conclusions and Implications

This contribution maintains that it is in the private sector's interest to actively participate in re-conceiving education for societal wellbeing. It posits that there are win-win opportunities for companies and national governments as they cultivate human capital. Indeed, companies can create synergistic value for both business and society. In the main, such a strategic approach can result in new business models and cross-sector collaborations that will inevitably lead to operational efficiencies, cost savings and significant improvements to the firms' bottom lines. The shared value initiatives can also help organisations to improve the recruitment and retention of talented employees. This chapter has reported that employees want to be part of organisations that demonstrate their concern for society. There was mention of strategic philanthropic initiatives that manifest such concern that satisfy much of these aspirations. Organisations can use effective CSR communications to attract the best employees. Of course, they are encouraged to treat them as internal customers. In a sense, it is critical for businesses to recognise their employees' needs and wants. Arguably, the organisational culture and its commitment for CSR engagement can play an integral role. Perhaps, businesses should involve their employees in CSR activities along with other stakeholders. Evidently, CSR and sustainability issues are increasingly becoming ubiquitous practices in different contexts, particularly among the youngest work force. This contribution suggests that there is a business case for responsible behaviours. Besides, minimising staff turnover, CSR may lead to strategic benefits including employee productivity, corporate reputation and operational efficiencies. Therefore, CSR can be the antecedent of financial performance (towards achieving profitability, increasing sales, return on investment et cetera).

Notwithstanding, the businesses' involvement in setting curricula may also help to improve the effectiveness of education systems across many contexts. Businesses can become key stakeholders in this regard. Their CSR programmes can reconnect their economic success with societal progress. They could move away from seeking incremental gains from the market. Proactive companies who engage in CSR behaviours may possibly take fundamentally different positions with their stakeholders—as they uncover new business opportunities. This contribution showed how businesses could inspire their employees, build their reputations in the market and most importantly create value in education. This movement toward these positive outcomes may represent a leap forward in the right direction for global education.

This chapter has given specific examples of how different organisations were engaging in responsible behaviours with varying degrees of intensity and success. It has identified cost effective and efficient operations. It reported measures which were enhancing the human resources productivity. Other practices sought to engage in philanthropic practices and stewardship principles. At the same time, it was recognised that it was in the businesses' interest to maintain good relations with different stakeholders, including the regulatory ones. Evidently, there is more to CSR than public relations and greenwashing among all stakeholder groups (including the employees, customers, marketplace and societal groups). Businesses ought to engage themselves in societal relationships and sustainable environmental practices. Responsible behaviours can bring reputational benefits, enhance the firms' image among external stakeholders and often lead to a favourable climate of trust and cooperation within the company itself (Herzberg et al. 2011). This chapter reported that participative leadership will boost the employees' morale and job satisfaction which may often lead to lower staff turnover and greater productivity in workplace environments. However, it also indicates that there are many businesses that still need to realise the business case for responsible behaviours. Their organisational culture and business ethos will inevitably have to become attuned to embrace responsible behavioural practices.

Governments may also have an important role to play. The governments can take an active leading role in triggering corporate responsible behaviours in the realms of education. Greater efforts are required by governments, the private sector and other stakeholders to translate responsible behaviours into policies, strategies and regulations. Governments may give incentives (through financial resources in the form of grants or tax relief) and enforce regulation in certain areas where responsible behaviour is necessary. The governments ought to maintain two-way communication systems with stakeholders. The countries' educational outcomes and curriculum programmes should be aligned with the employers' requirements (Walker and Black 2000). Therefore, adequate and sufficient schooling could instil students with relevant knowledge and skills that are required by business and industry (Allen and De Weert 2007). The governments should come up with new solutions to help underprivileged populations and subgroups. New solutions could better address the diverse needs of learners. This chapter indicated that there is scope for governments to work in collaboration with corporations in order to nurture tomorrow's human resources.

It must be recognised that there are various business operations, hailing from diverse sectors and industries. In addition, there are many stakeholder influences, which can possibly affect the firms' level of social responsibility toward education. It is necessary for governments to realise that it needs to work alongside with the business practitioners in order to re-conceive education and life-long learning. The majority of employers that were mentioned here in this chapter; were representative of a few businesses that hailed from the developed economies. There can be diverse practices across different contexts. Future studies could investigate the methods how big businesses are supporting education. Future research on this subject could consider different samples, methodologies and analyses which may obviously be more focused and will probably yield different outcomes. However, this contribution has puts forward the 'shared value' approach. It is believed that since this relatively 'new' concept is relatively straightforward and uncomplicated, it may be more easily understood by business practitioners themselves. In a nutshell, this synergistic value proposition requires particular focus on the human resources' educational requirements, at the same time it also looks after stakeholders' needs (Camilleri 2015a). This notion could contribute towards long term sustainability by addressing economic and societal deficits in education. A longitudinal study in this area of research could possibly investigate the long term effects of involving the business and industry in setting curriculum programmes in education. Presumably, shared value can be sustained only if there is a genuine commitment to organisational learning for corporate sustainability and responsibility, and if there is a willingness to forge genuine relationships with key stakeholders.

9.6 Recommendations

This contribution contends that the notion of shared value is opening up new opportunities for education and professional development. Evidently, there are competitive advantages that may arise from nurturing human resources. As firms reap profits and grow, they can generate virtuous circles of positive multiplier effects. Many successful organisations are increasingly engaging themselves in socially responsible practices. There are businesses that are already training and sponsoring individuals to pursue further studies for their career advancement

McKenzie and Woodruff 2013; Kehoe and Wright 2013; Hunt and Michael 1983). It may appear that they are creating value for themselves as well as for society by delivering relevant courses for prospective employees. In conclusion, this chapter puts forward the following key recommendations to foster an environment where businesses become key stakeholders in education.

- Promotion of business processes that bring economic, social and environmental value;
- Encouragement of innovative and creative approaches in continuous professional development and training in sustainable and responsible practices;
- Enhancement of collaborations and partnership agreements with governments, trade unions and society in general, including the educational leaders;
- Ensuring that there are adequate levels of performance in areas such as employee health and safety, suitable working conditions and sustainable environmental practices among business and industry;
- Increased CSR awareness, continuous dialogue, constructive communication and trust between all stakeholders;
- National governments ought to create regulatory frameworks which encourage and enable the businesses' participation in the formulation of educational programmes and their curricula.

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Chapter 10
Developing Corporate Governance with CSR

Maria Aluchna

Abstract The complexity of corporate governance and the need to consider a set of various economic, social, legal, historical and cultural determinants lead to the development of different research perspectives. Despite the multi-theme approaches the concept of shareholder value, the fundamental assumption of principal-agent theory, appeared to become the paradigm for research of the efficiency of corporate governance mechanisms and evolution and gave rise to many regulations or best practice. In result, the proponents of corporate social responsibility and the broader role of the company in the economy seemed to loose in the conceptual debate. Yet, however the devastating impact of the crisis and the growing companies' and stakeholders' interests in CSR programs lead to the paradigm shift. Corporate governance inefficiencies identified with the outbreak of the financial crisis cast doubt not only on the effectiveness of the shareholder value approach, but also on many practices adopted in the areas of board work, executive compensation, performance evaluation and transparency. The development of the CSR concept contributed to the understanding of the company role in economy and society and exerted significant impact on theoretical framework and practice of corporate governance. The influence of CSR on corporate governance not only assured for the 'back to the basics' but also questioning some previously recognized assumption indicated areas of change.

The proposed article focuses on the CSR impact on the theory and practice of corporate governance. Its aim is to identify several areas of corporate governance such as orientation for shareholder values maximization, board work, executive compensation, performance measure and transparency and to show how these area changed in result of the development of CSR.

M. Aluchna (✉)
Warsaw School of Economics, Warszawa, Poland
e-mail: maria.aluchna@sgh.waw.pl

S. Vertigans, S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-319-35083-7_10

10.1 Introduction

The complexity of company functioning and the necessity to consider a set of various economic, social, legal, historical and cultural determinants lead to the development of different research perspectives on corporate governance. Despite the multi-theme approaches the concept of shareholder value, the fundamental assumption of principal-agent theory, appeared to become the paradigm for research of the evolution of corporate governance and the efficiency of the oversight mechanisms. It also gave rise to many regulations and best practice recommendation. In result, the proponents of corporate social responsibility and supporters of the broader role of the company in the economy seemed to lose in the conceptual debate. Yet, however the devastating impact of the crisis and the growing companies' and stakeholders' interests in CSR programs observed in recent years have led to the paradigm shift. Corporate governance inefficiencies identified with the outbreak of the financial crisis cast doubt not only on the effectiveness of the shareholder value approach, but also on many practices adopted in the areas of board work, executive compensation, performance evaluation and transparency. The development of the CSR concept contributed to the understanding of the company role in economy and society and exerted significant impact on theoretical framework and practice of corporate governance. The influence of CSR on corporate governance not only assured for the 'back to the basics' but also questioning some previously recognized assumption indicated areas for change.

The chapter focuses on the CSR impact on the theory and practice of corporate governance. Its aim is to identify areas of corporate governance such as orientation for shareholder values maximization, board work, executive compensation, performance measure and transparency and to show how these area changed in result of the development of CSR. The chapter is organized as follows. The first section delivers the definition of corporate governance and presentation of its tasks and mechanisms. The concept of corporate social responsibility and its impact on the fundamental assumption on corporate governance are outlined in the second section. The selected areas of corporate governance practice which demonstrate its evolution in the reaction to the growing importance of CSR are discussed in the third section. Final remarks are presented in conclusion.

10.2 Corporate Governance

Corporate governance is a widely analyzed topic in management and finance literature which addresses the search for the efficient functioning of companies. Generally it is defined as a set of mechanisms and institutions which aim at assuring for effective company operation and increasing its value (Monks and Minow 2004; Mallin 2010; Tricker 2011). As corporate governance remain highly interdisciplinary theme, definitions and research frameworks range from macro perspective concentrated on national systems, role of culture, law and politics (Fligstein and Choo 2005), mezzo perspective focused on industries and institutions and micro perspective related to the management and governance of companies. The discussion on the impact of legal, political and social determinants upon national systems of corporate governance remains beyond the scope of the paper. However, it must be emphasized that these factors influence the institutional and regulatory framework and create rules for company functioning (Roe 2003; Stulz and Williamson 2003; Doidge et al. 2007). Therefore the role of a company in business and society, corporate governance structure, adopted mechanisms, practices and shortcomings are derivatives of politics, culture and social norms and in result legal framework (Djankov et al. 2003; Denis and McConnell 2003; Deakin and Reberioux 2009). The culturally recognized values and norms, accepted behaviors and functioning patterns (promotion, motivation), the political representation of various interests groups (investors, labor) and socially viewed purpose of the company (short versus long term horizon, financial vs. non-financial goals) lead to the formation of the financial system regulation, company law and labor law (Turnbull 1994; Granovetter 1985). This, in effect, creates the frames in which companies operate and build on their corporate governance structure Hollingsworth et al 1994; Robertson and Crittenden 2004).

The micro perspective offers a wide range of theoretical perspectives to understand the functioning of corporate governance at the company level. These approaches include principal-agent theory, managerial hegemony theory, stewardship theory, property rights theory, organizational approach, transaction costs economics, stakeholder theory, team production theory and resource dependency theory (Mallin 2004). These perspectives address the organizational efficiency emphasizing different conflicts, behaviors or challenges and attempt to indicate that corporate governance "(..) is intended to make sure that the right questions get asked and that checks and balances are in place to make sure that the answers reflect what is best for the creation of long-term sustainable value" (Monks and Minow 2004). As noted by Larcker and Tayan (2011) "governance involves organizational decisions made at the senior-most level that directly influence the incentives, motivations and behavior of all employees" addressing inter-company behavior, relationships and processes.

Within the principal-agent theory, which has proven to become the most influential perspective, corporate governance at the company level traditionally is viewed through the lens of the natural conflicts between shareholders (principals) and executives (agents) (Jensen and Meckling 1976). The principal agent problems refer mostly to conflict between shareholders and managers of public listed companies rooted in the different risk exposure and risk diversification possibilities, different horizon and the choice of effort issues (Fama and Jensen 1983a, b). Opposing to principal-agent theory the managerial hegemony and stewardship perspectives viewed executives as trustful and responsible actors who work in the best interest of their principals (Mace 1971; Lorsch and MacIver 1989). The stakeholder theory (Freeman 1984; Freeman and Reed 1983; Donaldson and Preston 2008) and the recently developing team production theory (Blair and Stout

1999) indicate the role of actors other than shareholders in corporate governance. The transaction costs economics (Coase 1937; Williamson 1991) attempts to understand whether the activity is realized within the organizational structure or on the market, the property rights theory (Alchian and Demsetz 1973; Demsetz and Lehn 1985) examines the allocation of property rights to different actors, while the resource dependency theory (Pfeffer and Salancik 1978; Hillman et al. 2009; Davis and Cobb 2010) searches for understanding of networks and coalitions built by companies. The organizational theory (Westphal and Zajac 2001, 2013; Jensen and Zajac 2004) assumes the determining role of the organizational context for setting governance mechanisms and procedures.

All of mentioned approaches contribute to the understanding of the complexity of corporate governance researching the interdependences of mechanisms and examining the efficiency of set structures. In line with the most influential approach proposed by principal-agent theory corporate governance is to provide a set of monitoring and incentives mechanisms in order to lower the agency costs and to increase the efficacy of these relationships (Shleifer and Vishny 1997; Tricker 2011). More precisely, based on the idea of the shareholder primacy and the assumption that the main purpose of the company is to maximize shareholder value, corporate governance mechanisms include (Mallin 2010; Tricker 2011; Wolf 1999):

- Control and monitoring mechanisms divided into
  - Internal mechanisms such as ownership structure, functioning of the board, the disciplinary role of the creditor, internal monitoring by employees and whistle blowing system
  - External mechanisms such as stock market, market for corporate control, debt market, market for executives and the regulation role of the state
- Incentive mechanisms such as executive compensation with variable, performance based component
- Social norms and values which represent cognitive constructs and build accepted and non-accepted behavior patterns and ethical stance

The functioning of corporate governance mechanisms is briefly outlined below.

The role of ownership structure in corporate governance refers to the possibility given to shareholders to exercise their rights during annual shareholder meeting and in that way to have impact on the direction of company development and appointing directors and executives (Mallin 2004). The shareholder right to enjoy the dividend as well as the firm value increase should motivate them to vote on the decision towards the distribution of profit and investment policy. Additionally, shareholders having the right to sell the shares also may play an important disciplinary role as the voting by feet signals the misappreciation of executives work (Larcker and Tayan 2011). Due to the expertise, substantial investment and potential for the engagement into company oversight institutional investors are often viewed as the important governance mechanism (Core et al. 1999; Black 1998). The best practice in the area of ownership structure recommend equal treatment of shareholders, transparent reporting as guaranteed by the right to information and the procedures which enable shareholder to participate in the annual meetings and exercise their voice.

The functioning of the board which comprises of the directors appointed and elected by the shareholders represents their direct impact on the company (Gillespie and Zweig 2010). The board represents the interest of shareholders, provides accountability and monitoring for managers, intervenes in the case where managers act at the cost of shareholders. The board decides upon the selection and appointment of executives, formulation the dividend policy, determining executive compensation and also delivering advice and counsel for executives (Monks and Minow 2004). Therefore, the board composition, structure and the adopted policy reflects shareholders' interests and expectations. The guidelines for the best practice of corporate governance suggest presence of directors with adequate knowledge and experience with a certain number of them having the status of independent board member, separating the functions of Chairman and CEO and creating specialized committees (audit, remuneration, strategic, risk).

Amongst the disciplinary mechanisms an important role is played by the creditor. As the creditor has access to the company's data and in some of the corporate governance systems is present on the board via its representatives, it may react to deteriorating performance and induce action plan. Finally, internal monitoring by employees and whistle blowing system reveal the potential of control and monitoring within the organizational context. Employees act at the front line, understand company situation and are able to identify potential problems, unethical issues and executives misbehavior. They may react quickly and rescue the company.

A different set of control measures is provided by external mechanisms which include stock market, market for corporate control (hostile takeovers), debt market, market for executives (Allen and Gale 2000). These mechanisms are unique as they are based on markets, act independently and the company has no influence over their functioning and reactions. Stock market provides the function of appreciation or misappreciation of executives' actions and company performance. Similar logic is behind the functioning of the debt market where corporate governance bonds are traded. The lack of acceptance of the company strategy is demonstrated in the drop of share or bond price. The lower the company valuation they larger the threat of hostile takeover which represents the disciplinary function of the market for corporate control. Market for corporate control (MCC) assumes that the less efficient company will be taken over by a more efficient one replacing the executive team and improving the performance (Allen and Gale 2000). The market for executives refers to the labor market of top managers where the reputation is the most valuable assets. With the loss of reputation in reaction to company performance the executive position and chances for finding well paid job declines. Thus the logic of the labor market for executives should discourage them from engaging into unethical behavior at the cost of company and its shareholders. The existing corporate governance literature distinguishes also the regulatory role of the state which may set the laws, provide additional requirements and intervene in the times of crisis.

Executive compensation is one of the most important corporate governance mechanisms which plays an incentive function suggesting the adequate size, structure and various components of the pay. Executive compensation supports the alignment of the interests of managers to those of shareholders and traditionally plays a crucial role in the governance structure (Monks and Minow 2004). Its importance is rooted in the fundamental assumption of the link between executive pay and company performance assure by the presence of a variable component to the remuneration package. The variable, performance related part of the pay element is paid to the executive on the basis of the financial and market performance taking the form of the form of bonuses, stock options, restrictive shares and long term motivational plans. The variable component which may reach the level of as much as 75–80 % of the pay in are believed to have the strongest motivational influence on the executive contribution to corporate performance (Mallin 2004; Bebchuk and Fried 2010).

Finally, social norms and values may play at important role in shaping corporate governance. These norms have not yet been precisely elaborated in corporate governance studies as compared to the above discussed external and internal mechanisms and cannot be easily formalized to assure for their implementation. However, as a result of numerous corporate scandals and the recent financial crisis the importance of the ethical stance is viewed as fundamental for the survival and development of companies (Tricker 2011). The examples of irresponsible actions, misbehavior and unethical intensions indicate the need for careful screening the board directors and executives as well as building the corporate culture on values of trust, accountability and integrity supported by guidelines and procedures.

Since conflicts between shareholders and managers result from the separation of ownership and control and the information asymmetry, the shareholders face the risk of being expropriated by managers who working at the company may engage in opportunities behavior and focus on maximizing their own interests opposite to shareholders expectations (Jensen and Meckling 1976). These problems rise under the conditions of dispersed ownership when fragmented shareholders have neither necessary knowledge and experience nor funds to engage in efficient monitoring and oversight over the company (Monks and Minow 2004; Shleifer and Vishny 1997; Tricker 2011). The classic Anglo-Saxon picture of listed companies is said to be characterized by strong managers and weak owners cooperation, 'shareholders free ride' and 'voting by feet' phenomena (Roe 2003; Monks and Minow 2004). As supported by the principal agent theory corporate governance focuses on shareholder primacy and strives for maximizing shareholders value (Lazonick and O'Sullivan 2000). The arguments for the shareholder primacy relate to the importance of the shareholders contribution for the company development in the form of external capital and their risk of losing their wealth. Therefore the adopted measures are to tie the interests of managers with those of shareholders. This led to the development of corporate governance structures as well as codes of best practice which aim at the protection of shareholders interest and maximization shareholder value what is believed to be beneficial for the economy and society as a whole. The similar approach of maximizing shareholder value was transferred to other corporate governance systems of continental Europe, Asia and Latin America although they are characterized by different challenges of concentrated ownership, complex control structures and weaker institutional order.

10.3 The Corporate Social Responsibility and the Paradigm of Corporate Governance

Corporate social responsibility (CSR) remains the central theme in the debate on the business-society relationships (Carroll 1979; Matten et al. 2003) and on the directions for the social and economic development. The discussion has intensified after the financial crisis of 2008–2009 and in response to the rising problems and limitations derived from global social inequalities and environmental damage. Corporate social responsibility is defined as a concept "whereby companies integrate social and environmental concerns on their business operations and in their interaction with their stakeholders on a voluntary basis" (COM 2002; Neal 2008; Crowther and Jatana 2005; Prieto-Carron et al. 2006) to achieve long term sustainable growth and development. The principles of CSR are viewed as an the next step of business evolution (Clement-Jones 2004) which aims at incorporating postulates and interests of a wide range of stakeholders into their strategies and values which are rooted in a wider perspective known as the social model of a corporation (Hawkins 2006). The group of stakeholders includes shareholders, employees, suppliers, customers, local communities and management (Freeman 2005).

The growing awareness of the social and environmental challenges and the understanding for their impact on human lives have provided new directions for company development and its role in business and society. Corporate social responsibility as a complete concept based on the assumption of stakeholder rights and companies' responsibilities provides a set of new assumptions in many areas of understanding the functioning of the firm. Thus, CSR enriches strategic management providing new sources for competitive advantage, communication and strategy formulation incorporating interests of stakeholders, leadership and motivating outlining new programs which attract employees. It also changes the understanding on governance, finance, corporate performance and reporting. On the practical level corporate social responsibility leads to reshaping the corporate practices in terms of strategy, governance structure, motivation systems and adopted policies. The CSR impact is viewed both on the level of corporate practice as well as on concepts and ideas for company management.

Adopting the CSR and incorporating stakeholders' expectation in the company functioning influence also the concept of corporate governance. Corporate governance with the CSR impact needs to address a set of various issues which traditionally remained beyond its scope. This impact represents a paradigm changes and refers to the fundamental assumptions and general tasks of corporate governance as presented in Table 10.1

Table 10.1 The CSR impact on the dominant corporate governance assumptions

Aspect	Traditional corporate governance	Enlightened corporate governance
Time orientation	Medium and long term	Long term
Strategic focus	Shareholder primacy	Shareholders and stakeholders
Accountability	Towards shareholders	Towards stakeholders
Assumption for company success	Market position and financial performance	Sustainable development combining market position, balancing financial, social and environmental performance
Post-crisis reforms	Strengthening shareholders rights, executives accountability and disclosure requirements	Reshaping the idea of the company role and accountability
Role of regulation	Imposed by the state and regulators	Additional self-regulation adopted

Source: own compilation

As shown in Table 10.1 adopting the CSR perspective redevelops the company management and governance with respect to the time orientation, strategic focus, scope of accountability, assumption for company success, post-crisis reforms and the role of regulation. Implementation of CSR increases the time horizon to long term as the company needs to address the potential consequences of its operation for now and in the longer perspective. The longer time orientation translates into considering impact on society and environment. The strategic focus shifts from shareholder primacy toward the satisfaction of stakeholders (Mayer 2012; Stout 2012). What respectively leads to the change in the perception of company accountability. Therefore, the understanding of the company success viewed through the lens of market and financial performance and maximizing shareholder value is replaced with the sustainable development combining market position, balancing financial, social and environmental performance. As the traditional corporate governance was mostly shaped by the state impact and regulation on financial system, labor rights and company law, the enlightened corporate governance faces also the impact of communities, NGOs and additional self-regulation adopted by the industry. The post-crisis reforms targeting strengthening shareholders rights, executives accountability and disclosure requirements and replaced by the wider approach significantly reshaping the idea of the company role and accountability (Lipman 2007; Bainbridge 2012).

The identified CSR impact on governance and management relates in a great sense to the works suggesting the need to include “social responsibility in the formula for corporate governance and to address the deficiencies of short term thinking” (Canadian Business 2003) which should demonstrate the revision of current CSR models (Thiel 2009).

10.4 Enlightened Corporate Governance

The discussion on the corporate governance fundamental reforms and the change of the dominant paradigm are to a large extend driven by the negative consequences of the recent financial crisis. The impact of the economic downturn, oversight inefficiencies and companies' scandals cast doubts on the effectiveness of the traditional model of corporate governance and its role in contributing to the social and economic development. As indicated in the existing literature and observed in business practice the focus on the maximizing shareholder value did not result in creating wealth for investors (Stout 2012). Moreover, it led to the misuse of corporate governance mechanisms and the emergence of significant shortcomings and inefficiencies which are believed to contribute to the outbreak of the financial crisis. The most problematic practice of corporate governance refer to (Isaksson 2010; Clarke and Chanlat 2009; Mayer 2012; Stout 2012):

- Passive and short term oriented shareholders who are not interested in engagement and oversight over company management and focus on short term profit without considering the further consequences
- Passive and inefficient boards which are unable to identify risks of the company operation and exercise their rights for control and monitoring and are unable to react to increasing risks and problems of the company
- Inefficient executive compensation motivating for excessive risks and short term orientation in company results
- The financialization of the company operation which views all company actions through the less of financial performance neglecting social and environmental impact
- Negative impact of corporate failures upon the whole economic system and many different constituencies leading to greater instability, market shocks and increased inequality of wealth distribution

In line with the identified shortcomings and the experience of the recent financial crisis corporate governance is believed to be forced to change. These refers not only refer to the corporate governance mechanisms and institutions themselves, but call for a wider approach of the perception of the company, its stakeholders and performance (Mayer 2012). The main areas of changes and the practical dimensions of enlightened corporate governance are presented in Table 10.2.

As shown in Table 10.2 the enlightened corporate governance model is characterized by a set of various tasks referring to oversight, monitoring, motivation and transparency. First of all, the adoption of the CSR changes the understanding and the distribution of the profit. Although the payment of the dividend to shareholders remains a fundamental obligation of profit sharing, the shareholder accept also the financial contribution of the company to social and environmental initiatives. The shareholder engagement develops from the focus on the governance proposals to activism related to various aspects of governance, financial, social and environmental performance (Proxy Monitor, 2014). On the operational level corporate

Table 10.2 The CSR impact on the corporate governance practice

Aspect	Traditional corporate governance	Enlightened corporate governance
Profit distribution	Dividend paid to shareholders	Dividend paid to shareholders, contribution to social and environmental initiatives
Shareholder engagement	Limited mostly to proposals related to governance and financial performance	Related to various aspects of governance, financial, social and environmental performance
Board tasks	Protection of shareholder interest	Protection of shareholder interest with respect to stakeholder expectations
Board composition	Sector and financial experts	Diverse, including women and constituency directors
Executive compensation	Variable component related to maximizing shareholder value measures	Variable component related to maximizing shareholder value measures with some limitations and long term orientation
Performance dimension	Financial	Financial, social and environmental
Reporting	Based on financial measures, addresses mostly to shareholders, investors and participants of stock market	Integrated addresses mostly to shareholders and various stakeholders

Source: own compilation

social responsibility and sustainability are additional aspects to be covered by corporate governance structure represented mostly by the board monitoring and to be incorporated in the company strategy as a result of the notion that business has to respond to changing societal expectations (Idemudia 2011).

Significant changes are also observed in the area of executive compensation. In the enlightened corporate governance model the variable component relates to maximizing shareholder value measures with some limitations and long term orientation (House of Commons 2009; SEC 2010). Thus, the bonus and incentive mechanisms are based on the realization of various set of goals stretched over a longer time horizon (Anderson R. and Associates 2010; FRC 2010). The performance dimensions are widen from sole focus on financial results, share price and shareholder value into financial, social and environmental perspectives. And finally, disclosure requirements limited financial measures, addresses to shareholders, investors and participants of stock market is in the enlightened corporate governance enlarged to integrated reporting targeting shareholders and various stakeholders. Such responsible model of corporate governance still fulfills its tasks and functions for the sake of the company and for the interests of shareholders. The realization of its principles are to benefit various constituencies and be a part of the strategy for restoring confidence, enhancing innovation and creativity and providing for the social and economic development (OECD 2004).

The authors suggest the "synthesis of economic and ethics" (Milton 2010) and note the convergence between corporate governance and CSR to be mostly driven by the view that board and board directors fulfill fiduciary duties and are responsible for the company performance to shareholders (Moon et al. 2010; Riyanto and Toolsema 2007). Therefore, the tasks of corporate governance are viewed as to be more complex to assure that the checks and balances address the issues raised by stakeholders and respond to social and environmental challenges of business (Verdeyen et al. 2004; Beltratti 2005). Therefore there is a trend of the synthesis of corporate governance and CSR, executed mostly at the level of board of directors. On the other hand the broader, enlightened corporate governance is perceived as a vehicle for incorporating "social and environmental concerns into the business decision making process benefiting not only financial investors but also employees, consumers and communities" (Gill 2008; Jamali et al. 2008). The responsible corporate governance includes stakeholder empowerment, management and performance evaluation systems, transparency enhancement and finally stakeholder verification (Kuhndt and Tuncer 2007). However, it recognizes that the adoption of corporate social responsibility and the implementation of sustainable principles is a prerequisite for creation of long term shareholder value. Such corporate governance model balances shareholder and stakeholder expectations and combines achievement of enhanced economic value, enhanced social value, enhanced ecological value and enhanced market value (Wheeler and Davies 2007).

10.5 Conclusions

Corporate governance provides a structure of checks and balances to assure effective functioning of the company focusing mostly on the level of shareholders and company relations. Traditionally, corporate governance was based on the maximizing shareholder value paradigm. Its mechanisms were to control and monitor as well as to motivate executives to work in the best interest of shareholders. The painful experience of the 2008–2009 financial crisis indicated several crucial shortcoming in the corporate governance structure verifying recognized assumptions. The impact of corporate social responsibility resulted in the broader approach to the measurement of firm performance adding social and environmental performance to the evaluation of executives work. CSR also widened the perceptive indicating the role of various stakeholders. In result, companies need to incorporate not only the shareholder interests but also stakeholder expectations into business and corporate level strategies. Moreover, the growing awareness of environmental and social challenges questioned the traditional development strategies calling for the change of the paradigm of the company role in the business and society. Therefore, the adoption of corporate social responsibility transforms the perception of the role and content of corporate governance. The proposed model of enlightened corporate governance provides a change with respect to the fundamental assumptions and suggests new practice. The change driven by the growing importance of CSR is visible in the public expectations, the implemented regulation (integrated reports) and in the company practice (board role, performance measure).

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Chapter 11
Impact of CSR on Economies with Weak Governance

Catalina Sitnikov and Claudiu Bocean

Abstract At present, in the least developed countries and in a number of developing countries, one can notice weak public and organizational governance. Economies characterized by weak public and organizational governance are those economies in which governments do not wish or are unable to fulfil their responsibilities. Public authorities do not make efforts to protect the rights (including property rights) or to provide basic public services in good conditions (such as social programs, programs for infrastructure development, prudential supervision of various economic sectors). These "governmental failures" lead to failures on a large scale in relation to political, economic and civic institutions.

Unlike economies characterized by a strong organizational and public governance, in the societies with a weak governance, the impact of CSR programs is not visible for civil society is disorganized, various agencies that are focused on regulating the activities in various economic sectors are either ineffective, or corrupted, and the media and non-governmental organizations do not publicize and do not reflect correctly CSR activities.

Therefore, the chapter will focus on presenting the capacity of individual organizations and of business sector as a whole, seen as major actors of economies with weak governance, to support these economies in the process of institutional reform. This due to the fact that the roles of companies in this field are not always well defined, and there may be possible risks regarding involvement in politics of those states.

In particular, multinational companies may be relatively strong actors in the economies with weak governance, with a stronger influence over political factors than citizens or companies in the host state, being able to promote through CSR better and more accurate program policies and practices both in the public and private sectors. In achieving the CSR objectives, multinational companies may carry on their activities in partnership with the business environment, professional associations, trade unions, and civil society organizations in the host country.

C. Sitnikov (✉) • C. Bocean
University of Craiova, Craiova, Romania
e-mail: catalinasitnikov@yahoo.com

S. Vertigans, S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-319-35083-7_11

11.1 Introduction

Over time, economic systems were classified based on certain criteria that characterize the functionality of an economy (independent and free markets, democracy, rule of law, the existence of civil society, consistent legislative framework, the functionality of public institutions, etc.): strong or weak economies (Aguilera and Jackson 2003), successful or a ineffectual economies (Wood and Frynas 2006). There is now a broad consensus that the economic development and poverty eradication cannot be achieved only through good governance (World Bank 1997). A weak state in terms of good governance mechanisms is unlikely to take effective measures to eradicate poverty (Moore 2004). Weak governance economy is defined by OECD (2006, p. 9) as “an investment environment where governments are unable or unwilling to assume their responsibilities”. Failure in correct functioning of political, economic and civic institutions in these countries leads to corruption, hindering economic and social development. About 15 % of people in the world live in these areas, especially in sub-Saharan Africa. For international business environment, economies with weak governance are some of the most difficult investment environments in the world.

In economies with weak governance, governments are unable or unwilling to assume roles in terms of protecting rights, the provision of basic public services, ensuring an efficient public management. Institutional failures can cause circumstances leading to a series of ethical dilemmas for companies. In addition to financial and business risks, typically encountered in weak economies, there are risks caused by corruption, abuses, violence, forced labour and other violations of the rule of law.

Due to the high degree of poverty, illiteracy, famine, endemic diseases, civil society actors have no regard or attach little importance to the corporate problems in weak governance economies. While in strong economies, civil society organizations are able to monitor companies operating and even to impose sanctioning of negative corporate behaviour (Bruyn 1999); in economies with weak governance these organizations fail to overly influence corporate behaviour. Rahim (2012) believes that economies with weak governance do not have a favourable environment, which allows various actors to implement effective CSR programs.

Braithwaite (2006) considers that the legislation governing corporate domain in these countries does not include a clear delineation of stakeholders’ rights and ethical and business conduct of companies. Generally speaking, the regulatory framework of companies operating process regards as stakeholders the government and shareholders only (Ward 2004), ignoring the other categories. According to Hutter and O’Mahony (2004) this is caused by lack of political will. In this respect, implementing CSR programs becomes very important for increasing the functionality of economy and society as a whole.

11.2 CSR in Economies with Weak Governance

CSR is seen as a deliberate choice made by companies to develop a route of sustainable growth in all three dimensions (social, economic and environmental) and maintain relationships based on transparency and dialogue with various stakeholders. Thus, CSR includes all activities whereby companies take responsibility for the entire value creation chain, analyzing the impact on social, environmental and economic parameters. Nelson (2008) considers that CSR can be defined as the way a company is able to manage its impact and contributions on society. In Nelson's opinion, there are three ways in which companies can exert influence through CSR programs on the economies with poor governance:

- developing basic activities in a profitable, productive, ethical and responsible way, minimizing any negative impact and maximizing the positive impact that may arise from these activities;
- professing strategic philanthropy and strengthening local communities and partnerships with non-profit organizations within interest fields for the company;
- involving in the dialogue on public policies, in the advocacy platforms to support governments in strengthening public institutions and the provision of quality public services (health, education, public safety, etc.).

Although contributions in these three areas varies from company to company, from sector to sector and from region to region, all three spheres of influence being relevant for most multinationals, attention was focused on the first two paths, while relatively little attention was paid to the third one.

Currently there are a number of international instruments (initiatives of public international bodies in CSR domain) which provides guidelines in areas such as human rights, fighting corruption, information disclosure and environmental protection. Some of these instruments are conventions and declarations issued by international organizations such as Universal Declaration of Human Rights, ILO Declaration on Fundamental Principles and Rights at Work, ILO Conventions, UN Framework Convention on Climate Change (OECD 2009). Others are guidelines that provide guidance and principles which support detailing the practical implementation of conventions and declarations: ILO Multinational Enterprises Declaration, OECD Multinational Guidelines Enterprises, and the UN Global Compact Principles. In some cases, these tools are developed specially for companies (such as ILO Multinational Enterprises Declaration or the OECD Multinational Enterprises Guidelines).

In economies with weak governance it might need to observe the international CSR initiatives, which are even more relevant and useful in these countries. International declarations and conventions, generally accepted standards in the field of CSR can create the required framework to achieve effective corporate social responsibility in those countries where legislation is incomplete and incoherent and do not provide clear rules for companies. Multinational companies must develop codes of ethics and business conduct based on international conventions and declarations, on standards generally accepted in the field of CSR. Companies' management and, particularly, their representatives in economies with weak governance should ensure that their codes are strictly applied regardless of the governance state in the regions where they operate (OECD 2005). Also, companies can require business partners (suppliers, subcontractors, sub-suppliers, etc.) to comply with these codes of ethics and business conduct provisions.

A number of researchers suggest that CSR practices can be applied only in certain situations and that the effectiveness of companies' self-regulatory mechanisms in various political and administrative frameworks is questionable (Newell 2005; Morgan 2006; Djelic and Quack 2008). National economies do not even but rather find new ways to internalize the influences of globalization while preserving their distinctive character (Whitley 1999). However, Amaeshi et al. (2011) believes that national economies provide the means for CSR to become a public policy tool. In 2009, Cumming stated that CSR programs can support companies to operate in countries with weak governance and they may develop standards stricter than what is legally prescribed.

Multinational companies are increasingly directly or indirectly constrained by some external actors (e.g. NGOs, international organizations, pressure groups) to fill the lack of good governance existing in weaker economies, because the institutions in these countries are unable to fairly and transparently manage the activities of multinational companies and ensure a stable competitive environment. Therefore, multinationals are encouraged to be more socially responsible and transparent in their business practices (Vogel 2008; Mattli and Woods 2009; Simons and Macklin 2014).

Midttun (2008) concludes that current global challenges (climate change, human rights, corruption) cannot be solved by one sector (public, private or civil society) but there must be a partnership among the three sectors. In authors view, CSR is the tool by which the private sector establishes sound partnerships with governments and civil society organizations. Thus, CSR programs cannot act in isolation, but to be effective they must be consistent with national policies and international principles generally accepted (democracy, rule of law, human rights, labourers' rights, and fight against corruption).

11.3 Risks and Problems of Countries with Weak Governance

Main distinction between business located in economies with weak governance and those located in the countries with a strong economy does not concern different concepts and principles that would apply depending on the circumstances, but the significant efforts undertaken by companies in order for these concepts and principles to become reality in countries with poor governance (OECD 2006). Risks arising in economies with weak governance (corruption, abuses, human rights violations, breaches of international law, etc.) cause additional problems to the companies in the process of complying to that country's legal framework and to the provisions of relevant international instruments (Rahim and Alam 2014).

OECD (2006) proposes a list of issues that companies must address when analyzing existing and potential investments in economies with weak governance: national legislation, international conventions and declarations observance, a focus on business management, involvement in political activities, a good knowledge and understanding of business partners and other stakeholders, the role of businesses in governance mechanisms, state-owned companies.

11.3.1 Compliance with National Legislation, International Conventions and Declarations

Multinational companies have the same responsibilities in weak governance economies as in their countries of origin (compliance with legal obligations, compliance with recognized international declarations and conventions covering the areas of CSR and human rights, fighting corruption and money laundering by fair business practices, labour and environment protection partnerships). As the legal system and political dialogue in these areas is not functioning properly, declarations, conventions and recognized international guidelines provide guidance on acceptable behaviour to be used in these circumstances (Backer 2015). Therefore, companies should analyze the impact of compliance on business operations and strategies (OECD 2006).

11.3.2 Increased Attention to Business Management

Risks encountered in economies with weak governance generate keen attention with a focus on businesses management, particularly in several areas: gathering information, internal procedures, and relationships with partners, audit procedures, consulting services in order to ensure compliance with national legislation, with declarations and international conventions. Any company management and reporting practices are the best indicator of the importance the company attaches to various ethical and business conduct issues. Therefore, companies should pay more attention to risk management instruments: internal control systems, internal and external audit, reporting transparent systems.

11.3.3 Involvement in Political Activities

In any society, regardless of the governance organizing, companies play a legitimate and useful role in political activities. However, companies can use political activities to get illegal benefits which leads to violation of national laws or of international conventions.

Companies' involvement in politics is a characteristic of economies with weak governance, while the political establishment is, in turn, heavily involved in business in these types of societies (OECD 2005). This reciprocal relationship is favourable neither to private sector (in terms of worsening company's reputation) nor to the public one (in terms of reducing institutional functionality). In economies with weak governance there is a series of institutional failures: civil servants abuses, lack of investments' protection, lack of transparent and fair tendering procedures, and corruption in the public economic sector. Foreign investors in weak governance economies cultivate political contacts at all levels to protect their investments, and to obtain a competitive advantage over other foreign investors, especially in the face of local investors (Muller 2011).

Multinational companies must have an active role in supporting reforms for they are strong compared to most economic actors in countries with weak governance, often with turnovers comparable to the country's GDP (Backer 2015). Although multinational companies better know and apply in their worldwide activities CSR international norms and standards, there is a risk of inappropriate involvement in the political decisions of the country which represents the premises of future abuses (OECD 2005). Adequate involvement supposes lobby achievement to streamline institutions, creating a competitive market environment, strengthening accounting, auditing and law professionals' reputation, strengthening the role of civil society, supporting institutions that provide increased integrity (promoting a National Integrity Agency).

11.3.4 Knowing Customers, Business Partners and Other Stakeholders

In economies with weak governance, companies face the increasing risks of entering into relationships with employees, customers or business partners that could affect the company's reputation through various violations law or other types of abuse. To successfully implement its CSR programs, any company must ensure that it is well informed about the local political situation and the national, regional, local and ethnical extents of political, economic and social setting (Mullerat 2011). Partnerships are the most important instrument through which multinational companies, civil society organizations and representatives of international organizations can create structures which, based on aggregate competencies, facilitate the development of relations, a better coordination between the public and private sectors, transparency in professing public roles (IOB Study 2013). In addition to partnerships with public institutions and NGOs in the host country, with other multinationals or domestic companies, international organizations, an important role is played by the partnerships with local embassies (especially of the powerful countries promoting the establishment of democracy and the rule of law).

11.3.5 The Role of Companies Within Governance Mechanisms

The economic costs of poor governance economies failures include both direct costs resulting from these failures as well as missed opportunities cost. OECD (2006) believes that companies can act as important players of these companies' economies supporting them in implementing institutional reforms. However, the roles that companies may play are not always well defined, as there are risks associated to companies engaging in this field. One can mention that companies' responsibilities are largely the same in companies from economies with weak governance as in those with strong governance. What must be different is the particular attention that companies' management, in countries with strong governance, must pay to standards and conventions. There are various opinions according to which multinational companies may act as relatively powerful actors in economies with weak governance, as they are better placed to support institutional reforms rather than most citizens of these countries (OECD 2006). Amaeshi et al. (2011) considers that the aim of positioning CSR as a private governance mechanism is not to undermine the role of government or other public institutions in economies with weak governance. Rather, CSR complements existing public governance configurations and compensates their weaknesses.

In other words, CSR programs are a voluntary initiative of companies aimed at filling the governance gaps that exist in institutional configurations (Richardson 2009; Simons and Macklin 2014). Graham and Woods (2006) argued that voluntary governance mechanism is effective in ensuring the institutional development in economies with weak governance. In authors view, good governance is essential in economic growth and for reducing poverty.

Therefore, an essential CSR programs component of companies and groups of companies must be supporting the process of adjusting the governance structures, public policies that aim at achieving the economic, social and environmental objectives in those countries (Mullerat 2011).

It is important that companies should have clearly defined the limits of what can and cannot do to address governance gaps and institutional failures, as this may cause the company to be associated with some corrupt or ineffective officials (Rahim and Alam 2014). Therefore, companies must constantly make visible efforts to promote fair and transparent policies and practices in both public and private sectors.

11.3.6 State-Owned Companies

In economies with weak governance an important issue for business functionality refers to state-owned companies. The roles state plays as owner and regulator are not distinct in these countries. State-owned companies can influence, by means of the relationships they have with the political environment (their management is often established by political decisions), the laws and regulations, disturbing the competitive environment.

Also, state-owned companies have weak internal control systems, benefiting from the public institutions of the host country leniency in applying legal and tax regulations. The degree of transparency is low and compliance with international reporting standards is not abided. Multinational companies should be careful and monitor the relations with doubtful state-owned companies. To increase transparency they should promote agreements with these companies on improving governance in state companies.

In some countries, the state-owned companies have created advisory or coordinating bodies, usually located in a ministry such as finance or economy. Advisory or coordinating bodies support the professionalization of public companies management, to promote good corporate governance practices at the micro level of the company, generating coherence in coordinating public sector as a whole. These bodies also aim to facilitate organizational learning and exchange of experience among various state-owned companies and, in some cases, to initiate the transition from a decentralized model to a completely centralized one, linked to specific public strategies developed at the government level (World Bank 2014).

11.4 The Effects of CSR Actions on Issues of Poor Governance Countries

Coherent implementation of complex CSR programs is fairly recent, as there are not many studies that evaluate their impact, especially in economies with weak governance. The main problem is the lack of information on the causal relationship established between the efforts and effects obtained. However, among researchers there is a consensus that the responsible behaviour of multinational companies is quickly spread in countries where they operate.

Visser (2008) considers that in economies with weak governance CSR is seen as a way to correct “governance gaps” caused by weak and corrupt governments that fail to adequately provide various social services (housing, roads, electricity, health care, education, etc.). Social responsibility is often delegated to private actors, and increasingly, to companies. The more political initiatives fail, the more the opinion that companies must assume this role flourishes. Thus, Frynas (2005) note that multinationals are seen more and more as social actors that can boost the institutional development and can compensate for the emptiness of ethical and conduct standards at the level of weak governance companies.

Moon (2002) argues that this phenomenon is part of a broader political change, by means of which governments seek to share responsibilities with the business sector and to develop new ways of operating. This cooperation often takes the form of social partnerships among companies, non-profit organizations and public institutions.

However, CSR theoretical models are not easily applied in fragile institutional circumstances of economies with weak governance because public institutions are weak, markets are inefficient, civil society is almost non-existent, and businesses are prone to abuse and corruption (Amaeshi et al. 2011). A significant number of multinational companies are seen in a negative light in economies with weak governance, considering that they are interested in achieving maximum profits that would be repatriated to their home countries without making minimal investments in host countries (Meyer 2004; Oetzel and Doh 2009). Rahim (2012) believes that in economies with weak governance, companies are under constant pressure from civil society organizations to have appropriate strategies in order to fulfil social responsibilities, as it happens in strong economies.

Due to consumers' lack of interest, disorganized civil society, inadequate supervisory institutions, public corruption, companies do not put CSR at the heart of their policies. Some of these negative perceptions are supported by empirical research (Rodriguez et al. 2006; Frynas et al. 2006), overshadowing the benefits multinationals bring to local economies: creation of new jobs, transfer of higher technology, creating of additional added value (Ramamurti 2004).

Taking into consideration that ISO 26000 is the most inclusive and most famous of all current CSR instruments (being based on a variety of international CSR conventions and declarations) the authors see it as the best instrument that can be used by companies in economies with weak governance. The principles of social responsibility as defined by ISO 26000 are: accountability, transparency, ethical behaviour, and respect for stakeholder interests, respect for the rule of law, respect for international norms of behaviour, respect for human rights (ISO 2010). If these principles are implemented in one form or another, for a long time in powerful economies, in economies with weak governance, only in recent years one can speak of these principles.

The seven core subjects defined by ISO 26000 which provide guidelines on social responsibility (ISO 2010) which any multinational company in host countries can use to be guided in its work are: organizational governance, human rights, labour relations, environment, ethical practices, consumer issues, development and community involvement. In authors' opinion, the seven core subjects provide sufficient guidelines for multinational companies to manage all risks that are specific to economies with weak governance. Figure 11.1 below illustrates ways

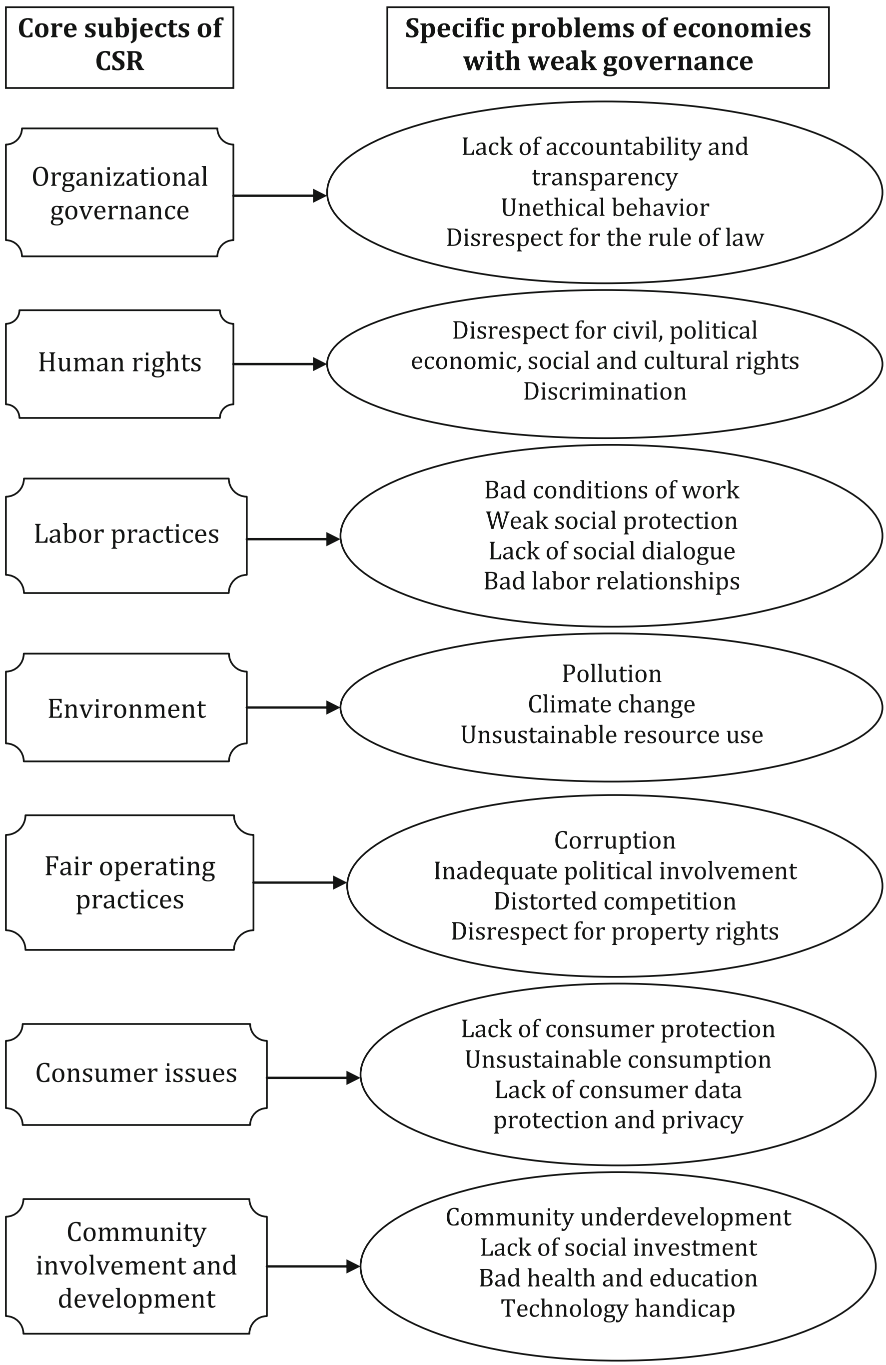

Fig. 11.1 Issues of social responsibility in economies with weak governance

in which companies can address specific problems of an economy with weak governance, using the tools provided by ISO 26000.

Effective organizational governance enables companies to increase the accountability and transparency, promote ethical behaviour, respect stakeholder interests, and respect legal provisions in making decisions and implementing those decisions. In economies with weak governance, companies should pay particular attention to respecting various rights. Recognition and respect for human rights are the cornerstones of establishing the rule of law, which is essential in order to improve a country's governance.

Individual companies and the business sector as a whole are interested, as senior members of economies with poor governance, to support these companies entering and remaining on the path of institutional reform. But the roles played by the business sector in supporting institutional reform are not always well defined and risks associated with the business sector intervention in this area may occur (OECD 2006). Citizens, politicians and civil servants are the ones who have the primary responsibility for the reform of institutions within poorly governed countries. However, individual companies and the business sector can play an important supporting role.

Human rights are one of the core subjects of ISO 26000. The issue of human rights is contained in clause 6.3. Each topic generates a number of issues addressed in sub-clauses.

Clause 6.3 contains aspects of human rights that must be addressed by standard users: vulnerable groups, issues of non-discrimination, civil and political, economic, social and cultural rights, the fundamental rights of employees in the workplace, description of risk situations on human rights, ways organizations use to react to situations of ongoing abuse.

In the sections on civil and political, economic, social and cultural rights, ISO 26000 standard recommends not only compliance across the organization, but supporting their fulfilment in the society. Although it is clearly stated that the primary responsibility of organizations is to observe the rights, the standard provides a number of more detailed explanations on how an organization can support human rights. These explanations can be especially useful in countries with weak governance to strengthen the overall framework of observing all human rights within society (Atler 2011).

Work is an essential element in human development. The lack of employment is the main cause of social problems. Also workplaces where conditions and labour relations are inadequate can be a cause of social discontent and low productivity.

Clause of ISO 26000 on labour practices relate to the fair treatment of all workers, including those who are hired and work in sub-contracting organizations. Labor practices aim at hiring and promoting workers, disciplinary and appeal of sanctions procedures, transfer and relocation of workers, termination of employment, training and skills development, health, safety and hygiene at work, unions recognition and participation in collective bargaining and any practice that may affect workplace conditions. Human labour is not a commodity (Ecology 2011). Given that employees are human beings, human resources are not a commodity.

They need protection and appropriate treatment that do not obey the laws governing the transaction of goods.

Therefore, companies, especially in countries with weak governance, need to establish socially responsible labour practices to ensure desirable jobs both in their own organizations and in those of the partners. In this way, companies contribute to a climate focused on building fair working practices in the economy.

Companies' decisions and activities always have an impact on the environment where they operate. To reduce environmental impact, companies should adopt an integrated approach allowing combating pollution, climate change mitigation, sustainable consumption of resources, and protection of natural habitats. Companies in countries with weak governance should observe four principles when focus towards improving the activities impact on the environment: environmental responsibility by accepting the responsibility for the environmental burdens caused by companies activities, products and services; precautionary approach by avoiding or limiting damages when they occurs; managing environmental risks by implementing programs to assess and reduce them; bearing the cost of pollution caused by companies activities (Ecology 2011). Pollution prevention produces economic, environmental and reputation benefits, while financial, human and image damages in the event of environmental accidents being much higher.

Also, companies must establish fair business practices regarding ethical behaviour in the relationships they have with other organizations (public institutions, partners, competitors' business associations, etc.) or individuals. These practices include fighting corruption, responsible involvement in government policies, ensuring fair competition, and respect for property rights.

Corruption is recognized as a major obstacle to sustainable development, with a disproportionate impact especially on poor communities, numerous in countries with weak governance. The impact on the private sector is significant, hampering the economic growth, distorting the fair competition. ISO 26000 addresses the issue of anti-corruption in the context of "fair business practices", identifying it as one of several related issues that are part of a broader category—fair operating practices (UNGC 2010). They concern ethical conduct of an organization within the environment in which it operates (companies and government agencies as well as partners, suppliers, contractors, competitors and business associations). Compliance with ISO 26000 clause would increase the improvement of competitive and economic environment quality in countries with weak governance.

Although special attention is not paid to issues concerning consumers in economies with weak governance, they are significant in terms of companies' contribution to sustainable consumption and sustainable development through the products and services they offer and the information they provide. The main responsibilities of the companies in this area include providing education and accurate, transparent and useful information, fair and transparent processes stipulated by contracts, promoting sustainable consumption. Stimulating sustainable consumption and observing consumer rights are aspects of social responsibility that can lead to improving the lives of people from countries with poor governance (Bell et al. 2010).

It is now generally accepted that companies have various types of relationship with the communities where they develop their activities. Community involvement and development are integrative parts of sustainable development, supporting the strengthening of civil society and civic and democratic values. Key areas include community development and employment creation, development and transfer of new technologies, social investments, local economic development initiatives, education, cultural and health programs support.

In conclusion, companies must be concerned with functionality of governance mechanisms in countries where they operate because any political, social and economic influences directly the business risks and opportunities, affecting business profits, security and sustainability. The ability to identify and prioritize these problems, as well as determining the best ways of solving them, either individually or collectively, will constitute a competitive advantage that will allow distinction between a company and its main competitors, demonstrating therefore that the company has a socially responsible behaviour. In countries with weak governance, the existence of practical CSR tools, such as ISO 26000, can support companies operating in these countries, observing international regulations in human rights, business practices, labour, preventing and combating pollution.

11.5 Conclusions and Further Research

There is now a growing trend to globalize CSR practices created within strong economies and transform them into a panacea for most of the problems encountered in countries with poor governance (poverty, inequality, human rights violations, abuses in relations employment, climate change, etc.). Companies have the same responsibilities when operating in weak governance economies as in normal business environments. They must comply with local laws and a number of international conventions and standards generally accepted in the field of CSR. While corporate social responsibility general principles (respect for civil, political, economic, social, and cultural rights, good labor practices, combating pollution, and preventing climate change, fair operating practices, involvement in community, good organizational governance) are generally accepted, what varies, especially in the countries with weak governance, are the tools used and the special care that management must take to ensure that conventions and standards are observed and reporting is fairly and fully transparent. Regarding political involvement, companies find it difficult to reliably maintain a picture of non-involvement policy. Therefore, the question that arises concerns the distinction between constructive political involvement and inappropriate engagement. In this regard, companies should consider involvement in politics and choosing appropriate channels.

Usually, constructive engagement is transparent, conducted in partnership with other actors of civil society and aimed at general issues (anti-corruption, more functional public institutions, better competitive environment, etc.) rather than specific issues of direct interest for the company. Multinational companies can play an important role in institutional development through partnership with business environment, professional associations, trade unions and civil society organizations in countries with weak governance.

In authors' opinion, ISO 26000, due to its very broad coverage, is the most appropriate instrument for social responsibility that can be used by companies in economies with weak governance. By means of its seven core subjects, ISO 26000 can provide solutions for most specific problems of such economies.

In future research, the authors will focus in detailing the mechanisms by which the provisions of ISO 26000 clause 6 can contribute to solving specific problems of economies with weak governance (ignoring human and labour rights, corruption, pollution, poor public services, etc.).

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Part IV
Environmental Corporate Social Responsibility

Chapter 12
Responsible Risk-Taking, or How Might CSR Be Responsive to the Nature of Contemporary Risks? Reflections on Sub-seabed Carbon Dioxide Storage in Scotland and Marine Radioactive Contamination in Fukushima Prefecture, Japan

Leslie Mabon

Abstract This chapter assesses the role of risk governance and risk communication in CSR, with particular reference to how an operator's attention to the social dimensions of risk may affect its ability (or otherwise) to be granted a social licence to operate (SLO). This issue is explored through the lens of potential effects of energy infrastructure on the environment, with particular reference to sub-seabed carbon dioxide storage (as part of larger carbon dioxide capture and storage processes) and marine radioactive contamination following the Fukushima nuclear accident. I argue that due to the hugely value-laden nature of risk perception associated with energy and environmental change, honesty about uncertainties and remediation/contingency plans, sincerity in motivations for taking risks, and respect for public and stakeholder understandings of risk must all be considered as part of an operator's risk management strategy. In terms of implications for thinking about CSR and SLOs, I conclude that the case studies presented reinforce extant thinking on the role of communities' values in the granting of an SLO and the need for developers to on occasion go beyond their legal requirements for risk management if they are to receive an SLO. However, I also suggest that the potentially far-reaching impacts of energy technologies raise challenges for the traditional focus in SLO thinking on 'local' community effects, and for the assumption that the end goal should always be for a project to proceed in a particular location.

L. Mabon (✉)
School of Applied Social Studies, Robert Gordon University, Aberdeen AB10 7QG, Scotland, UK
e-mail: l.j.mabon@rgu.ac.uk

S. Vertigans, S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-319-35083-7_12

12.1 Introduction

New technological developments such as information technology, genetic modification and energy infrastructure designed to fight climate change are extremely complex, operate over large timeframes and spatial scales, and have the potential to have profound impacts on people's lives. As a result, scientists and 'experts' may be unable to give unequivocal answers as to what the effects of a 'worst-case scenario' occurring might be, and there may be debate or contestation over the precise nature of the risks themselves. Under such circumstances, how might CSR practice respond to the wide range of potential risks at play—and, more specifically, how might operators' risk governance strategies affect their ability to attain a 'social licence to operate' for new and potentially risky developments?

This chapter assesses these questions through two case studies from the energy sphere: (a) carbon dioxide capture and storage (CCS) trials and proposals in primarily Scotland, and (b) the aftermath of the Fukushima Dai'ichi nuclear accident in Japan. This gives an example of perceived potential for a 'worst-case scenario' (in the case of CCS) and an actual 'worst-case scenario' (in the case of the Fukushima accident). From comparison of the two case studies, it is argued that treating risks and uncertainties in a way likely to be commensurate with the granting of a social licence to operate involves being honest about the limitations of current knowledge, taking seriously public and stakeholder concerns which are grounded in different interpretations of uncertainties and risks, and paying attention to how the institution taking or managing the risk is perceived as well as the risk itself. It is also suggested that the spatial and temporal complexity of environmental issues raises questions for CSR and social licence thinking about how an affected 'community' is defined.

12.2 Risk, Uncertainty and Modern Technology

12.2.1 Risk and Society

The idea that risks do not exist objectively, but rather are perceived by humans, is not new. The psychometric paradigm of Slovic (1987) among others posits that phenomena with a high 'dread' risk and potential to have effects for a large number of people should something go wrong are likely to be perceived as more risky. Thinkers such as Douglas (1992) and Wynne (1992a) advocate more cultural models of risk, where individuals' perceptions of risk vary according to their values and world views. If nothing else, then, a responsible approach to governing risk for an organisation needs to consider not only the technical aspects of risk management, but also how the stakeholders and communities with which a developer must interact is likely to view these risks and how this may affect their perception of the development in question.

It is also important to note the term ‘risk’ may actually encompass a range of differing concepts. Wynne (1992b) makes a distinction between risk, uncertainty, indeterminacy and ignorance depending on how much is known about system behaviour and properties. Riesch (2012) expands this into five-level typography of risk. Pellizzoni (2003) argues contemporary environmental issues are characterized by ‘radical uncertainty’, whereby experts may hold varying views and be trusted to different extents by different citizens, leading to the emergence of potentially intractable conflicts. Such complexity means it is highly likely that the nature of the ‘risk’ at stake will vary from case to case, and that the different actors involved in any issue are likely to have a different conceptualization of what can be known and how. In turn, it is possible a range of different ideas will be at play of what an ‘acceptable’ level of risk is and what it means to act ‘responsibly’ with regard to risks.

12.2.2 Governance Challenges Raised by New Technology

There has been considerable reflection on the challenges for governance raised by new and emerging technologies. Referring to information and communications technology (ICT) and nanotechnology, Lavelle et al. (2011) suggest that what makes newer technologies challenging is their profound implications for people’s sense of identity and being, uncertainty of extent of effects across space and time, and the fact they are potentially irreversible. These issues have been elaborated for genetically modified foods (Rogers-Hayden et al. 2007) and ICT (Rainey and Goujon 2011), however many of the concerns are equally applicable to energy and environment. Means of energy production can dramatically alter how people live their lives in terms of when electricity is available and at what cost; may have potentially irreversible effects through resource depletion, pollution or (in the case of nuclear power) putting people at risk of exposure to long-term contamination; and may have uncertain implications across space and time with regard to the extent to which carbon dioxide (CO_2) emissions contribute to climate change.

In response to such complexities, there has been much reflection on how governments, developers and operators may manage the deployment of new technologies in a responsible manner. It is worth noting the concepts of ethical governance (Rainey and Goujon 2011) and responsible innovation (von Schomberg 2011; Stilgoe et al. 2013), which have emerged largely from science and technology studies as means of considering how to govern technologies where there is notable uncertainty and considerable value and emotional investment. However, of perhaps more direct relevance to CSR thinking is the role of governing risks and uncertainties in relation to the attainment of a social licence to operate (SLO), defined by Rooney et al. (2014: 209) as “an informal agreement that is granted by communities and relevant stakeholder to an organization or industry working in the local area.” Gunningham et al. (2004) suggest an SLO governs the extent a corporation is constrained to meet societal expectations and avoid actions deemed unacceptable, whether or not they are embodied in law. Bearing in mind the potential for different perspectives to emerge on what an 'acceptable' level of risk is, might it therefore be the case that the granting of an SLO depends on whether an operator is *perceived* to be managing risks and uncertainties in an appropriate manner, regardless of the legal obligations and/or actual techno-scientific understanding of the risk?

This chapter assesses this question by considering how risk governance might feed into thinking around SLOs and CSR more widely, focusing in on two energy-related examples. The first is a case of *potential* risk for society from energy, coming from proposals for sub-seabed CO_2 storage (the 'storage' part of the CCS 'chain' delineated in Sect. 12.3.1) in Scotland. The second is an example of *actual* risk to society from energy infrastructure, namely marine radioactive contamination after the Fukushima Dai'ichi nuclear disaster. Both of these case studies focus on risks and uncertainties associated with water, the sea and coastal communities—this serves to narrow down the field of study to allow suitable comparison within the confines of a chapter, and also magnifies the issues of uncertainty through the additional constraints the flows and movements of water place on what can be known and how.

12.2.3 A Note on Data and Methodology

Rather than presenting new data *per se*, this chapter is largely a synthesis of extant literature pertaining to the relevant case studies. Nevertheless, this review work is where appropriate supported by observations from empirical research carried out by the author, and this is indicated at the relevant points in the text. Specifically, Sect. 12.3 on sub-seabed CO_2 storage in Scotland is based on a synthesis of peer-reviewed research and wider policy, media and non-governmental organization reporting into the potential risks of sub-seabed CO_2 storage. The observations arising from this review are supplemented by evidence from qualitative research the author has been undertaking since 2011 into the social dimensions of sub-seabed CO_2 storage in both Scotland and northern Japan (interviews and discussion groups with stakeholders and informed citizens, ethnographic observation at CO_2 storage-related public information events), with references at appropriate points to the relevant peer-reviewed publications which report these findings in more depth than is possible in a review chapter of this nature. Section 12.4 on marine radioactive contamination in Fukushima is similarly based on a review of extant scholarly literature into the effects of the disaster on seas and coasts, which in turn is supported by observations from qualitative interview-, focus group- and ethnographic data collected with fishing communities (fishers, fisheries researchers and administrators, local politicians and academics) in Fukushima Prefecture over summer 2014 and 2015. For a fuller overview of the data collection process for Fukushima fisheries, the reader is directed to Mabon and Kawabe (2015).

12.3 Case Study 1: Sub-seabed Carbon Dioxide Storage in Scotland

12.3.1 What Is CCS?

Carbon dioxide capture and storage (CCS) is a climate change mitigation technology. It involves trapping CO_2 emissions from coal- or gas-burning power stations or industrial sources such as steel and cement works, transporting this CO_2 by pipeline or ship, and injecting it into geological formations deep underground. The justification is to avert potentially dangerous climate change and ocean acidification by preventing CO_2 produced during fossil fuel-based electricity generation or industrial processes from entering the atmosphere.

CCS is at the trial and early demonstration phase, with the first integrated project opening at Boundary Dam in Canada in early 2015. There are also proposals for integrated projects in the UK and Netherlands among others, and numerous demonstrations of parts of the CCS 'chain' (capture, transport and storage) in operation globally. In addition, CO_2 has been injected into underground geological formations for several decades, albeit as part of ongoing oil and gas extraction operations. Proponents argue that given the significance of coal- and gas-fired power stations in the global electricity mix and the relative immaturity of renewable energy technologies, CCS is the only realistic low-carbon baseload electricity supply (apart from nuclear power), and that for processes such as metal production it is the only method of decarbonisation.

Some early attempts to deploy CCS with storage of CO_2 into onshore formations—for example at Barendrecht in the Netherlands (Feenstra et al. 2010)—met opposition from publics and stakeholders, which in the case of Barendrecht contributed to the outright cancellation of the project. Since then, in Europe at least there has been a preference for offshore (i.e. sub-seabed) storage sites, with operators and governments often believing offshore storage sites will lead to fewer issues of public and stakeholder opposition due to their greater distance from centres of population (Mabon et al. 2014).

12.3.2 What Are the Perceived Risks Around Offshore CCS?

The issue of perceived risks associated with offshore CCS received wider attention in late 2013, when *Nature* ran an article with a headline claiming that unexpected fractures on the floor of the North Sea could ultimately provide pathways for sequestered CO_2 to escape the geological structures it was stored in (Monastersky 2013). Researchers working within the CCS field moved quickly to argue there was little evidence of CO_2 actually having reached the surface, and that in any case the environmental impacts of any leak of sequestered CO_2 were relatively well understood and limited in nature (Scott et al. 2014). The influential NGO Greenpeace picked up on this exchange, using it to suggest the probability of leakage of CO_2 from sub-seabed storage sites and express concern over the way in which such risks were downplayed by “researchers devoted to the promise of CCS” (Greenpeace 2015: 20).

There is thus debate—albeit perhaps ideologically motivated—over the likelihood of CO_2 sequestered underneath the seabed as part of CCS processes leaking over time. A key concern raised by interviewed offshore stakeholders relates to potential impacts on the marine environment from leakage—with fishing organisations understandably concerned about any effect on fish stocks (Mabon et al. 2014) and environmental NGOs keen to ensure the risks to marine biodiversity are limited (Mabon and Shackley 2015). In short, whilst the risk of leakage from sub-seabed CCS is not immediately to human health, it is seen as having the potential to affect practices integral to humans’ livelihoods (e.g. fishing) and also to have the potential to put at risk marine animals culturally meaningful to humans. It is worth noting, however, that scientific research to date suggests that whilst leakage of carbon dioxide from sub-seabed storage sites would have effects on marine ecosystems, these would likely be localised and limited in extent (Blackford et al. 2014).

Additional risks perceived to arise from CO_2 storage include induced seismicity—that is, injecting CO_2 into the earth’s crust may increase pressure, causing or bringing forward in time earthquakes. Again, there is a range of perspectives on the extent to which CO_2 injection as part of CCS processes may or may not cause earthquakes (e.g. Zoback and Goerlick 2012; Haszeldine 2012). There are also questions around the long-term fate of ‘stored’ CO_2—that is, what may happen over geological timescales of thousands of years. Additionally, socio-cultural ‘risks’ may be perceived as arising from sub-seabed CO_2 and CCS more generally, with some publics and stakeholders participating in focus groups in Scotland suggesting that utilising injected CO_2 in enhanced oil recovery processes to extract additional oil could divert attention away from the need to transition to renewable energy sources (Mabon and Littlecott 2015).

12.3.3 How Have Operators Dealt with These Perceived Risks and Uncertainties?

A key response to concerns over the security of sub-seabed storage sites has been research into monitoring of CO_2 storage, developing strategies and technologies to monitor the movement of sequestered CO_2 rather than claiming that leakage will *never* happen. Indeed, the UK-based QICS (Quantifying and Monitoring Potential Ecosystem Impacts of Geological Carbon Storage) project starts from the very premise of what would happen *if* there was for whatever reason a leak from a sub-seabed CO_2 storage site. In 2013 QICS researchers carried out a controlled experiment in which they released CO_2 into a bay in west Scotland over a 37-day period, using this real-world experiment to both understand the effects of a CO_2

release on the marine environment and also trial monitoring equipment that could be utilised on commercial-scale CCS projects to detect and monitor leakage (Blackford et al. 2014). In terms of risk governance, generally positive responses from interviewed community members and stakeholders (Mabon et al. 2015a) suggests the value of research like the QICS project lies in asking 'what if' questions—rather than providing blanket assurances of safety, which may be met with scepticism if not outright hostility (Howell et al. 2014), demonstrating to society that adequate monitoring and remediation procedures are in place *should* an unexpected event for whatever reason be discovered.

Likewise, the Tomakomai CCS demonstration project in northern Japan (Tanaka et al. 2014) places heavy emphasis on the monitoring of seismic activity under the seabed. As discussed in Sect. 12.4, following the 2011 Great East Japan earthquake and tsunami and subsequent Fukushima nuclear disaster there has been considerable awareness in Japan of the possible links between seismic activity, energy and risk. To this end, similar to the starting principle of the QICS project outlined above, interviewed Tomakomai site operators discussed at length the monitoring procedures they have implemented to monitor seismicity whilst CO_2 is being injected. Their aim appears to be to allay any public or stakeholder concerns about risks arising from seismic activity close to CO_2 sites by demonstrating that monitoring is being taken seriously—in other words, whilst the operators appear confident that there will not be any untoward events arising from carbon dioxide in Tomakomai, emphasis is placed on the presence of monitoring equipment so that action can be taken right away *should* any unexpected events occur.

Related to these more technical aspects of trust-building is the perception of the organisations responsible for implementing commercial CO_2 storage. In the North Sea at least, CO_2 is likely to be injected into depleted oil and gas reservoirs, with storage therefore probably overseen by the same companies responsible for extracting oil and gas from these reservoirs in the first instance. A long history of largely safe and environmentally sound operation means there are good relationships between the companies likely to be undertaking carbon dioxide storage in the North Sea (i.e. oil and gas companies) and other environmental stakeholders such as fishers (Mabon et al. 2014). Likewise, the generally positive public support for the QICS experiment in west Scotland may be explained through the history of the operating institution—the Scottish Association for Marine Science—carrying out research responsibly and safely in the local coastal and marine environment (Mabon et al. 2015a). In other words, in addition to physical monitoring procedures, a history of operating in the environment in a manner perceived to be safe and competent by local stakeholders and communities may go a long way to creating the conditions for a social licence to operate when it comes to storing carbon dioxide under Scotland's seas. However, I return to this issue of trust and perception in more depth in Sect. 12.5.

12.4 Case Study 2: Marine Radioactive Contamination in Fukushima, Japan

12.4.1 What Happened?

A powerful earthquake off the north-east coast of Japan on 11 March 2011 triggered a tsunami reaching up to 40 m in height and stretching as far as 10 km inland (National Geophysical Data Center 2012). More than 15,000 people were killed, and over 2000 remain missing. The earthquake and tsunami also triggered the disaster at the Fukushima Dai'ichi nuclear power plant (FDNPP), where cooling systems for the plant's reactors were taken offline by the earthquake and tsunami, leading to overheating, hydrogen explosions and large releases of radiation (Wakeford 2011). The resulting radioactive contamination meant around 120,000 people had to be evacuated from their homes in Fukushima Prefecture, many of whom are still unable to return because of high radioactivity more than 4 years later.

Particularly significant given this chapter's focus on marine pollution is the fact that 78–80 % of radionuclides emitted from FDNPP were released over the western north Pacific Ocean (Yoshida and Kanda 2012). Buesseler et al. (2011) called the disaster the largest-ever accidental release of radioactive material into a marine environment, with leaks from the plant—which adjoins the Pacific Ocean—of highly contaminated water immediately after the accident and subsequent leaks of less contaminated water (Bailly du Bois et al. 2014). Leakage from FDNPP into the sea continues to be of concern over 4 years after the accident—water is still required to keep the plant's damaged reactors cool, and once this water has been used it remains highly radioactive and must be stored in tanks on site. In spring 2015 leakage of highly contaminated water was detected in two different places on the FDNPP site, leading local fisheries cooperatives to claim that trust in the plant operator Tokyo Electric Power Company (TEPCO) had collapsed (Kyodo News 2015).

The magnitude of radioactive releases into the sea resulted in the stoppage of all coastal fisheries in Fukushima Prefecture after the accident—in 2012, more than 40 % of sampled fish were reported to exceed the Japanese maximum level of radioactive caesium (Buesseler 2012). Efforts to understand the precise extent and nature of marine radioactive contamination in Fukushima continue, and although offshore fishing for cod and pacific saury resumed in late 2012 commercial coastal fishing—of great economic and cultural significance to the coastal regions of Fukushima Prefecture—is still subject to very tight restriction. Whilst the objective here—moving towards the restart of commercial fisheries—is perhaps a little different to the extractive industry contexts in which the SLO literature has developed (e.g. Prno and Slocombe 2012), the underlying point about building community trust in marine operations involving an element of risk induced by industrial operations nonetheless has clear parallels to the sub-seabed CO_2 storage case outlined in Sect. 12.3.

12.4.2 What Are the Perceived Risks?

The clearest perceived risk from marine radioactive contamination is the effect on human health if highly contaminated marine produce is consumed. As above, more than 40 % of sampled fish in 2012 exceeded the Japanese regulatory threshold for radioactive caesium (Buesseler 2012), resulting in the restriction of coastal fisheries off Fukushima Prefecture. Although levels of measured caesium are declining over time (e.g. see Fisheries Agency of Japan 2015) and the fishing restrictions and associated monitoring and screening procedures are widely agreed to be effective in preventing highly contaminated produce from reaching the market, much more open to debate are the cumulative effects of exposure to lower levels of radioactivity across different pathways (Morris-Suzuki 2014). Indeed, both Buesseler (2012) and Kawazoe et al. (2014) suggest a certain level of anxiety remains around marine produce from Fukushima Prefecture and whether or not it can be considered 'safe' to eat.

Adding to this are the challenges of monitoring and measuring in a marine environment. The extent and nature of marine contamination post-disaster varies greatly across space (Vives i Batlle et al. 2012). Flows of water—and in particular the radioactive particles it may carry—across regional and national boundaries presents challenges for demarcating the extent and nature of contamination—for instance, in spring 2015 contamination from the Fukushima accident was detected by scientists from the University of British Colombia on the shoreline of western Canada (Fukushima InFORM 2015). Although this contamination is not at a level harmful to humans, it nonetheless illustrates how ocean-borne pollution may spread across regional or even national boundaries, and may be carried for several years. Interviewed fisheries managers acknowledged difficulties in tracing the movements of fish themselves and thus the exposure of individual fish to radiation (Mabon and Kawabe 2015), admitting this brought additional complexity to attempts to monitor radioactivity—and thus make decisions about how to manage risks—in a marine environment compared to land-based produce.

In short, the fluidity of a marine environment places limits on what exactly can be known and the extent to which the safety of marine produce can be claimed. This section now looks at how different organisations have attempted to govern such risks, uncertainties and indeterminacies.

12.4.3 What Steps Have Been Taken to Deal with Risks and Uncertainties?

Given the complexities associated with understanding movement and distribution of radioactivity in a marine environment, the governance of Fukushima fisheries post-disaster has proceeded on a rather precautionary basis. Following the disaster and fisheries control measures, Fukushima Prefecture's fisheries division commenced 'emergency monitoring' of radioactivity in fish stocks—so called because such a release of radioactive material had never been imagined. Fishers are involved in emergency monitoring, using their boats and equipment to catch fish which are then assessed for radioactivity by the prefectural (i.e. local government) fisheries research station. If radioactive caesium is not detected in species for several months of emergency monitoring, fish species may be release for trial fisheries operations (Wada et al. 2013). The aim of these trial fisheries in Fukushima is to catch fish in which radioactive caesium has not recently been detected, and to monitor their acceptance by markets (Fisheries Agency of Japan 2015). As of autumn 2015, 68 different species of fish had been released in this way (*ibid.*), with further species released for trial operations over time based on emergency monitoring results.

Alongside the incremental governance of post-disaster Fukushima fisheries is a drive to build consumer trust through transparency of not only monitoring and screening results, but also processes. Results of emergency monitoring are uploaded weekly to a publicly viewable website (Fukushima Prefecture 2015), and the screening process for trial fisheries is similarly explained online (Fukushima Federation of Fisheries Cooperative Associations 2015). As observed during ethnographic fieldwork, screening of landed trial fisheries catches is carried out in a prefabricated hut on the quayside at a main fish market, hence the radiation screening is conducted ‘on site’ in a visible location. Effort is also made to engender trust in those conducting the monitoring and those who will be benefitting from decisions taken as a result, for instance placing emphasis on fishers as ‘local citizens’ integrated within the community (Miseruka Iwaki City 2014). Rather than attempting to convince citizens and stakeholders that fish are safe, the provision of monitoring and screening results and explanation of processes is intended to allow consumers to reach their own informed decision on whether or not to consume Fukushima fish (Mabon and Kawabe 2015).

The results of this approach have, however, been mixed. Katsukawa (2012) explains it is difficult for consumers to know who to trust for information on radioactivity and fish, with particular concern over claims made by the national government due to perception that conflicting information was provided in the immediate aftermath of the accident. Fisheries cooperative managers and local government scientists interviewed both suggested a divide is emerging in Fukushima between those satisfied with the results of monitoring and screening and willing to eat local fish, and those—for instance parents with young children—who remain risk averse in spite of the information provided (Mabon and Kawabe 2015). This illustrates very well the embeddedness of personal values and world views in risk perception as outlined in Sect. 12.2 and brings to the fore the role of monitoring by non-governmental or community organisations who are perceived as having nothing to gain or lose from the monitoring results and may thus be seen as more trustworthy. Access to specialized equipment and expertise required to monitor radioactivity can make it challenging for ‘independent’ groups to provide data of this nature, however in the case of Fukushima marine radiation, citizen-led groups such as the Iwaki UmiLabo (2015) provide a potential alternative source of data that research participants suggested was generally trustworthy.

12.5 Discussion: Responsible Governance of Risks?

I now consider what lessons can be drawn about the responsible governance of risks from the two case studies outlined above, and what the implications of this for how risk governance feeds into a social licence to operate. To do this, I look at three issues in turn across both case studies—honesty about limitations of current knowledge, perception of the motivations of the institution taking the risk, and respect for differing public and stakeholder interpretations of risks and uncertainties.

First is the importance of honesty about limitations of current knowledge, and also evidencing steps taken to attempt to overcome these limitations and showing awareness to the possibility of unexpected events occurring. In their framework for 'responsible innovation', Stilgoe et al. (2013) stress the importance—among other things—of anticipation and responsiveness. What is meant by this is the need for developers to ask 'what if' questions (e.g. considering what is likely, what is possible, what is known), and being responsive to new knowledge (and also new values and perspectives) as it emerges. Socially 'responsible' governance of things like new energy technologies thus necessitates acknowledgement not only of where uncertainties or unknowns remain, but also consideration on the part of developers of how these uncertainties can be kept in check and responded to.

There is evidence of such practice in both case studies. For CCS, experiments like the QICS project could be seen as building anticipatory capability by asking 'what if' questions—starting not from the question of whether stored CO_2 *could* leak, but rather what would happen to a marine ecosystem if CO_2 *did* leak from a storage site. Likewise, the emphasis on monitoring seismic activity at the Tomakomai demonstration in Japan illustrates that the relationship between CO_2 storage and seismic activity is being taken seriously, with monitoring that allows any untoward events to be detected and responded to immediately. The case of Fukushima fisheries further demonstrates that publics and stakeholders understand the complexities of natural systems and can live with uncertainty (Katsukawa 2012), and also that acknowledgement of current gaps and further monitoring needs may prove more effective than claims to outright safety of food (as discussed by Kimura and Katano (2014) in the context of Fukushima agricultural produce). The incremental approach adopted by local government fisheries managers and fisheries cooperatives, in which ongoing monitoring is used to improve understanding of the radiation situation and both results and monitoring/screening processes are made visible, likewise demonstrates the value of action based on ongoing monitoring.

On the other hand, the hostility Howell et al. (2014) observed when a CCS 'expert' explained to members of the public that stored CO_2 would never leak, and the cautious reaction of Greenpeace (2015) to claims by CCS researchers that CO_2 was 'securely stored' under the North Sea demonstrates that blanket assurances of safety are unlikely to be convincing. Katsukawa (2012) is similarly critical of marine produce radiation monitoring that shows only results and not monitoring processes, and fisheries cooperatives have expressed scepticism over monitoring data provided by TEPCO when the process through which such data is collected is not clear (Mabon and Kawabe 2015). Responsible management of risks, therefore, thus entails not only demonstrating competence (Gough and Boucher 2013) in understanding system properties and ability to monitor, but also honesty about where the limitations to such competence lie and how these limitations are being addressed. Returning to Gunningham et al. (2004) and the significance of societal expectations over legal requirements in the granting of an SLO, it may thus be the case that rather than merely stating they 'meet the legal standards' for technical risk assessment and monitoring, in order to obtain an SLO operators' risk governance strategies need to take into account the full scope of factors communities and stakeholders themselves consider as 'risks' and demonstrate greater transparency as to the limitations of their knowledge and associated contingency plans.

Second is perception of the organisation taking the risk—in particular what the motivation is for taking the risk, and who benefits. Issues that could arise here include whether the institution or individual is competent in both understanding the risks and acknowledging the limitations of their knowledge (as discussed above), whether the organization is viewed as trustworthy, and whether the values of the organization match up to one's own values or world view. What comes across strongly in the two case studies here is the significance of what the person or body taking the risk stands to gain as a result—in particular whether there is purely financial gain at stake, or whether wider benefits to society may arise.

In the case of CO_2 storage, the successful implementation of the experimental phase of the QICS project may be related to perception of the Scottish Association for Marine Science—who oversaw the experiment—as a government-funded research institution generating scientific data of benefit to wider society (Mabon et al. 2015a). Duetschke (2010) draws a similar observation for the onshore CO_2 Sink project in Ketzin in Germany, suggesting the perception of the operator as a research institution who did not stand to gain financially from the project may explain the relative lack of public and stakeholder opposition. For both projects, the benefit was perceived to be greater understanding of the implementation of a technology that could ultimately mitigate climate change and therefore benefit society as a whole—the trials were seen as 'science' projects rather than commercial ventures. However, this raises the question—as yet unanswered—of how a full-scale CCS project being run for commercial benefit would be perceived, when the motivation is business rather than generation of scientific data.

The situation with Fukushima fisheries may not be as clear-cut, but the question of motivation does arise. The ultimate aim of fisheries cooperatives post-disaster is clearly going to be to restart fisheries and be able to sell fish on a large scale, but at the same time fishers—and the local government researchers responsible for carrying out monitoring—may be seen as being 'citizens' with a personal stake in the responsible restart of fisheries (Mabon and Kawabe 2015). Although local government fisheries managers and Fukushima fisheries cooperatives do want to see the restart of commercial fisheries, they too live in the area, consume marine produce and interact with other citizens, and hence have a vested interest in ensuring fisheries are restarted in a manner that does not put them or their families at risk.

Contrast this to assurances of safety or ‘recovery’ made by the national-level government, which may be met with scepticism as they are seen as representing the government’s motivation to reduce compensation payments (Asanuma-Brice 2014) or create the conditions for facilitating wider reactor restarts (Perrow 2013).

Responsible governance of risks thus necessitates reflection on what the motive for taking the risk actually is—or, more precisely, how an organisation’s motive for involvement in a potentially risky venture may be *perceived* by wider society. For instance, Melzer (2012) suggests that government support for early CO_2 storage-related trials could be interpreted as subsidization of large oil and gas companies. Perhaps it may be the case, then, that to manage risk ‘responsibly’ is to reflect more widely on why the risk is being taken, and to what end. This issue of perception by wider society has implications for thinking on SLOs as well. Whilst Prno and Slocombe (2012) do acknowledge that society as a whole may grant developers an SLO, much of their discussion focuses on how an SLO relates to a local community. The examples of CCS and Fukushima fisheries both show how ‘localised’ environmental issues can come to the attention of society much more widely, and also that due to the complexity of environments a much wider population may be affected over space and time than those living in the immediate vicinity of a project. Given the risks associated with new energy infrastructure (and associated issues of climate change) may stretch far across space and time, and thus that potentially a much larger ‘community’ may be exposed to risk, there may thus be a need to reconceptualise who has the right to grant an operator an SLO in addition to the immediate local community.

Third and final is the importance of respect for public and stakeholder concerns arising from different understandings of risk or uncertainty. Arvai (2014) argues that in practice, risk communication is often viewed not as a dialogic process, but as a one way transfer from experts to lay people, a means of educating people about risk assessments or ‘correcting’ misconceptions about risk to align lay perceptions with expertly-assessed severity. Responsible governance of risks may thus entail taking seriously the different perceptions of risk or uncertainty in any given situation, and in particular recognizing that what appear to be ‘irrational’ viewpoints may in fact be legitimate concerns arising from how someone’s values or world view have led them to interpret a risk or uncertainty.

For instance, the CCS community has expended considerable energy over the last decade considering how to best communicate CCS in order to engender public acceptance. Within this, there is a strong focus on communicating the underpinning science behind CCS, in particular trying to avoid or correct publics’ misunderstandings of the technology (e.g. NETL 2009). The implication seems to be that if citizens’ misunderstandings are avoided or corrected, then they will see that risks from the technology are minimal and will subsequently ‘accept’ CCS projects (Mabon et al. 2015b). However, research has also shown that publics and stakeholder opinions of CCS are not driven by perception of techno-scientific risk alone, but by a much wider range of factors including trust in the operator (Terwel et al. 2012), the ethical propriety of CCS (Gough and Boucher 2013) and even whether coal- and gas-fired electricity generation ought to be part of the energy mix

(Mabon and Shackley 2015). A narrow focus on technical accuracy and correction of misunderstandings may therefore overlook the role that people's bigger ideas about how society ought to function play in driving their views on CCS.

Similarly, the phrase 'harmful rumours' (*fuhyo higai* in Japanese) is often utilized to explain the effects of the nuclear accident on Fukushima Prefecture, its people and produce (e.g. Wada et al. 2013; Kawazoe et al. 2014). By contrast, discussions with local government scientists involved in the restart of fisheries (Mabon and Kawabe 2015) suggest that publics can be very aware of the scientific underpinnings of radioactivity assessment and monitoring, yet may choose not to consume Fukushima fish for wider ethical reasons such as not exposing children to risk (however small that may be). In this case, again the issue is not that consumers necessarily 'misunderstand' the risk, rather that for reasons grounded in values they choose not to pursue a particular course of action.

In both cases, respect for the range of interpretations of risk on the table is important, as is respect for the decisions people may come to once they have weighed up the information presented to them. Rooney et al. (2014) make exactly this point about the negotiation of an SLO, arguing that it is not simply a matter of technical and scientific knowledge but more to do with values-based political and social conflicts. Nevertheless, saying that different understandings of risk are grounded in different value positions is not the same as saying 'anything goes' when it comes to determining whether or not an operator's risk governance gives them an SLO. Rather, it is about acknowledging that people evaluate techno-scientific risks in relation to their wider life contexts, and thus may have legitimate concerns grounded in the way their values or world view have led them to understand and interpret a risk.

As a final point of discussion, it is worth noting the challenges these complex and value-laden case studies raise for risk governance in CSR. Just as Sunstein (2005) problematizes the 'precautionary principle' (that if a risk of harm to people is suspected, the burden of proof falls on demonstrating harm will not occur), the examples of sub-seabed CO_2 storage in Scotland and marine radioactivity in Japan hint at the shortcomings of precautionary approaches to risk management when we are dealing with issues of energy and climate change. The geological timescales over which CO_2 storage will take place and the complexity of flows of water and the animals and particles within it mean that in both these cases, uncertainty is an inherent component and so outright proof may be difficult. Further, for CO_2 storage at least there is also the argument that *not* undertaking storage may ultimately prove to be more harmful if it leads to dangerous unabated climate change. It may thus be the case that a more nuanced approach to managing risks is required, for instance a CSR strategy that takes a 'responsible' approach to risk. It is what this may look like in practice that I conclude this chapter with.

12.6 Conclusions: Recommendations for Practice

To bring the chapter to a conclusion, based on the lengthy discussion in Sect. 12.5 I leave three key recommendations for CSR practice that take into account the social dimensions of risk in a way likely to be commensurate with the granting of a social licence to operate:

- blanket assurances from an operator of safety or ‘no risk’ are likely to be met with skepticism or even outright hostility. Honest responses to unknowns may be of more value in creating the conditions for projects to progress, in particular explanations of how these uncertainties or unknowns are being monitored and what contingency plans are in place in case of a ‘worst-case’ scenario—however implausible that may seem;
- take seriously, and give respect to, citizen or stakeholder concerns about risk that may appear irrational or excessively emotional. Such concerns may arise from people’s personal values or relate to communities’ feelings about who has the right to make decisions about energy and infrastructure in the environment in which they live. Focusing on correcting misunderstandings about techno-scientific risk may be of limited value if wider issues are at stake;
- manage expectations through clarity about what options are actually on the table, and what participation in discussion on risk can realistically hope to achieve. For instance, consumers may be able to ‘opt out’ of buying fish caught in waters perceived as contaminated, but they may be less capable of opting out of sub-seabed carbon dioxide storage in the waters adjacent to where they live.

Above all else, decision-makers and developers perhaps ought to remain open to the possibility that in some cases, truly ‘responsible’ management of risk and uncertainty may mean on some occasions *not* proceeding with the project if stakeholders and communities are not in sufficient agreement about the acceptability of the risk. Given the connectivity between ‘localised’ disputes and a company’s reputation in wider society, it may come to pass that choosing not to proceed with a project under certain social circumstances may ultimately aid an operator in gaining a social licence to operate for another project at another location in future if it demonstrates the developer’s ability to show sensitivity to local context and be willing to respond to concerns. Indeed, in light of the potential for irreversible effects stretching far into the future—and the profound implications for people living today—that come with complex modern technologies, CSR scholars may need to consider if there are conditions under which a properly responsible course of action means not proceeding at full speed—or at all.

Acknowledgements Section 12.3 synthesises findings from empirical research conducted as part of the European Union FP7 ECO_2 and SiteChar projects, and from observations made of the NERC-funded QICS project. Sections 12.3 and 12.4 also draw in part on ideas developed and data collected during a Japan Foundation Fellowship. I am grateful to all participants in my research past and present for their insights, which have helped to shape the ideas in this chapter.

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Chapter 13
The Link Between CSR and Sustainable Development in a Global Economy

Serpil Kahraman Akdoğu

Abstract In recent years, corporate social responsibility has become a major focus of interest not only for business management but also for economics. Corporate social responsibility indicates a duty to work for social benefit since 1970s. Corporations are voluntarily integrating sustainable development concerns into their operations and their interactions with stakeholders. This paper aims to explore the link to the concept of sustainable development and corporate social responsibility from an economic perspective. In theoretical literature, CSR discourse emerged as a reaction for sustainable development. Recently, growing perception that corporations can contribute to sustainable development by promoting social responsibility that include consumer interests. The adoption of CSR initiatives has a significant impact on the sustainable development as core business strategies.

13.1 Introduction

Over the last decades, discussion about the link between corporate social responsibility (CSR) and sustainable development (SD) has come to the forefront of economic concerns. This leads to an unspecified discussion in economics and business administration. CSR is basically a concept of voluntary business activities whereby corporations integrate social concerns. Companies which espouse CSR are keen to help in a move towards sustainability. There is a general acknowledgement that the corporations have ethical obligations toward sustainable development. Thus, a corporation needs to behave responsibly for two main reasons: self-interests and ethical reasons within that society (Fadun 2014).

The involvement of social objective by corporations is not as new as the term "corporate social responsibility" suggests. There is a long history associated with the evolution of the concept of CSR as far back as 1950s. Therefore, the topic became widely discussed among academics and business world since 1970s.

S. Kahraman Akdoğu (✉)
Department of Economics, Yasar University, Izmir, Turkey
e-mail: serpil.kahraman@yasar.edu.tr

S. Vertigans, S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-319-35083-7_13

Although CSR thought mostly in developed countries and many well-developed socially responsible projects are operated by Multinational Corporations (MNCs) (Carroll 1999).

A major debate in business perspective has centred on whether corporations should be concerned primarily with the interests of shareholders or whether they should consider social interests. Principally, corporations are profit making entities but there are also issues to consider in addressing the needs of society. In this point of view, corporations undertake socially responsible actions only if it is efficient and profitable (Moir 2001). Companies should have economic responsibilities first, but the key point is that CSR is not an anti-profit activity. Although it must be borne in mind that business need to integrate their economic impacts of their activities on society when strategising.

Until 1960s, development was considered as a phase of the economic growth (Hopkins 2007). In general, while economic growth is an increase in aggregate output level, economic development is the actions of policy makers to improve standard of living (Feldman et al. 2015). The term sustainable development is rooted in three pillars: economy, society, and environment. Sustainable development can also be gained in the form of the corporate social responsibility agenda. Several major initiatives have formed over the past two decades to expand the scale of corporate involvement in sustainable development. Regarding to the literature, it can be seen that a consensus on the interaction between CSR and sustainable development has not been achieved yet.

The aim of the study is to provide a coherent framework for the sustainable development analysis of CSR. This chapter contributes to the literature on corporate social responsibility in two ways. First and relatedly investigates the role of corporate social responsibility on sustainable development. Second, it contributes to debate about the corporate social responsibility through an economic perspective. The focus to understand CSR as an economic phenomenon began by asking which development channels with CSR may lead to improve total welfare. The chapter also addresses another broader question: under what conditions might be forced for corporations to adopt practices that benefit society other than customers.

A key contribution of this chapter is to understand CSR as an economic phenomenon. The chapter is organized as follows. After the introduction section, the second section provides conceptual framework in order to emphasis of meaning. The second chapter, then highlights the link between corporate social responsibility and sustainable development while the issues arising from CSR activities in international economy, and the key actors of CSR are given in the following section. In the fifth section, different economic perspectives are explained accross theoretical framework. Finally, the last section concludes the chapter with a discussion of implications for future research.

13.2 Conceptual Framework

Both CSR and sustainable development are internally complex concepts. There is no widely accepted definition of the term corporate social responsibility. The broadest definition of CSR is given by Archie B. Carroll (1979) as "the social responsibility of business emposses the economic, legal, ethical and discretionary expectations that a society has of organizations at a given point in time." While the definition of CSR may vary across international organizations. World Bank (WB) defines CSR as the "commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve quality of lifes, in ways that are both good for business and good for development" (World Bank Institute 2003). Hence the fundamental idea of CSR is that businesses have an obligation to contribute the needs of society.

In the early literature, the concept of CSR was referred to social responsibility. The modern debate on corporate social responsibility began with an exchange of views between Professor Merrick Dodd and Professor Adolf Berle on the extent to which the corporation should be used to refer to an economic identity or a social identity (Williams 2002). Williams (2002) suggests that an entity depends upon the relationship between shareholder and stakeholder, thus, the corporation is an economic entity and social entity, a private sector and public sector.

The potential role of CSR in economies raises the prior question of what development refers to. The term sustainable development addresses the implications of wide range of social, ethical and environmental impacts. The critique is development focuses on people rather than production. The theoretical framework for sustainable development rooted in 1972, The United Nation (UN) Conference on the Human Environment (Drexhage and Murphy 2010). Most commonly, sustainable development is defined as "development that meets the needs of current generations without compromising the ability of future generations to meet their own needs" (WCED 1987). This definition contains two key words: "needs", in particular needs of human and "ability" refers in detail the resource ability or limitation to meet the needs (Ebner and Baumgartner 2006). After the World Commission on Environment and Development (WCED) published a report entitled "Our Common Future", in 1987, the term sustainability first gained widespread acceptance. As noted above, sustainable development generally refers improving the quality of human life.

13.3 The Link Between Corporate Social Responsibility and Sustainable Development

CSR as an interdisciplinary context is related to several theoretical approaches. Most business decisions involve development issues. Sustainable development may enhance the understanding of how CSR activities might affect market structure, competition, externalities, and economic welfare. It is also important for strategic purposes of corporations. In the early 1950s, socially responsible behavior of a firm was limited to market performance, then shifted to corporate involvement in solving social problems (Ismail 2009). The link between CSR and sustainable development is well described by Frederick (1994) as “the capacity of a corporation to respond to social pressures” which he calls CSR_2 or corporate social responsiveness.

CSR as an economic phenomenon began to question, whether firms have social responsibility. The academic debate on CSR in economics began with M. Friedman’s famous paper “The Social Responsibility of Business is to Increase Its Business”, in the New York Times Magazine, 1970. Friedman (1970) argued that the only responsibility of firms was profit maximization as the classical economy. Later then, neoclassical economists began to argue that whether firms should consider externalities, public p and social issues. The focal point is also the mechanism of how public preferences can translate into CSR. Since then, in recent years increasing number of development economists have studied economic implications of corporate social responsibility (CSR) including Becker (1993), Bowles (1998), Stiglitz (2002), and Baron (2008).

Increasing interest in CSR not only to make firms more socially responsible but also to assist them in contribution to sustainable development. On the other side, the role of CSR as a minor firm strategy can be seen in good market and labour market. First, in the labour market, companies declare their socially responsible values to encourage employees, then this signalling affect a worker’s labor supply decision at a point in time (Michael 2003). In short, top skilled workforce want to work for firms contributing social well-being. Instead of skilled workforce, CSR also relates to participation of workers in management, lifelong learning, equal opportunities and other employment related issues (COM 2002). The positive impact may also arise on employees’ attitudes and productivity in work place (Acar Erdura and Kara 2014). It can be said that CSR as a “social production” was claimed to lead misallocation of production factors (Michael 2003).

Because of the shrinking role of government on regulation to deliver social and environmental issues in micro economy, economists suggest that firms should act in a socially responsible manner for a more efficient resource allocation. There is also growing interest of customers, suppliers, investors, NGOs and civil society. Society would like companies to contribute voluntarily act in a socially and environmentally responsible manner (Kitzmueller and Shimshack 2010). The main question then arises is to how business can contribute to sustainable development. Another problematic is that the tension of balancing different values and expectations of economic, legal and social responsibilities. So that corporations give varying emphasis to the CSR practices; socially responsible goods and services, employee satisfaction and social involvement (Moon 2007). Carroll (1991) assumes that CSR includes four components: economic, legal, ethical and philanthropic. Firm is the main economic agent, hence economic components (responsibilities) of CSR are at the centre.

From another point of view, socially responsible actions may lead to achieve "utility maximization" rather than only profit maximization (Johnson 1971). However, corporations do not want to be a first mover of CSR that they may face higher cost due to uncertainty. If the cost cannot be compensated by higher consumer level or price level, firm may lose competitive ability (Bazillier and Vauday 2014). More specifically, competitive advantage is achieved by firms is rooted in capabilities to develop lower cost products. In this framework, profit maximization, maximization of earnings per share, strong competitive power, and high level of operational efficiency must be forced into focus (Carroll 1991). According to Swift and Zadek (2002), the dimensions of CSR which include these components can be listed as below:

- Human rights,
- Working conditions,
- Equality and diversity,
- Consumer protection,
- Environment and health impacts,
- Economic development,
- Ethical business practices,
- Political impact.

It is assumed that society expects from businesses to perform that improve the welfare of society (Acar Erdura and Kara 2014). According to Frynas (2005) there are four key motives for companies to engage in social development projects; improving competitive advantage, maintaining a stable working condition, managing external perceptions and keeping employees satisfaction. If companies were to succeed in socially responsible behaviour this will lead to positive impact on both the macro economy and micro-economy (COM 2002).

Hopkins (2007) argues aspects of developments can be characterized into three types of activity levels: charitable donations, development inside the corporation by generating goods and services for developing countries or investing in a developing country which may directly affect the profit level and finally activities involved in sustainable development, mainly anti-poverty objectives. It is widely accepted that sustainable development is rooted in three pillars: economic development, social equity and environmental protection (Drexhage and Murphy 2010; Tang 2012; Kolk and Tulder 2010). These three pillars are called as the term "triple bottom line" (TBL): profit, people and planet by John Elkington in 1994 (Elkington 2004). The TBL refers three pillars of performance: economic value, social value and ecological value in the measurement of the impact of socially responsible activities

(Idowu and Filho 2008). In this framework World Bank Institute (2003) classified CSR activities mainly as below:

Economic:
- Monetary flows to the public sector,
- Employment and human resource development,
- Procurement and supply chain management,
- Efficiency and competitiveness,
- Technology transfer and intellectual property rights.

Social:
- Labour standards,
- Human amenities, health and safety,
- Social Investment,
- Human Rights,
- Violence and conflict,
- Corruption and bribery,
- Non-Commercial community and stakeholder engagement.

Environment:
- Energy, water and air quality,
- Waste minimizing,
- Environmentally safe production, products and services,
- Environmental impact assessment and management
- Environmental reporting and management systems.

Companies operating in different sectors, address different sustainability issues. In response to negative impacts of some industries such as heavy industries or more pollution intensive industries on the environment, they have been the leading players in CSR initiatives. On the otherside, these sectors have been subjected to social and market pressures to do something about the environment and community (Frynas 2005). Furthermore, more strictly regulated firms or firms subject to closer public policy monitoring and advocasy give greater importance to CSR more than others (Brown et al. 2006).

Many consultants recommend that companies that may threat to the environment or harmful, for instance defense, nuclear, tobacco, gambling, alcohol or sex industries are more likely to participate for "giving back" to the society (Brown et al. 2006; Ludescher and Mahsud 2010). The management stakeholder theory emphasizes that as a part of optimal firm strategy shareholders prefer to act socially or environmentally CSR activities rather than increasing bonus payments or direct donations. On the other hand, shareholder preferences translate into voluntarily acts relevant to profit maximization. Thus, shareholder value maximization may drive CSR. Another approach can be seen in the "team-production model" which views that owner of production factors and managers have responsibilities to solve the moral hazard problem (Meese 2002). These models assume that moral hazard problems may reduce shareholder profits, and principal-agent problems can be costly. Altman (1999) indicates that there is a positive relation between environmental performance and financial performance. Results show that firms in "environmentally unfriendly" industries may under heavy public pressure to participate in CSR (Brown et al. 2006).

The overall skills and the capacity of the business sector will also be critical to meeting more effective sustainable ways. CSR is now being added to management responsibilities varies according to firm specific factors such as marketing, human resources and public relations (Moon 2007). Moreover, stakeholder, industry and country play a critical role in this regard (Kolk and Tulder 2010). The corporate social responsibility issues in the light manufacturing industries such as textile, toys are more likely to concern labor related issues including workplace safety and security, child labor issues, gender inequality in workplace and labor rights. On the other hand, heavier manufacturing industries primarily concern environmental issues (Williams 2002).

In economic context, economic, social and environmental issues are part of sustainable development objectives. According to classical theory, public goods are largely characterized by social and environmental externalities. Moreover, classical public economics states that public goods or externalities should be based on public preferences. First of all, firms produce a public good or an externality to contribute to maximize profits as a primarily goal. More specifically, in the economic literature, the Environmental Kuznets Curve (EKC) hypothesis supports this view. This inverted u-shape curve hypothesized relationship between economic development and various indicators of environmental degradation (Stern 2003). Arora and Gangopadhyay (1995) indicate that consumers are willing to pay a price premium for corporate environmental responsibility. Further, stakeholders and investors often take account of ethical and environmental firm performance. Government policies and political concern such as global warming require addressing environmental protection. Today most of the CSR activities that encourage development mainly focus on environmental issues measures rather than different parts of sustainable development paradigm. Multi-sectoral international cooperation must adopt a broader strategy to solve this problem.

There is also evidence that signal of CSR stem from the behaviour and preference of individual consumer. Advocates of CSR, expecting companies to fill the objectives of the government by generating products for public welfare (Ludescher and Mahsud 2010). Governments as an only authority that could legislate, have responsibility in creating a more sustainable environment. So that, governments have shown an increasing interest in CSR. As the significant financial involvement of firms in sustainable development, governments impose tax reduction and subsidies to encourage firms to engage in CSR activities (Albareta et al. 2008). Governments should start to consider development policies more seriously than ever before (Table 13.1).

It is concluded that CSR is business and society collaboration which identifies sustainable economic development objectives that companies are encouraged to achieve. The link between business, society and government as a topic of

Table 13.1 Possible government regulations and public policies regarding CSR

Mandating	Facilitating		Partnering	Endorsing
Command-control legislations	Enabling legislation	Funding support	Combining resources	Political support
Regulators and inspectorates	Creative intensiveness	Raising awareness	Stakeholder engagement	Publicity
Legal and fiscal penalties and rewards	Capacity building	Stimulating markets	Dialogue	Praise

Source: World Bank Institute (2003). Public Policy for Corporate Social Responsibility

theoretical literature may be traced back to the post world war-II era (Moir 2001). The empirical studies indicate that impacts of CSR activities on economic development are dependent on firm characteristics, organisational structure and internal decision making mechanism. Therefore, the sustainable development depends upon responsible business enterprises. In today's world, business world play a crucial role on development of world economies than ever before.

13.4 Issues Arising from CSR Activities in a Global Economy: Drivers of CSR

By the early 1970s, with the modern form of the corporation, mandatory regulation of corporate activities became an international issue (Jenkins 2005). The debate on this issue has been dominated by the developing world. The 1972 "UN Conference on the Human Environment" brought both developed and developing countries together for a better environment. Clearly, CSR projects are more complicated sustainable projects than charitable donations or direct grants.

Economists suggest that CSR as a corporate expenditure refers static cost of a firm. Porter (1991) emphasizes that environmental issues increases cost level which may lead to decrease power of competition under perfect information. From another perspective, Rowley (1997), Reinhardt et al. (2008), McWilliams and Siegel (2001) indicate that CSR is clearly influenced by the internal factors of a firm. Authors also emphasize the role of "theory of the firm" relationships. In the long-run, firms that adopt more CSR activities raise prices, and reduce total cost which may help to achieve expected profit level. Baron (2008) analyzes the causal relationship between social expenditure and profit incentives of managers. He refers that CSR is motivated by profit maximization goal of a firm. Further, capital intensity is also positively associated with voluntarily actions (Fig. 13.1).

Nowadays, socially beneficial investments help to improve reputation, and sales volume for the expected profit level. Thus, in the long run CSR actions accelerate development level and social welfare. In sum, variety of factors including managerial incentive, employment agreements, firm performance, organizational identity and structure may also affect CSR engagement (Reinhardt et al. 2008). In sum,

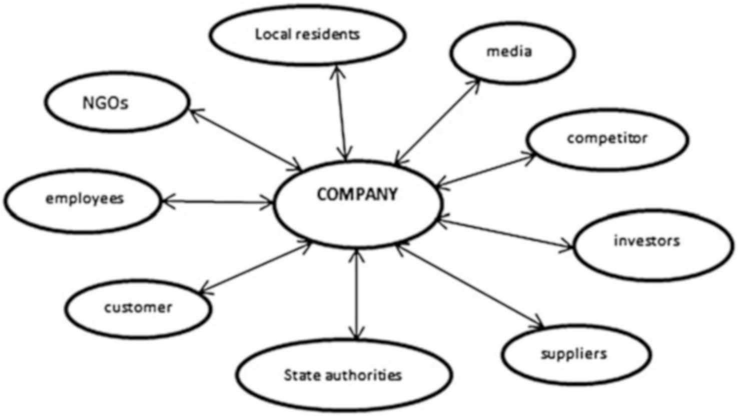

Fig. 13.1 Companies' interaction with various stakeholders. *Source*: Husser et al. (2012). CSR and Sustainable Development: Are the Concepts Compatible?

profit maximizing firms engaging in a socially or environmentally responsible manner have always positive price effect. Evidence suggests that some investors may also be motivated to invest a stock issued by socially responsible firms. In this case, firms might be forced to adopt more CSR practices. Moreover, stakeholders give greater importance to CSR in promoting development objectives. These stakeholders either internal (investors, employees, customers and suppliers) or external (media, state authorities, local residents, media and NGOs) integrate company's socially responsible decision making and operating mechanisms (Husser et al. 2012). Freeman (1984) defines stakeholder as "any group or individual that can affect or be affected by the realisation of a company's objectives". However, not only above mentioned institutions but also governments, development agencies, intermediary organisations, multi stake-holder organisations, academia, media and other civil-society organizations need to be socially responsible (Albareta et al. 2008; Ludescher and Mahsud 2010). All institutions associated with all individuals should be aware of how they contribute to human well-being. Thus, CSR can only be developed and implemented at global level through other economic agents, business associations and organizations.

It is well-accepted among economists that the rise of CSR can be rooted in international economics. Achieving sustainable development through CSR, international organizations play a key role in providing assistance and supervising activities in many countries. In this chapter, key drivers of CSR; multinational corporations (MNCs), non-governmental organizations (NGOs), international organizations and policy makers will be examined. Since the globalization has accelerated considerably around mid-1980s, international economic organizations have begun to examine social responsibility from a more global perspective. In the 1990s, the discourse about the developmental aspects of CSR became increasingly prominent into the international economics literature, the international issues arising from CSR activities have quickly become part of international economy.

13.4.1 International Organizations

Because of growing gaps between the rich and the poor and other profound changes in world system address sustainable development issues not only in firms but also in international organizations. In a globalised world, sustainable development can only be achieved through cooperation with leading global economic agents. Nowadays CSR is being advocated by international policy makers as an alternative way to sustainable development. The debate on this issue has been dominated by the northern (the Anglo-Saxon and the European) perspectives, and social responsibility moves one step further by emphasizing international institutions. International organizations such as The World Bank (WB), The United Nations (UN), Organization of Economic Cooperation and Development (OECD), European Union (EU) have the most prominent position and take a much more positive view of the sustainable development impacts of CSR. International organizations have also proposed international agreements relating to developmental issues include the UN Global Compact, OECD Guidelines for Multinational Enterprises, International Labour Organization (ILO) International Labour Standards (Herrmann 2004).

United Nations (UN) reports show that sustainable development is an outstanding issue. By the launched of the UN Millennium Development Goals (MDGs), the UN's major initiative, social dimensions of development such as poverty and hunger, child mortality, primary education, health, gender equality, environmental sustainability and a wide range of other activities became more important than economic growth (Hopkins 2007). The MDGs pointed out how sustainable development has been influenced by countries.

The UN leaders agreed on the common principles of sustainable development at the UN Conference on Environment and Development (UNCED) in 1992. The first is equity and fairness principle which focuses on poverty and rights. The second is precautionary principle tends to prevent environment. Finally, the last principle that the UN members set out, emphasizes the importance of economy, society and environment in sustainable development (Drexhage and Murphy 2010).

The UN has also proposed "The Principles for Responsible Investment" as a guideline for social responsibility projects (Tang 2012). There three primary set of principles that the UN's Global Compact invites businesses to support human rights, labour standards, anti-corruption and the environment (Hopkins 2007; OECD 2005). Since 1966, the United Nations Development Programme (UNDP) is the UN's global development network which coordinates international effort to achieve development goals. The UNDP have been promoting the development activities of private sector under the UN Global Compact. Today, environment principles and practices have taken more attention in negotiations and these principles have been integrated into the structure of many international institutions.

The World Bank (WB) is another main development arm of the UN system. The World Bank actively promotes socially responsible promotes through its institutions and Corporate Social Responsibility Practice which advises governments on ways to promoting corporate responsibility (Jenkins 2005). As a development agency, The World Bank Group also offers advisory services and organizes meetings, workshops and seminars in a variety of CSR related areas.

The Commision of the European Communities-COM (2002) has released maybe the most notable work on a European CSR action framework to integrate CSR into EU policies. In early 2000s, CSR became the strategic goal of "European Union Strategy for Sustainable Development", by the Lisbon Summit of March 2000. Later then the Lisbon Summit in 2010 showed that the EU level CSR development, based on European values. The Lisbon Strategy identifies seven unsustainable issues that need to be addressed. These strategies are climate change and clean energy, sustainable transport, sustainable production and consumption, sustainable management of natural resources, public health, social inclusion, and global poverty (European Parliament 2010). After the Lisbon Summit, in June 2001, The European Commission declared Green Paper entitled "Promoting a European Framework for Corporate Social Responsibility" to promote further CSR projects (Herrmann 2004). White papers provide an overview of the government policies and strategies for sustainable value creation. The Green Paper and White Paper put corporate social responsibility on the EU agenda (OECD 2009).

The EU proposed the role of European institutions, member countries, producer and consumer associations, sector representatives, social partners and other related agencies including from third countries to promote CSR. The European Commission has set up a "Multi-Stakeholder Forum on CSR" with the aim of exchanging knowledge among the key actors from market representatives of all member states. The Forum identified the contribution of socially responsible activities to sustainable development focusing on developing countries. Furthermore, the European Commission has published a discussion paper, "Corporate Social Responsibility: A Business Contribution to Sustainable Development" to establish European network to consider social and environmental issues (COM 2002). EU perspective is that corporations benefit from being socially responsible to build long-term success in a responsible manner. No doubt, as the increasing fragility of economies, integrating CSR into sustainable development process is vital for the future of Europe.

13.4.2 The Role of Non-governmental Organizations (NGOs)

NGOs became more effective in managing and identifying projects associated with social and environmental issues. Many NGOs also provide consultancy service to develop more responsive organisational culture to reduce inequality (Swift and Zadek 2002). There are also non-profit NGOs tend to engage in programmes mainly focus on CSR and a wide range of business issues. Examples include Business for Social Responsibility (BSR), The World Business Council for Sustainable Development (WBCSD), Equator Principles, Global Reporting Initiative and Extractive Industries Transparency Initiative (Drexhage and Murphy 2010). On the other side, profit NGOs such as The European Business Network for Corporate Social

Responsibility (CSR Europe), Oxfam International, Friends of the Earth and The Corporate Citizenship Company (CCC) offers consultancy services to manage corporations' social responsibility activities by focusing on market mechanism (Michael 2003; Drexhage and Murphy 2010). NGOs as a representative of civil society have a stronger role of CSR motivations.

13.4.3 Multinational Corporations—MNCs

The concept of CSR covers all size of corporations, but the majority of debates tend to focus on Multinational Corporations (MNCs). As global non-state actors, MNCs play a key role in ensuring sustainable development. These global business institutions have the broadest impact on the market mechanism, in both home and host countries. The increase the impact of the socially responsible MNCs' activities supports poverty reduction by generating income and jobs. Indeed, globalization is a structural phenomenon which creates sustainable development pressures in multinational corporations. MNCs have taken a dominant position in society and many of them are involved in development in some way.

The fact that CSR as a special form of investment today has been largely driven by MNCs. These companies are leveraging their capacity to corporate social responsibility programmes. Generally, because of the international framework, multinational corporations are faced limited official regulation that may give competitive advantage to CSR. Another problematic is that the laws governing MNCs are often weak. Because the legal system may allow the corporations to increase profit level from investments in socially responsible projects (Reinhardt et al. 2008). Moon (2007) argues the negative relationship between economic activity and environment mainly in developing or less-developed countries cause of the economies of scale, larger firms are more likely to adopt sustainable development. Furthermore, the economies of many countries are smaller than the annual revenues of the largest MNCs. On the other hand, MNCs are maybe the most efficient resource transformers, thus they have ability to create business-oriented solutions toward sustainable development.

13.5 Economic Perspectives on CSR

Corporate social responsibility (CSR) has come to the forefront of economic concerns with the rise of the New Economy that are characterized by knowledge, cutting-edge technology and rapid growth (Herrmann 2004). The debate in economics began with the question of whether or not firms have additional voluntarily social or moral responsibilities to commit resources to social interest. Although, whether CSR is legal obligation or voluntarily action address conflicts in some countries (Prieto-Carron et al. 2006). At this point, another question may eventually arise whether CSR is a way for companies to economic benefit themselves or benefit for societies (Prieto-Carron et al. 2006). There are various approaches about the interaction between CSR and sustainable development.

According to economic theory, the main function of a company is profit maximization through producing goods and services that society demands. Theoretically, CSR is a cost parameter. Nowadays economists assume that CSR is the contribution of private sector organizations to sustainable development goals on a voluntary basis. Economists pay more attention when CSR comes to endogenous preferences of economic agents. CSR can be dubbed as a (corporate) public good that does not always affect consumers directly but play an active role of social and public preferences. Most of the economic literature suggests that the socially responsible consumers, on average, are willing to pay price premium for socially responsible and environmentally friendly products. However, when consumers purchase product related to social identity such as wrist watches, they consider self-interest, and pay little attention to CSR information (Kim et al. 2014). At the same time corporations' social behaviour influenced consuming decisions. Additionally, empirical studies noted that people would like corporations to contribute to organizational values as a socially responsible person (Turker 2009). A limited number of econometric studies find that companies that produce final consumer goods are substantially more likely to adopt voluntary programs (Kitzmueller and Shimshack 2010). Economists note that even if the consumers imperfectly observe and indicate CSR messages result in information asymmetry, CSR influences consumers' demand by giving a signal of product attributes (Kitzmueller and Shimshack 2010). As described above, it is important but difficult to demonstrate whether firms can increase profits or sales volume in the social interest.

In theoretical literature focusing on CSR's role in sustainable development, neoclassical school of thought appears to be emerging. None of the economists address the issue more than Friedman. More recently, Milton Friedman (2002) well-known neoclassical economist, CSR is a fundamentally known doctrine in a free society and "In a free economy there is one and only one social responsibility of business to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game." In Friedman's view, the social reasonability of business begins and ends with increasing profits (Hopkins 2007). Simply say that development is none of its business. Consequently, CSR is a way of benefiting the company's profitability. In his view, the only responsibility of firms is profit maximization in a free market, so that any socially responsible voluntarily action cannot be expected. In short, he noted that socially responsible firm contributes in production, employment and innovation (Friedman 2002). Therefore, neoclassical theory cannot ignore any factor if it directly affects aggregate demand and profit maximization. Beyond this, investing in the socially responsible projects gives competitive advantage to a company when it is in the firm's interest (Moon 2007).

In his earlier article, entitled "The Social Responsibility of Business is to Increase Its Profits" he summarized his view that the debate of social responsibility is directed at corporation but that does not mean business has responsibilities cause only people have responsibilities (Friedman 1970). This point of view has been critiqued by Paul Samuelson, another distinguished economist, stating that " a large corporation these days not only may engage in social responsibility, it had damn well better try to do so" (Samuelson 1971).

The neoclassical school of thought ignores the role of market incentives in promoting corporate responsibility, and consumer demand caused by CSR (Michael 2003). Conversely, corporate resources to projects can be regarded irrational because of conflict of interests. For instance The World Bank advocates the neoclassical policies and emphasize that CSR is rational behaviour which may lead to accelerate aggregate demand. In fact, a firm should identify its consumers' demands and expectations to increase market share. However, empirical evidence on this debate is inconclusive.

There are also other plausible explanations of CSR. Classical school of thought claims that profit maximization should be the main concern of business. Classical school of economics asserts the "self-interest" approach focuses on the individual economic agent itself. In this point of view, socially responsible activities increase cost of the firm, hence decrease profit level, and therefore worsen total welfare (Acar Erdura and Kara 2014). Conversely, other theories argue that firms have some obligations and responsibilities towards economic development.

Indeed, both classical school of thought and socialist theory indicate the need for firms to take social objectives into account. From a business perspective, high financial performer companies would be expected to engage in socially responsible activities. These activities among corporations, in a global context include; managing risks, reputation, improving efficient resource allocation, encouraging innovation and knowledge, and building good stake-holder relationship with economic agents and society (Herrmann 2004). The financial approach suggests that a key motive for the adoption of CSR is tax deduction (Jamali and Mirshak 2007). All of these lead to long-term success for the corporation. Although from an economic perspective, economic performance, "profit maximizing" determines the amount of CSR action (Morrison-Paul and Siegel 2006). In this view, economic performance is basically based on efficiency, technical capacity and productivity contributed overall productivity growth of a firm. Therefore, economic theory does not support that the CSR is an answer of what businessman owed to society as advocated by Davis (1967). For the limited number of economist, corporations that don't practice social responsibility would be made known by an invisible hand of market mechanism. Even the economic agents most loudly advocating the concept of CSR. Yet, as the above analysis indicates that the concept of CSR though an economic lens and the rules of the game remain vague.

13.6 Conclusion

Researchers indicate that corporate social responsibility has become a mainstream business activity in both broad disciplines. Socially responsible projects by corporations have a long history in developed countries. Over the last few decades, considerable attention has been given to the potential impacts of socially responsible business activities on development due to pressing global problems such as global warming, human rights violation, poverty and hunger. The perception of sustainable development remains fundamentally an environmental issue.

There are limited number of empirical economic literature related to CSR explores the interaction between corporate social performance and development concept. Indeed, the international organisations also play a key role in promoting CSR activities in recent years. As argued in the study, the adoption of CSR by corporations, offer different ways of achieving sustainable development. As pointed out above, it is more useful to consider the specific channels in which the CSR activities can affect sustainable development.

In economic theory, mainly neoclassical school of thought emphasizes the role of CSR. A key point within science economics is that CSR is not necessarily activity for the firms and should not be expected beyond market forces. In sum, a positive correlation emerges between CSR and financial performance of the corporation. It is clear that the corporate motivation is necessary to invest into voluntarily social objectives. Many factors combine together to affect the corporations who make decisions about engaging in CSR.

Today many firms have viewed great emphasis on sustainability as an opportunity. Several major initiatives have formed over the past two decades to expand the scale of their involvement in sustainable development. Only internationally competitive corporations are better able to make a long-term contribution towards sustainable development by generating society's' needs.

The conclusion considers possible contribution of CSR as a vehicle for sustainable development. Indeed, CSR has a strong tradition in Europe than in other parts of the world. Culture of CSR. Corporations have always been the engines for sustainable development with corporate social responsibility. Yet the goal of sustainable development goal is widely accepted, but the world still needs more awareness and broader involvement.

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Index

S. Vertigans, S.O. Idowu (eds.), *Corporate Social Responsibility*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-319-35083-7